

CHAPTER 2

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents an extensive review of the literatures related to restaurant attributes that influence restaurant patronage as well as the impact of each attributes in affecting customer decision making process. The first part focuses on the importance of retaining customer in foodservice industry and importance of customer oriented business in today's competitive environment. Following to effect of customer satisfaction and behavioural intention in foodservice industry, each attribute is discussed extensively.

2.2 Customer oriented business

Today, the food service sector is facing their toughest competition ever. It moves from a product or service-sales philosophy to a holistic marketing philosophy whereby they focus on the customers need and satisfaction to outperform competition. Marketing experts such as Don Pepper and Martha Rogers commented that all businesses succeed by getting, keeping and growing customers simply because without customers, there will be no business. "Make your customer the centre of your culture," was well said by John Chambers, the CEO of Cisco Systems to emphasize on the importance of customer oriented business in today's competitive environment.

A customer-centred business is adept at building customer relationships and implementing relationship marketing. The concept of “relationship marketing” was first introduced in an effort to emphasize the need for service organisation to attract and retain customers through the formation of long-term customer relationships for mutual benefits of both consumers and the organisation. It may be defined in various ways by various authors but there are some scopes, specifics and common ideas still persist. In relationship marketing, it is obvious that it involves relationship between different parties. It can be between firms and consumers (business-to-consumers), or firms and other firms (business-to-business), firms and suppliers or firms and distributors (Frenzen and Davis 1990).

There is an increased interest in relationship marketing seemingly comes from studies that have demonstrated significant increases in profits from only small increases in customer retention. This is further supported by fact that the cost of retaining existing customers is lower as compared to attracting new customers (approximate five times the cost) and the cost of losing customers is far more than the cost of correcting error (Edwards, 2005). While other statistics shows that repeat customers spend 33 percent more than new customers, referrals among repeat customers are 107 percent greater than non-customers and it costs six times more to sell something to a prospect buyer than to sell the same thing to existing buyer.

Relationship marketing also states that firms should identify their most profitable customers and then customise marketing strategy on the basis of customer asset value using consumer behaviour analysis. The analysis is essential every firm as consumers may be treated as groups, typically market segments, identified by geo-demographic

characteristics and assumed to have common attitudes and behaviour. The primary focus of the study of consumer behaviour is to understand the factors that are related to the process of searching, buying and using products and services and thereby use the information to create value for both the customer and the organisation. In the foodservice industry, there are many attributes that can influence customers' satisfaction.

In the marketing literatures, customers' satisfaction is often defined as customers' overall evaluation of his or her purchase of product or service associated with their experience (Namkung and Jang, 2008). Many authors consider customer satisfaction to be the key of determining quality delivered to customers and is essential for corporate survival (Pizam & Ellis, 1999). This evaluation generally reflects on the product or service performance which will determine the business success. Furthermore most researchers in marketing agree that satisfaction and perceived quality are two significant elements in effective service management as it is often relate to repurchase. Satisfied customers were found to have a significant higher intention of returning compared to unsatisfied customers (Pettijohn et al 1997).

Customer satisfaction reflects a subjective evaluation of product or service attribute performance which makes identifying the key attributes in food establishment that make it more desirable. This is mainly because consumers are believed to view a service such as a restaurant meal with a set of attributes. For instance, one market segment may be attracted by the restaurant's ambience, another by its food quality, low price, location, superior service or brand familiarity. Since consumers tend to weigh up the overall value of an offering, characteristic of the

desirable choice and ascribing different levels of importance to each tribute can be used to differentiate one food establishment from another.

Subsequently, customer satisfaction may lead to a positive effect on the customer's attitude towards the product or service on their future behavioural intention. In 1995, Warshaw and Davis defined behavioural intention as "the degree to which a person has formulated conscious plans to perform or not perform some specified future behaviour". In other words, it is reinforce the customer's conscious effort to purchase the product again or more in the future or willingness to recommend to others through word-of-mouth.

