The effect of customer perceived value on customer satisfaction: A case study of Malay upscale restaurants

Mohd Nazri Abdul Raji¹, Artinah Zainal²

¹Faculty of Technical and Vocational Education, Sultan Idris Education University 35900 Tanjung Malim, Malaysia, ²Faculty of Hotel and Tourism Management, Universiti Teknologi MARA 42300 Puncak Alam, Malaysia

Correspondence: Mohd Nazri Abdul Raji (email: mohd.nazri@fptv.upsi.edu.my)

Abstract

Stiff competition and increasingly high operating costs have driven many international and domestic players to introduce new outlet concepts. Malay fine dining, upscale restaurant segment is gaining popularity among Malaysian, especially in Kuala Lumpur. This study examined the effect of perceived value on customer satisfaction in Malay upscale restaurants in terms of emotional responses, monetary prices, behavioral price and reputation. Primary data were gathered from 170 questionnaires returned by respondents from five Malay upscale restaurants in Kuala Lumpur, and statistically analysed using SPSS version 21. The findings of this study revealed that monetary prices had a high positive relationship with customer satisfaction. In addition, the beta value for emotional responses ($\beta=0.530$, $p<0.01$), behavioral price ($\beta=0.180$, $p<0.01$) and reputation ($\beta=0.168$, $p<0.01$) also indicated the respective contributions made to customer satisfaction.

Keywords: behavioral price, customer satisfaction, emotional responses, Malay upscale restaurants, monetary price, perceived value

Introduction

Kuala Lumpur provides an opportunity for numerous foodservice operators due to demand from consumers for local and international delicacies; this has caused the capital city to be saturated. Report from Euromonitor International (2014) stated consumers are choosing to eat in outlets located conveniently near their office or home. Thus, leisure has become an increasingly ideal location type for consumers looking to relax after work. This is due to changes in the lifestyles of urbanites, which prefer to dine out instead of eating at home and this trend is most prominent amongst young working adults and young families.

Stiff competition and increasingly high operating costs have driven many International and domestic players to introduce new outlet concepts. Malay fine dining restaurant (upscale restaurant) segment is gaining popularity among Malaysian, especially in Kuala Lumpur. Enak KL, Restoren Seri Melayu, Songket Restaurant, Restoren Kelantan Delight, Restoren Rebung and Saloma Theatre Restaurant are examples of restaurants which promotes Malay traditional foods in Kuala Lumpur (Trip Advisor, 2015). To change customers’ mindset from thinking that Malay food should not be priced highly is a challenge for many new upscale restaurant owners. Thus, since full service restaurant normally offering high price in their menu, this is an intense requirement to examine how customer receives the value from the money that they paid to result in satisfaction of particularly eating Malay cuisine. This statement also support by study in Indonesia stated that the study of ethnic and cultural group in hospitality should be carried out in order to improves customer satisfaction and also promoting the uniqueness of cultures in that area (Kiki et al., 2014).
Notably, in today’s world of intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn lead to satisfied customer (Ryu & Han, 2010). This is in line with the fact that, customer satisfaction came from the high price that diners have to pay at the restaurant as price is an indicator of high value and quality (Lewis & Shoemaker, 1999).

In order to seize the target, Petrik (2002) elucidate it needed to provide better value and be better marketed with an emphasis that paying the extra for a pleasant fine dining ambience, high quality cuisine and first class service was well worth.

On the other hand, findings from perceived value studies can be translated into marketing strategies, promotional strategies and market segmentation, because consumers’ perception provide direct input for service development and improvement (William & Soutar, 2000). Consequently, Lin, Sher and Shih (2005) explained that perceived value is a strategic imperative for organization and therefore, in recent years, it has especially become the focus of marketing strategies. Even though some researchers have investigated the antecedents and consequences of perceived value (Cronin, Brady & Hult, 2000; Gallarza & Saura, 2006; Petrick, 2002; Sanchez, Callarisa, Rodriguez & Moliner, 2006), little is known about consumers’ perceived value within a Malaysian context.

