

**Restaurant Quality and Customer Loyalty of Japanese  
restaurants in Hong Kong: The Role of Customer  
Satisfaction and Customer Perceived Value**

HKTDC

## 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

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**

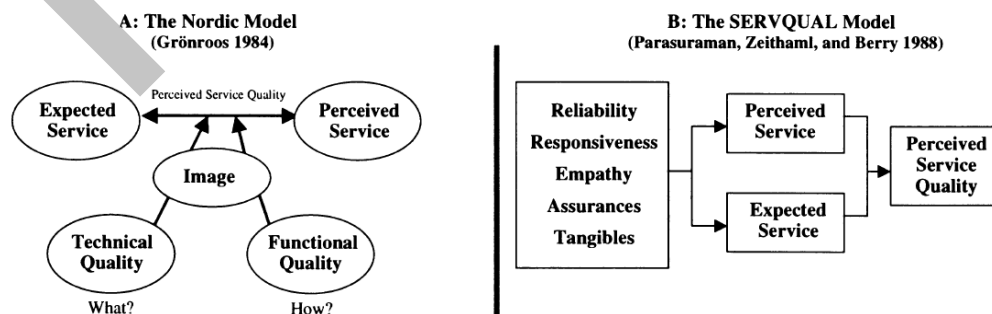
The American's SERVQUAL model is based on Parasuraman et al. (1988) and finalized in Parasuraman et al. (1994) and Zeithaml et al. (1996a). "Perceived service quality" is referred to as the customer's assessment of the difference between anticipated and perceived services in the American's SERVQUAL model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

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).

(1988)'s framework. The personal service quality represents "empathy," "assurance," "dependability," and "responsiveness" in the framework.

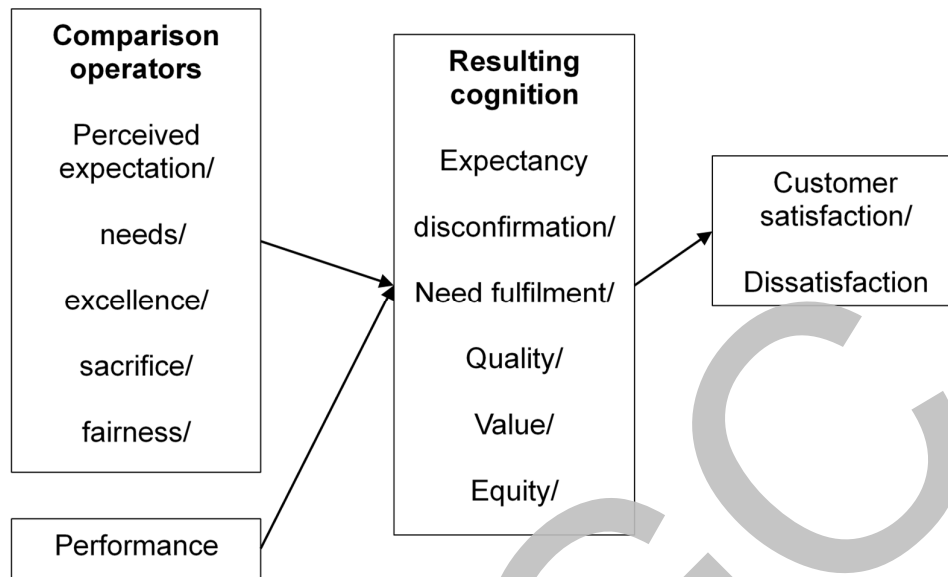
Following the attempt, as discussed in Oliver (2010), Ryu and Han (2010) analysed service quality in restaurants using a three-component model. They included food quality, service quality, and physical atmosphere quality. Food is the service product or results in the sense of a restaurant. Customer satisfaction in restaurants is influenced by the quality of the service offering (i.e., food quality), the service distribution process (i.e., service quality), and the physical atmosphere (i.e., service environment quality). In this analysis, service quality refers to the level of contact with service personnel or the mechanism by which services are delivered.