In some previous studies, it was suggested that not all factors that influence customer satisfaction are similar to the factors that influence customer post-dining behavioural intention (Jang & Namkung, 2009). For instance, it was found that food, atmosphere and fairness of seating order are significant predictors of a customer's satisfaction but only food quality has effect on post-dining behavioural intention (Sulek & Hensley, 2004). In 2007, Namkung and Jang reported that temperature had a significant effect on customer satisfaction but it does not stimulate behavioural intention. Although there are arguments about the level of correlation between behavioural intentions and actual action, but it is still relatively reasonable to use behavioural intention to predict future purchasing behaviour (Mehrabian & Rusell, 1974). Nevertheless, a good understanding of the attributes of favourable dining experience and behavioural intentions can provide an important and practical guidance for restaurant practitioners.

Generally, there are three elements mixtures which are material product, the behavioural and attitude of the employees and the environment that are found to be directly or indirectly contribute to customer satisfaction from their restaurant experience and their post-dining behavioural intention.

Many researchers have studied the restaurant attributes, identifying the principal determinants to be the choice and quality of food and drink, the price or value, service, atmosphere, location and convenience. Some suggested that food, atmospherics and service are three major components of the restaurant experience (Dulen, 1999; Susskind and Chan, 2000). On the other hand, Lovelock (1985) revealed that food offerings in restaurants are the core contributors while physical environment and service are secondary attributes. Others asserted that food is the most essential part of the overall restaurant experience to satisfy the needs and expectations of the restaurant customers (Kivela et al. 1999; Raajpoot, 2002; Sulek and Hensley, 2004).

2.3 Physical environment

In today's ever-changing marketplace, restaurants may need to update their concepts as ambient, simple decoration and comfortable atmosphere may give restaurants competitive edge to be successful. According to Dulen, 1999, the importance of physical environment such as design and concept is increasing with time. There are various atmospheric elements that may be used as tangible cues to assess overall satisfaction of a food establishment.

The various elements of food establishments include visual and auditory cues such as function, space, design, colour and music. Research has shown that the physical environment for firms within the hospitality industry can influence overall customer satisfaction (Garbarino and Johnson, 1999). Specific to the restaurant industry, Stevens et al. (1995) demonstrate the importance of physical facilities on the perceived level of service quality provided by restaurants. In 1999, Dulen has also asserted that physical environment of a restaurant is one of the major features in increasing the accuracy of customer assessments of restaurant's quality besides food and service.

From the perspective of physical design, it was found that individuals react to places with two general and opposite form of behaviour which are approach or avoidance (Mehrabian and Russell, 1974). In other words, physical elements of a business could be attracting or deterring consumer selection. The ambience can also influence the degree of success once in the servicescape (Bitner, 1992). However, the relative of importance of attributes may change with the type of dining occasion. This is especially true when it comes to luxury restaurants in which the physical environment will have a significant and positive impact on the choice of food establishment. For an example, during a special occasion, customers who typically pay higher prices for their meal at a luxurious restaurant will have higher expectations related to comfort, decoration and cleanliness compared to non-luxurious goers or we could say restaurants with inviting physical design will attract more customers even if they are required to pay more for the foodservices.

Restaurant's physical environment has an impact on emotional and behavioural intention in choosing their dining place. This is because tangibles, such as décor, dining area comfort, and cleanliness of both the dining area and restrooms, were all shown to impact perceived service quality (Ryu and Jang, 2008). Furthermore, physical environment itself may create excitement, pleasure or relaxation which can influence customer perception and customer satisfaction and subsequent responses (Aubert-Gamet and Cova, 1999).

In the restaurant setting, customers' emotional state can be influenced by few atmospheric elements. From the visual outlook, spatial perception, interior design, lighting and colour system act as important stimuli that may broaden the appeal of the meal experience. Sense of cosiness and intimacy may be generated from spatial perception (Jang and Namkung, 2009). This is because service facilities that provide ample space are believed to facilitate exploration and stimulation within the environment which can help consumers to form a mental picture as part of the emotional response.