**Literature review**

**Perceived value**

One of the most widely used term of perceived value is from Zeithaml (1988) which is defined as “the consumer’s overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given”. Within this definition, Zeithaml (1988) identified four diverse meaning of value:

1. Value is low price.
2. Value is whatever consumer want in a product.
3. Value is the quality consumer get for the price paid.
4. Value is what consumer gets for what they give.

The majority of past research on perceived value has focused on the fourth definition (Bojanic, 1996; Zeithmal, 1985). The most common definition such of value is the ratio or trade-off between quality and price (Monroe, 1991), which is a value-for-money conceptualization. Clearly, these two components (quality and price) have different and differential effects on perceived value for money. Zeithaml (1988) argued that some consumers perceive value when there is a low price, others perceive value when there is a balance between quality and price. Thus, for different consumers, the components of perceived value might be differentially weighted. Additionally, Zeithaml (1988) found that some consumers obtained value from all relevant ‘get’ and ‘give’ components, leading to her definition of perceived value. In other words, perceived service value is tradeoffs of customer perceptions between what they (customers) give for the service they receive.

Congruently, concepts such as value and value for money are now essential parts of strategic thinking (Woodruff, 1997; Parasuraman, 1997; Huber, Herrmann & Morgan, 2001). The growing realization of the importance of perceived value stems from its dual function. Not only is it influential at the pre-purchase phase, but it also affects customer satisfaction, intention to recommend, and return behavior at the post-purchase phase (Dodds, Monroe & Grewal, 1991; Parasuraman & Grewal, 2000; Petrick, 2002). Moreover, perceived value assists in creating competitive advantage, as consumers will only purchase products or services they value (Doyle, 2000). As stated by Oh (2000) value has been argued to be more individualistic than satisfaction and quality.

Petrick (2002) has produced a multidimensional scale (SER-PERVAL) for measuring the perceived value of services, based on the Zeithmal (1998) model. There are five dimensions that has been
constructed to measure this scale which are quality, monetary price, behavior price, reputation and emotional responses (Petrick, 2002).

**Emotional response**

Emotional response differs from satisfactions in that it is an effective response to the purchase of a service, while satisfaction in that is an effective response to experiencing a service (Petrick, 2002; Petrick, 2004a; Petrick, 2004b). As noted, emotional response referred to how a product made the consumer feel. Emotional response was defined as a descriptive judgment regarding the pleasure that a product or service gives the purchaser (Sweeney, Soultar & Johnson, 1998). Past research has identified emotional response, or the joy received from purchased (Parasuraman & Grewal, 2000) and quality as dimensions of perceived value of a product/service.

Basically, individuals who are in a positive emotional state have been shown to evaluate products more positively than individuals in neutral or negative emotional states (Isen, Shalker, Clark & Karp, 1978). This finding indicates that customers who experience a strong (negative) emotional response to service failures are likely to view a service failure/recovery encounter less favorably than customers who are in a more positive (i.e., less negative or neutral) emotional state.

In line with that, emotional responses to consumption have been defined as “the set of emotional responses elicited specifically during product usage or consumption experiences, as described either by the distinctive categories of emotional experience and expression or by the structural dimensions underlying emotional categories, such as pleasantness/unpleasantness, relaxation/action, or calmness/excitement” (Westbrook & Oliver, 1991). Based on the definition, this current research defines emotional responses towards customer satisfaction as the set of emotional responses elicited specifically during dining experiences, as described by the structural dimensions underlying emotional categories.

**Monetary price**

Jacoby and Olson (1997) defines monetary price as the price of a service as encoded by the consumer. Price plays a vital role determining perceived value, with the focus on what consumers are required to give to obtain something else (Monroe, 1991; Patterson & Spreng, 1997). Likewise, price is representative of both product quality and value when it comes to a consumer’s decision to purchase (Monroe & Krishnan, 1985). At its core, Monroe (1991) defined price as the amount of money a needs to sacrifice to acquire something have aspirations for, with price contributing to perceived value and influencing consumer decision making (Monroe & Krishnan, 1985). In summary, Monroe and Krishnan (1985) consider price broadly according to two roles; firstly, it is a tool for determining what is to be sacrificed to obtain something; and secondly, as key to the perception of product quality, or as a signal of the qualities intrinsic to the product (Monroe & Krishnan, 1985; Monroe, 1990).