### **2.1.3. "Perceived Service Quality" by service personnel in Restaurants**

According to Parasuraman et al. (1994), SERVQUAL is a general method in defining and measuring "perceived service quality." They advocate for researchers to make suitable adaptations for their study contexts. Following the introduction of the SERVQUAL instrument, researchers developed several variations of service quality instruments, including the ECOSERV for eco-tourism industry (Khan, 2003), the LODGSERV for lodging industry (Stevens et al., 1995), the RESERV for real estate brokerage services (Nelson and Nelson, 1995) and the TEAMQUAL for team sports (Sutton et al., 1997).

According to Albrecht and Zemke (1985), service quality is essential in determining a restaurant's competitive strategy. Since launching the SERVQUAL tool, researchers used it to test the service level of restaurants (Bojanic and Rosen, 1994, Heung and Cheng, 2000). The studies demonstrate that the SERVQUAL instrument is accurate at measuring restaurant patrons' perceptions of service quality. However, the SERVQUAL instrument is a common mechanism that cannot solve the dining

Figure 2-6 Approaches of comprehending customer satisfaction or dissatisfaction



Source: Oliver (2015).

There are many methods of comprehending customer satisfaction from Table 2-2. They encompass the expectancy disconfirmation and need fulfilment approaches, quality approach, equity approach, and value approach. Because of the three dimensions in describing restaurant quality, the researcher adopts the quality approach in this study. Despite differences in the approaches, customer satisfaction analysis compares the comparison operators with the resulting cognition (Oliver, 2015).

### 2.2.2. Transaction-specific Customer Satisfaction and Overall Customer Satisfaction

As previously mentioned, consumer satisfaction is a favourable affective or emotional condition that derives from a customer's assessment of their consumption experience, primarily dependent on over- and under-fulfilment (Oliver, 2015). There are additional methods for evaluating or judging the experience of customer consumption, such as the disconfirmation approach and the expectation approach (Hunt, 1991). Additionally, theorists distinguished customer satisfaction based on the

Zeithaml, 1988). The following parts discuss different models of customer-perceived worth, the variables that influence interpretation, and their contribution to customer satisfaction and service quality.

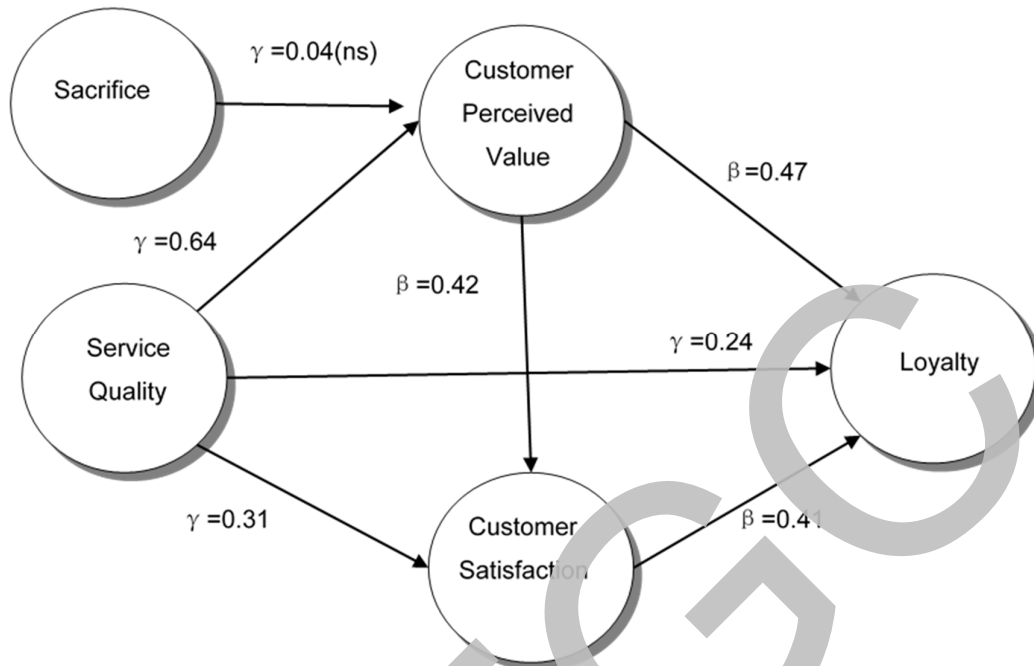
### **2.3.1. The Meaning of Customer Perceived Value**

Customer value is a term that relates to a customer's overall estimation of the utility of a good or service. The importance of a service is measured by how the recipient perceives the receipt and deals made during the service experience (Zeithaml, 1988). Zeithaml (1988) applies to the components that are provided as "give" components and the components that are obtained as "get" components. Thus, consumer perceived value can be described as the difference between the "give" and "gain" components. Customers forego monetary expenses in exchange for premium service, meaning that consumer perceived worth is a trade-off between quality and the price of goods/services (Schiffman et al., 2008).