Besides ample space, the interior design of a restaurant will have an impact in the perceived quality and as well as overall satisfaction. Interior design may affect on how long customers stay in the restaurant (Wakefield and Blodgett, 1996) or how often they will want to visit the restaurant. Interior design is one of the main focuses in the concept restaurant. For example, in Malaysia, there is a restaurant named Apartment which design their restaurant to be like a home to make their customers feel comfortable like their home while dining out and another restaurant named Garden which design their restaurant to be like a garden to attract customers who love

greenery but afraid of heat in the outdoor to dine in. Besides restaurant image, interior design and menus are able to raise overall perceptions of food quality and the meal experience. This finding is supported by Bell et al, 1994 whereby they test the impact of adding Italian theme to the menus and decoration on the perceived ethnicity, acceptability and selection food.

Other visual element of a physical setting that are able to draw customer attention and stimulates emotional responses include colour system and lighting in the restaurant (Ching, 1996). Colours can be food-internal or food-external stimuli. It is well known that colours have some form psychological effect as well as biological effect such as increasing blood pressure or producing heat, hunger or thirst. Even though the perception of colours is relatively subjective but there are some colours that have universal effect. For instance, cool colours such as blue, purple and green usually have calming and soothing effect. Thus, this mood-altering effect can help to enhance the dining experience.

Similarly, lighting is able to influence the perception of form, colour and texture. Lighting can harmonise with colours and interior design to make the customers' experience more pleasant (Steffy, 1990). In addition, warm light appears to have relaxing effect. It makes customers feel more comfortable and leading them to spent longer time in the restaurant and eventually increase food intake. On the other hand, glaring light may decrease the amount of time people spend in the eating place.

In addition to visual elements, auditory elements can be a cue for stimulating emotions and behaviours in service settings too. Auditory elements include music and

as well as noise from the surrounding. Music is a positive auditory cue for in-store evaluation and emotion stimulation (Mattila and Wirtz, 2001). Unwanted noise from other customers or employees, on the hand can be a negative cue especially in upscale restaurants.

Another atmospheric element that may influence customers' evaluation and overall satisfaction is smell as some smell may act as mood lifter while some may deter customers from visiting. Smell can come from environment and have a different effect on food intake. Smell could also serve as a stimulus for a memory of contextual cues which can then produce a pleasant or unpleasant ambience in the food service industry (Gulas, 1995). It can increase consumers' evaluation, the time spent in the restaurant and food intake or items purchased. For an example, the smell of fresh bread in bakery can increase consumers' appetite and craving for bread or similar food from the bakery.

Hypothesis 1a: The physical environment of the restaurant is a significant determinant of customer satisfaction.

Hypothesis 1b: The physical environment of the restaurant is a significant determinant of behavioural intention.

2.4 Food quality

In the foodservice industry, it is obvious that food plays a pivotal role in overall experience. Being the core product of restaurant, the quality of food is an absolute requirement as it is necessary to satisfy the needs and expectations. Research

has shown that food quality is often the most important factor impacting customer loyalty with regard to restaurant choice (Clark and Wood, 1999; Mattila, 2001). Food quality was identified as one of nine important elements for theme restaurants in Singapore (MacLaurin and MacLaurin 2000).

In 1994, Dube et al conducted a study on the relationship between specific attributes and repeat patronage in a small, independently owned up-scale restaurant. In the study, customers were asked to rate the relative importance of the attributes: food tastiness, food consistency, menu variety, waiting time, attentive server, helpful server and atmosphere. It was found that food quality was rated significantly more important than other attributes. The final decision of return patronage is influence by food tastiness, food consistency and menu variety or accounted 55 percent.

Similar to physical environment, there are few food quality elements that can be used as a tangible cue of the food quality. There is no consensus on the individual attributes but there is a list of food quality elements that researchers focus on (food presentation, healthy option, taste, freshness, error free and temperature). Namkung and Jang, 2008 revealed that food presentation, taste and temperature were significantly related to customer satisfaction.