Meanwhile, in the marketing literature, price is defined as “the summation of all sacrifices made by a consumer in order to experience the benefits of a product (Buttle, 1997). Based on this definition, offering a monetary discount to customers does not necessarily mean that customers will perceive it as a good deal, if the deal does not show a reasonable cost-benefit surplus. Furthermore, since deal refers to a temporary reduction in price, its influence is expected to be more apparent on price-sensitive people than it is on non-money conscious people. Hence, it is logical to expect that the pleasure from taking advantage of a deal (known as transaction value) will not be the same for participants from both sides. One would, therefore, expect monetary price to be negatively correlated with overall perceived value (Kashyap & Bojanic, 2000; Sweeney & Soutar, 2001; Zeithmal, 1988). Thus, the value of price can be measured whether or not the money paid for product or services was worth it or reasonable.
**Behavioral price**

Zeithmal (1988) defines behavioral price as price (non-monetary) of obtaining a service that included the time and effort used to search for service. Keaveney (1995) reported finding that more than half of the customers she surveyed had switched because of poor service price perceptions, thereby suggesting that unfavorable price perceptions may have a direct effect on customer intention to switch.

The Zeithaml (1988) model was further confirmed by Dodds (1996), who found that non-monetary purchase risk is a key moderator in the quality/price relationship and consumers’ willingness to buy. Results suggest that consumers not only utilize price and quality when determining whether to purchase but also buy in terms of how they will be perceived by their friends, families, and peers. It was further found that perceived value is a multidimensional construct and that buyers use price and brand name information as indicators of quality and monetary sacrifice.

Moreover, ‘value’ implies a ‘trade-off’ between benefits and sacrifices; it implies an interaction between a customer and a product or service (Payne & Holt, 2001). In contrast, ‘values’ are important personal beliefs that people hold with respect to themselves and the goals for which they strive (Rokeach, 1973). ‘Values’ are thus the implicit criteria that are employed by an individual in making a preference judgment. These criteria guide the behavior of people because they reflect the desired ‘ultimate end-states of existence’ (Flint, Woodruff & Gardial, 1997).

In line with that, product and service that need less time to purchase, effort and search cost can differentiate and also increased overall of perception value. Study on hotel restaurant dining in America (Ashton, Scott, Solnet & Breakey, 2010) revealed that perceived sacrifice on a non-monetary price (for instance, time and energy) seems to be a heavily weighted variable when it comes to the relationship between perceived value and intention to purchase. Although ‘price’ is usually understood as the monetary value of a product, a full appreciation of the concept also includes considerations of the time, effort and search involved in the overall cost or sacrifice made by the customer in the consumption experience.

**Reputation**

Reputation defines as the prestige or status of a product or service, as perceived by purchaser, based on image of the supplier (Dodds, Monroe & Grewel, 1991). Reputation will reflect status of service, as perceived by the buyer, based in the image of service provider especially in high quality settings. Ritchin (1994) stated that materialism motivation generates from a desire for status and wealth and more materialistic consumer may think luxury brands can bring them happiness, and they can make judgements about their own and other’s success based on possession of luxury brands (Johnson & Vinegneron, 2004).

In the past study on reputation, Webster (2000) discusses the impact of brand on retailer outcomes and the importance of incorporating consumer perceived value with respect to the brand with value proposition for the retailer. Successful retailers deliver genuine value to customers through their commitment to the products sold as well as their retailing concept (Berry, Seider & Gresham, 1997).