The strategy based on "value for money" considers the "give" component as money sacrifice and the "get" component as the quality that consumers get from a goods/service (Arslanagic-Kalajdzic and Zabkar, 2017). It is oversimplified since consumers make other sacrifices to get a service. Non-monetary sacrifices should be included in the "give" component as well. Time and resources expended in looking for and comparing the services needed often factor into customers' perceptions of sacrifice, either directly or indirectly (Arslanagic-Kalajdzic and Zabkar, 2017).

Dodds et al. (1991) developed the concept of customer perceived value. It asserts that the perception of price impacts perceived quality and perceived sacrifice (both monetary and non-monetary) (Figure 2-3). Perception of price plays a part in deciding the perceived quality and perceived sacrifice in this model. There is a widespread perception that price and cost are strongly linked. As the price rises, quality is viewed as having higher supremacy, and as the price declines, quality is perceived

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



## Chapter 4: Research Findings

There are a total of 264 samples of Hong Kong consumers surveyed in this research study. They were surveyed from the Google Form platform. In the analysis, their responses were converted into numerical codes for statistical analysis. All results were analyzed using IBM SPSS 26.0 software.

### 4.1. Major Research Findings

To provide clarity to the structure of this research report, this section shall frontload the research findings. Since the dependent variable of this study is customer loyalty, all results are reported as their effect size on it.

As to be shown in Figure 4-1 and Table 4-12, food quality has an indirect effect on customer loyalty with a  $\beta$  of .405 through the mediation of both customer perceived value and customer satisfaction. Second, employee quality has an indirect effect on customer loyalty with a  $\beta$  of .198 through the mediation of mainly customer perceived value. Third, environment quality has a direct effect on customer loyalty with a  $\beta$  of .203.

As for another two variables, customer perceived value and customer satisfaction, customer perceived value has both indirect effect and direct effect to customer loyalty with a  $\beta$  of .233 and a  $\beta$  of .249. Customer satisfaction has a direct effect on customer loyalty with a  $\beta$  of .494.

### 4.2. Demographic Characteristics

There are five demographic variables to be analysed. They are gender, age, monthly income, occupation, and education. The following sections offer a description for each variable.

Table 4-2 Cronbach's Alpha Internal Consistency Reliability Measurements

Scale/sub-scale	No. of item	Alpha Coefficient
Service Quality in Restaurants (RSQ)	27	.98
- Food Quality (FQ)	7	.94
- Service Quality (SQ)	9	.95
- Environmental Quality (EQ)	5	.90
Customer Perceived Value (CPV)	4	.93
Customer Satisfaction (CS)	4	.96
Customer loyalty (CL)	5	.96

Source: The Survey's Data.

#### 4.4. Confirmatory Factor Analysis

Confirmatory factor analysis is used to reduce the number of variables in a dataset to a manageable number (or components). Four multi-item assessment scales were used in this analysis to assess customer loyalty, customer satisfaction, service quality, and customer perceived value. When only one factor is derived, confirmatory factor analysis will decide if the measurement scale tests the same factor or multiple underlying factors.

Three factors were derived from the 27 products, implying three service quality dimensions in Japanese restaurants in Hong Kong (Table 4.3). The first aspect is "food quality," the second is "employee quality," and the third is "environmental quality."