Food quality and fresh ingredients have already been rated as the most important element in customer satisfaction and encouraging customers to return to a restaurant. The freshness in food usually refers to the fresh state of food associated with aroma, crispness, juiciness and taste of the food. However, in today's foodservice market, consumers are concerned of their health and watch their food

intake. This has resulted nutritious and healthy food items have become increasingly important as one of the core properties of dining satisfaction (Sulek and Hensley, 2004). It was found that healthy food could have a significant effect on the customers' perceived evaluation of the restaurant experience.

Another attribute that can influence restaurant satisfaction and future behaviour intention is presentation. Presentation is defined as how the food is presented and decorated before serving it to customers. It usually focuses on the visual composition on the plate and often acts as tangible cue for customer perception of quality. The importance of food presentation was pointed out by Kivela et al. (1999) and Raajpoot (2002). According to Kivela et al., food presentation is a key food attribute in modelling dining satisfaction and Raajpoot described food presentation as a tangible quality scale.

Besides presentation and food quality, temperature is equally important element of food quality (Raajpoot, 2002). This is because temperature appears to influence appetite, hunger and food preference. Temperature interacts with other sensory properties such as taste, smell and sight that can affect how the flavour of food is evaluated. For example, hot foods may have a suppressive effect on appetite and on food intake. However food temperature preference is very likely to be shaped by the individual's lifelong experience with the served food and expectations about the temperature of the particular food (Kivela et al. 1999). Ambient temperature too has an influence on food intake and food choice in a restaurant.

As people are getting more educated, food safety option is another element of food quality that will influence customer satisfaction and their intention of future purchase or visit. Food establishments have been implicated as one of the most frequent settings for food-borne illness breakout. Consumers are more cautious when eating out in a food establishment. This is simply because a single mistake made by one the foodservice employees can affect many people. The problem of food safety can be due to poor personal hygiene, workplace sanitation, food handling and food preparation. However, the significant of the food safety concerns as compared to other restaurant attributes. Elements that were used by consumers in their food safety evaluation include cleanliness which is most often cited elements (Henson et al. 2006), overall quality of the restaurant, level of patronage, as well as external information such as restaurant reviews, friends and family and inspection notices in their window.

Hypotheses 2a: Food quality is a significant determinant of customer satisfaction.

Hypotheses 2b: Food quality is a significant determinant of behavioural intention.

2.5 Service quality

Service quality is an important criterion in the restaurant industry. Today, consumers are increasing demanding a higher level of service and firms are recognising the critical role of service plays in their business survival and ultimate success (McCull-Kennedy and White 1997). Consumers' opinion of the service provided by foodservice or any other service firms depends on the evaluation of the "service encounter" of the period of time when the consumers have direct interaction with the

firm. Thus, service management and monitoring has direct impact on customer satisfaction (Bitner, 1990). Since customers are also evaluating service encounter during their dining experience, perceived service quality are also seen as another core determinants of customer satisfaction and behavioural intention in the foodservice industry.

Hospitality services include prompt service, attentive employees, communication between employees and customers and customer empowerment. For instance, the ability of the restaurant's staff to provide prompt and courteous service is likely to enhance customer satisfaction. According to Susskind and Chan (2002), service is one the significant determinants beside food and physical environment that can boost guest search and differentiating food establishment from its competitors. However, Lovelock (1985) claimed service is secondary attribute and food offerings in restaurants are the core attributes. In 1999, Kivela et al found that probability of return patronage was dependent on customers' satisfaction with the five aspects of a restaurant whereby service quality is first and followed by ambience quality, food quality, feeling ease dining in the restaurant, reservations and parking.

There are studies even found that service quality is more important than food quality from the dining satisfaction perspective. In some cases, even though the food at a restaurant may not be as delicious as other famous restaurants, but customers would still recognise the restaurant and will tend to be satisfied too if the service of the restaurant is excellent. Therefore, customer satisfaction can still be achieved with good service. For instance, it was suggested service quality had the most significant effect on dining satisfaction at an aggregate market level and particularly for

adventurous or healthy food seekers. Additionally, service responsiveness was the most important contributor to customer satisfaction (Liu & Jang, 2009). Customer satisfaction would then influence recommendation, customer loyalty and willingness to pay more.