In line with that, perceived brand image is affected by the information consumers receive from a store’s name, for instance price and special promotions; these have been used to attract consumer perceptions and increase the level of brand image (Olshavsky, 1985; Zeithaml, 1988; Agarwal & Teas, 2001). Likewise, the evaluation of a brand alliance relies on a consumer’s experience with a brand, and opinions formed on the basis of several factors including the level of service experience, the price paid, and/or word of mouth (Rust, Lemon & Zeithmal, 2004; Paswan, Spears & Ganesh, 2007). Thus, reputation can be operationalized by measuring how consumer feel about the value of overall service and product provided.
Malay food

Local food can be defined as food and beverages that is produced or grown in the local area or local specialty food that has a local identity (Nummedal & Hall, 2006). They added, local food does not rely on the local grown but also includes raw material from outside of area that contribute to the local or region identity. Malaysia is multiracial countries that consists of various culinary heritages that have become a valuable part for tourists to experience as it contribute to the tourism sectors (Karim, Chua & Salleh, 2009). Malay food has been said to vary from state to state, through they have similar names. Basically, Malay food has been influenced from certain ethnic group such as Arabs, Indian, Siamese, Javanese, Sumatran and others (Yoshino, 2010). There are many nuances to Malay food, shaped by diverse ethnic influences that were geographically and culturally driven. Indeed, it is noted that they are identical in terms of the characteristic of the food itself such as with strong aroma and spicy in taste. This can be seen from the pre-preparation, methods of cooking, availabilityand uses of the prominent ingredients such as local aromatic herbs and spices. Rozin (2006) posited that there are three components of Malay food that differentiates it from other ethnics like Chinese and Indian (a) the staple ingredients, (b) the flavor principles (lemon grass, ginger, chillies, dried herbs and spices) and (c) cooking methods. The availability of local ingredients also made Malay food huge different.

Customer satisfaction

Researchers (Ziethaml, 1988; Oliver, 1999) noted that satisfaction can be defined as an effective response to experiencing a service. Specifically, there has been a convergence of opinion that favorable service quality perception leads to improved satisfaction and value attributions and that, in turn, positive value directly influences satisfaction (Cronin, Brady & Hult, 2000). Transaction-specific satisfaction has been studied by Cronin and Taylor (1992). Through the course of their study, Cronin and Taylor (1992) argued that customer satisfaction had been evaluated through how happy a customer was with a product or a service at a certain point in time: transient satisfaction. Conversely, others have suggested that a high level of perceived value may result from satisfied customers, for if a customer feels highly satisfied there may be a “halo effect” on his/her perception of value (Chang & Wildt, 1994; Petrick & Backman, 2002a).

Based on the literature, the following hypotheses were formulated:

H1: Perceived value significantly influence customer satisfaction.
H1a: Emotional price significantly influence customer satisfaction.
H1b: Monetary price significantly influence customer satisfaction.
H1c: Behavioral price significantly influence customer satisfaction.
H1d: Reputation significantly influence customer satisfaction.

Methodology

170 customers participated in this survey in five (5) different Malay upscale restaurants in Kuala Lumpur based on Malaysia Online Directory, 701panduan.com (2013). Data were gathered through self-administered survey questionnaire that were analyzed using descriptive statistics, reliability test and linear regression. The reliability of the scales used was also analyzed using Cronbach’s Alpha coefficient score, and all scale registered moderately to fairly high reliability scores.

The questionnaire comprised of three sections namely perceived value (independent variable), customer satisfaction (dependent variable) and demographic profile. The instrument for perceived value (Section A) was adapted from Petrick (2002). Section B measures the customer satisfaction dimensions that were adapted from Cronin, Brady and Hult (2000).
Results

Profile of sample

Majority of respondents were female with 61.8% (N=105) and 38.2% (N=65) were male. 44.7% (N=76) of respondents with age from 30-39 years old and respondent with their age 60 years indicated the lowest percentage, 6% (N=1) and 34.1% (N=92) of respondents were Malay followed by 32.4% (N=55) respondents were Chinese. 60% (N=102) of respondents hold a bachelor degree and followed by 17.1% (N=29) of respondents hold a master degree. Majority of respondents was married indicated 54.1% (N=92) and 38.2% (N=65) respondents still single. More than half with 73.5% (N=127) of the respondents earned an annual income RM 30,000 and above and 51.2% (N=87) of respondents works in private sector. 72.4% (N=123) of respondents indicates that the purpose of dining was for leisure, followed by 17.6% (N=30) of respondents for business purpose and 4.1% (N=6) of respondents for meeting purpose.