Table 4-3 Confirmatory Factor Analysis for Service Quality

Factor / Item Description	Factor Loading	Explained Variance
<b>Factor 1: Food Quality</b>		
SQ11 serves the correct food you ordered	.69	
SQ22 has a wide variety of food offered on the menu	.75	
SQ23 offers delicious foods	.73	
SQ24 uses a fresh ingredient	.70	.27
SQ25 offers food of high quality	.80	
SQ26 offers the foods that are my favorite	.65	
SQ27 makes foods in a hygienic environment in kitchens	.81	
<b>Factor 2: Service Quality</b>		
SQ08 offers foods at the promised time	.67	
SQ09 corrects things that are incorrect rapidly.	.78	
SQ13 offers quick and prompt service.	.71	.27
SQ14 have endeavored to process my requests.	.69	
SQ16 offer comfortability and confidence in the	.61	

#### 4.6.2. Customer Satisfaction

The findings of three regression models with customer loyalty as the dependent variable are summarized in Table 4.8. Model 1 demonstrates that service quality has a significant impact on customer loyalty. The beneficial influence was powerful and influential. The effect size was 0.889, which was statistically significant at the 0.001 level. It said that consumers were more pleased than expected a higher standard of service in Japanese restaurants in Hong Kong. Hypothesis 2 (H2) notes that service quality has a favourable effect on consumer loyalty. Model 1 in Table 4.6.2 presented evidence to support this theory (=0.889, p0.001). As a result, H1b was approved.

Table 4-8 Regression Analysis using CS as the Dependent Variable

	Model 1		Model 2		Model 3	
	Beta	t	Beta	t	Beta	t
Service Quality in Restaurants (RSQ)	0.90	22.14***				
Food Quality (FQ)			0.58	8.77***	0.36	5.74***
Service Quality (SQ)			0.31	4.83***	0.11	1.90
Environmental Quality (EQ)			0.08	1.20	0.06	1.07
Customer Perceived Value (CPV)					0.47	7.53***
R <sup>2</sup>	0.79		0.81		0.87	

Dependent Variable = Customer Satisfaction (CS)

\* p < 0.05; \*\* p < 0.01; \*\*\* p < 0.001

In Table 4.8, the second model illustrates the influence of three service dimensions on customer satisfaction. Food quality has a beneficial effect of 0.58. The difference was statistically crucial at the 0.001 level. It indicated that consumers were more pleased as they expected a higher standard of food. Employee efficiency had a positive effect of 0.31. The difference was statistically significant at the 0.001 level. It meant that as consumers experienced a higher level of employee quality, they were more pleased. The impact of environmental quality, on the other hand, was not significant. It meant that consumers could not be more pleased even though they expected a higher degree of environmental quality.

Another three regression models are seen in Table 4.10, this time with customer loyalty as the dependent variable. According to model 4, customer perceived satisfaction may have a direct impact on customer loyalty. Consumer satisfaction, as shown by Model 5, could have a significant effect on customer loyalty. When service quality, customer perceived value, and customer loyalty are used as independent variables in the regression study, the impact of the three service quality metrics and customer perceived value are minimized. Food quality had a decreased impact from 0.21 to 0.03. The effect of service quality decreased from 0.10 to 0.05. Environmental quality had a decreasing impact, from 0.23 to 0.20. Customer perceived value had a reduced impact from 0.48 to 0.25. Customer satisfaction partly mediates the effect of customer perceived worth on customer loyalty, according to research hypothesis 6 (H6). The results showed that consumer satisfaction mediated a portion of the impact of customer perceived worth on customer loyalty. It implies that while customer perceived value indirectly influences customer loyalty through customer satisfaction, it also directly influences customer loyalty. As a result, H4, H5, H6, and H7 were accepted.

Table 4-10 Regression Analysis Using CL as Dependent Variable

	Model 4		Model 5		Model 6	
	Beta	t	Beta	t	Beta	t
Service Quality in Restaurants (RSQ)						
Food Quality (FQ)					0.03	0.432
Service Quality (SQ)					0.05	0.929
Environmental Quality (EQ)					0.20	4.39***
Customer Perceived Value (CPV)	0.89	22.69***	0.31	4.53***	0.25	3.83***
Customer Satisfaction (CS)			0.66	9.66***	0.49	6.47***
R <sup>2</sup>	0.80		0.88		0.90	

Dependent Variable = Customer Loyalty (CL)

\* p < 0.05; \*\* p < 0.01; \*\*\* p < 0.001