It is important to ensure customer satisfaction during customers' patronage as during the service encounter, interaction between the servers (both waiters and waitresses) and restaurant customers and their experience can be the subsequent of word of mouth communications at post-purchase. Word of mouth communications is particularly important for the marketing of services due to its intangibility. In general, purchasers of services have greater confidence as well as greater pre-purchase preference in personal sources of information from friends, relatives and colleagues. For instance, personal recommendations about service providers are often major source of information potential customers would use in making purchasing decision. Interpersonal communication has been shown to have significant impact on consumer purchase behaviour. Satisfied customers share their experience on an average of five other people, whereas dissatisfied customer can be expected to relate their unfavourable experience to another nine people (Mangold et al, 1999).

As services in foodservice industry rely considerably heavy on the service providers' interpersonal skills, the interaction between customer and service provider can have a substantial impact on the consumer evaluation. There are few intangible social cues used by consumers that can produce perceived quality evaluations and customer satisfaction. The five service quality dimensions that are widely use in the conceptualisation and measurement of service quality construct (SERVQUAL) are the

reliability of the service provider, the responsiveness of the service provider, the assurance provided by the service staff and empathy shown to consumers as well as tangibles.

According to Parasuraman et al (1988), reliability refers to the ability to perform the promised services' dependently and accurately while responsiveness is the willingness to help customers and provide prompt service. Assurance is defined as the knowledge, courtesy of the employees and ability to convey trust and empathy refers to customised service and attention to customers as well as the provision of caring. The significance of the five dimensions may vary from one industry to another in measuring service quality. For example, some view assurance is significantly important for credence based industry such as healthcare or legal services that have a higher degree of purchase risk as compared to foodservice industry. This is because of the low purchase price, predictable service outcome and availability of alternatives.

On the other hands, as servers are in a unique situation whereby they can influence what is chosen, acceptability of the food and as well as how much it is actually consumed. Thus, this reflect on the trust and recommendation that the servers are able to give at the point of purchase which can be known as assurance from the server as defined in SERVQUAL. In 1985, researchers found that participants who were give information and recommendations change consumers' meal selection. The finding was then supported by a study on the influence of positive and negative cues on restaurant food choice and food acceptance (Edwards & Meiselman, 2005).

Reliability and responsiveness have been regarded as the most critical factor in the five dimensions of SERVQUAL. In the restaurant context, reliability refers to the freshness and temperature of the food and receiving the food error-free and as ordered the first time. Responsiveness simply refers to servers' attentiveness in assisting customers when needed and providing service promptly. The expectation or significance of empathy or individualised caring attention may differ in different types of food establishment. For example, in high end restaurant, customers may expect higher empathy where they are given full attention but on the other hand if it is an ordinary food establishment where customers just want to enjoy the food and the company, they may find uncomfortable with such service.

Even though, SERVQUAL has been widely used to measure the service quality but it takes little account of the empirical attributes of the restaurant experience, notably food quality. In the foodservice industry, there are other dimensions that were not included in SERVQUAL but relatively play an important role in attraction and retaining customers. For instance, a number of studies emphasize the important influence of customer orientation and satisfaction on relationship commitment and customer loyalty (Fornell et al., 1996; Gustafsson et al., 2005). In general, a customer-oriented dining staff will have a positive influence on customer trust and commitment (Bove and Johnson, 2000). Therefore, it is expected that restaurants which are highly customer oriented will be able to create a high level of customer satisfaction and enhance the overall relation quality with their customers.

A variety of psychological techniques such as conversation and discussion can help dining staff to increase customer satisfaction which in turn translate to return

patronage. In 1999, Biosca stated that: “Restaurateurs have to reconvert plate-carrying waiters into salesmen”. Communication between employees and customers is believed to have a positive effect on relationship building, trust and customer loyalty (Parsons, 2002). This process allows customers to communicate easily with the organisation or business owner (e.g. obtain valuable feedback or even to register complaints) which can enhance customer satisfaction and thus lead to customer retention. The more the communication between customer and service provider, the lower the perceived risk associated with a purchase for the customer.