Hypotheses testing

Table 1 provides the results of the linear regression analyses to test the relationship between perceived value on customer satisfaction. The test determines whether perceived value have significant relationship in developing customer satisfaction. Four (4) sub-hypothesis were also been tested to find out which dimension in perceived value give more influence to customer satisfaction.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Regression, R²</th>
<th>Regression Correlation, β</th>
<th>Regression Statistical Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>.417</td>
<td>.646</td>
<td>*.000</td>
</tr>
<tr>
<td>H1a</td>
<td>.281</td>
<td>.530</td>
<td>*.000</td>
</tr>
<tr>
<td>H1b</td>
<td>.419</td>
<td>.647</td>
<td>*.000</td>
</tr>
<tr>
<td>H1c</td>
<td>.180</td>
<td>.424</td>
<td>*.000</td>
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<tr>
<td>H1d</td>
<td>.168</td>
<td>.410</td>
<td>*.000</td>
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</tbody>
</table>

*p<.001

Table 1 illustrates the result of the regression analysis and correlation on the relationship between perceived value and its dimension towards customer satisfaction. At the significant level 0.001, perceived value overall has positive significant influence to customer satisfaction with (β=0.417, R²=0.646). The four (4) sub-variables namely emotional response, monetary price, behavioral price and reputation significant unique contribution to customer satisfaction with value of (β=0.530, R²=0.281), (β=0.647 R²=0.419), (β=0.424, R²=0.180) and (β=0.410, R²=0.168). This indicates that, hypothesis 1 and the sub-hypothesis are supported.

Discussion

The findings from statistical analysis presented, it showed that the sub-hypothesis namely monetary price (H1b) indicated the most correlated with R²=.419 and have high positive contributor with beta value which is β= .647 (p<.001) compared to others sub-dimension. This result aligned with Kim et al. (2006) stated that customers are not willing to revisit a restaurant when they believe that the prices on the menu are unreasonably high. Moreover, research suggests that ultimately, customer satisfaction is strongly influenced by physical surroundings and price perception (Dube, Johnson & Renaghan, 1999; Knutson & Patton, 1995). Although the menu of Malay upscale restaurants are priced at a higher price, customer still
feels that it is worth the value of product and service that were provided to them. It will guarantee a continuous demand if the value of the product exceeds the expectation and satisfaction of the customer (Shaharudin, Mansor and Elias, 2011). Moreover, from the demographic table it can be seen that most respondent who frequented this upscale Malay restaurant are those with high disposal income and level education. Therefore, monetary price proved to be an important predictor of satisfaction, directly or indirectly influencing customer loyalty.

Secondly, sub-hypothesis for perceived value namely emotional response (H1a), also reported significant influence on customer satisfaction with $R^2=.281$ and beta value $\beta=.530$ ($p<.001$), thus confirming that emotional response have a significantly direct influence on customer satisfaction. The findings therefore support sub-hypothesis (H1a) and previous study stated that emotional response refer to the descriptive judgment regarding the pleasure that services afford purchased (Petrick, 2004). In this study, the consumers’ emotional responses towards experience dining at Malay upscale restaurants indicated that customer felt good, delighted and happy. Furthermore, consumers derive pleasure and joy from the service experienced.