Employee empowerment in service industry has been given much attention especially hotel industry as a way to increase customer satisfaction. It was found that dining staff who are given a sense of empowerment are better service employees than those kept on short leash and without those who were not given the sense of empowerment at their workplace (Soriano, 2002). Employee empowerment is able to increase customer satisfaction as error correction can be made efficiently and according to satisfy customers as can be observed in Ritz-Carlton Hotel’s management. In addition, employee empowerment may increase employee’s capability and proficiency in handling customers. Thus, employee empowerment has an impact on dining staff’s relationship with customers and eventually increases overall customer satisfaction on service quality assessment.

Hypothesis 3a: Service quality is a significant determinant of customer satisfaction.

Hypothesis 3b: Service quality is a significant determinant of behavioural intention.

2.6 Price

Price of the items on the menu is also vital in restaurants as it has the capability of attracting or repelling them especially when price act as an indicator of quality (Lewis and Shoemaker, 1997). As dining out has become an integral part of consumers' lifestyle, consumers are seeking for a better value for their money with their expectations with regards to quality, good service, no poorly cooked food and no dirty environment. Additionally, with the technology advancement that has made information is easily accessible, has resulted increased expectations for value, in relation to price, whereby people want more for their money. Thus, offering good food and good service may not be sufficient to attract and retain customers and to gain competitive advantage in the competitive market, foodservice establishments must offer value too.

In 1990, Carmin and Norkus reported that a one percent change in price can have a pronounced effect upon consumer purchasing behaviour. In 2001, there was a Hong Kong research that revealed price was one of the main determinants of consumer's choice of food service establishment (Pun and Ho, 2001). The importance of price was again reported by Andaleeb and Conway in 2006 in which they suggested that a full service restaurant should focus on three elements which are the price, service quality (responsiveness) and food quality (reliability) if customer satisfaction is the key success factor.

However, due to the competitive of the food service industry, customers are able to form an internal reference prices or perceived price fairness based on the demand of quality or expectation towards the overall food establishment (Grewal et

al., 1998). On the other hand, price also can be used as quality cue to some consumers as pricing could vary according to the type of restaurant they are visiting. For instance, if the price is high, customers are likely to expect high quality while low price can result in customers doubt on the ability of the restaurant to deliver product and service quality. Regardless whether price is pre- or post-purchase assessment (perceived price fairness or quality cue), food establishment needs to be in accord with what the market expects to pay and avoid a negative deviation whereby the actual price is higher than the expected price.

Perceived price fairness or worthiness is a psychological factor that can affect consumers' reaction to price (Kim et al., 2006). Perceived price fairness is often defined as whether the price is seen by consumers as reasonable and acceptable (Bolton et al. 2003). Two studies have reported that perceived fairness of price is positively related to customer satisfaction and loyalty, where as perceived unfairness of price can result immediate negative attitudinal and behavioural responses such as dissatisfaction, complaining and switching to other providers (Bei and Chio, 2001 & Xia et al., 2004).

Similar to other restaurant's attributes such as food quality, service and physical environment, price is another factor that can influence customer satisfaction and behavioural intention. Furthermore, perceived price fairness has a positive influence on customer retention and thus able to enhance profits, customer loyalty and retention.

Hypothesis 4a: Price fairness is a significant determinant of customer satisfaction.

Hypothesis 4b: Price fairness is a significant determinant of behavioural intention.

2.5 Conclusion

Each variable of interest has been systematically reviewed in this chapter. The four independent variables are the restaurants attributes such as food quality, physical environment, service quality and price fairness. Previous papers have showed that restaurants' performance have influence in customer satisfaction and behavioural intention. To simplify the report, hypotheses are included in literature review. Data collection method and framework are developed for further investigation in the following chapter.