Another, sub-hypothesis for perceived value namely behavioral price (H1c), registered significant with $R^2=.180$ and beta value $\beta=.424$ ($p<.001$) and indicates that behavioral price have significantly direct influence on customer satisfaction. This finding therefore support the sub-hypothesis (H1c) and in line with previous study revealed that non monetary price (for instance time and energy) seem to be a heavily weighted variable when it come to the relationship with satisfaction (Ashton, Scott, Solnet & Breakey, 2010). Keaveney (1995) reported finding that more than half the customers she surveyed had switched because of poor service price perception, thereby suggesting that unfavorable price perception may have a direct effect on customer intention to switch. Besides that, Zeithmal (1988) defines behavioral price as price (non-monetary) of obtaining a service that included the time and effort used to search service. Thus, from customer demographic analysis indicates majority of the respondents are Malay, thus the respondents felt that the menu served is familiar and it easy for them to eat the food served.

The last sub-hypothesis of perceived value which is namely reputation also reported significant influence on customer satisfaction with $R^2=.168$ and beta value $\beta=.410$ ($p<.001$). This finding therefore support the sub-hypothesis (H1d) and this is in line with Webster (2000) who stated that successful retailers deliver genuine value to the products sold as well as their retailing concept. Thus, this indicates that by promoting the positive image of the restaurants by using good marketing tools will attract customer to patronize the upscale Malay restaurants.

**Implication**

Based from the analysis, majority of the respondents are agreed that perceived value be a good predictor in satisfied their dining experiences in Malay upscale restaurant in Kuala Lumpur. Restaurateurs can use this finding as a guide in planning their business restaurant. The results have implication for determining how management should allocate their budget. From the list of perceived value sub-dimension, monetary price is the best predictor of customer satisfaction. Ryu and Han (2010) stated that when customer perceives that the price is reasonable, their satisfaction with food quality can be enhanced. Restaurants must take full advantages of providing quality food by emphasizing critical food properties and elicit a positive customer dining experience (Nazri & Artinah, 2013) and offer at the best price. Indeed, Customers are still willing to pay at high price for the food and service provided as long as they enjoy dinner experience.

In addition, the result also indicates that emotional response effect customer satisfaction. This means that customer feel happy, good, enjoy, pleasure and delighted with the food and service provided in Malay upscale restaurant. Thus, restaurateur has to make sure the food and service provided need to be consistent and standardized. Moreover, behavioral price and reputation also contribute to customer
satisfaction. Hence, service provider need to put extra effort in order to make sure the Malay upscale restaurant can be sustain and at par with others upscale restaurants.

Limitation and recommendation

Any empirical studies undertaken are bounce to face several limitations. The analyses of this study highlighted a range of interesting, significant and meaningful findings. However, the empirical analyses are conducted based on data gauged at a specific time due to constrain in resources such as time and money. Due to time and resources constraint, only 5 restaurants participated in this survey. Most of the managers were not interested in letting the researcher to conduct the survey in the premise which leads to limited number of participating restaurants. A probable reason behind this lack of participation may be due the fact that the manager are worried that their guests might feel unease answering surveys while they are trying to savor their fine dining experience. Secondly, the current study was focusing on Malay upscale restaurant only, in which the result might not be generalized to other types of ethnic upscale restaurants such as Chinese, Indian, and Western restaurants other than concentrating in Malay upscale restaurant only. Moreover, a non-probability sampling approach was used in the current study, which is considered to be simplest form of non-probability sampling (Cooper & Shindler, 2006). This also negatively influences the generalisability of the findings. Last limitation appeared was related to the location (Kuala Lumpur) of the data collection. Again, the barrier comes in term of personal budget constraints. It would be much more significant if the data collection were obtained in other available Malay upscale restaurants in Malaysia. In line with the limitations, it is essential to expand this study by looking at broader scope and aspects especially to other traditional Malay food belonging to each state in Malaysia for an in-depth understanding about each traditional food.

Conclusion

This study demonstrates that customer satisfaction influenced by perceived value, where monetary price was seen to be the best predictor of customer satisfaction. By understanding customer behavior in experience dining at the upscale restaurants, so it can help the restaurant operator to achieve their marketing objectives at the same time accomplish organizational goals. This is because customer satisfaction will lead to determinant of repeat sales, positive word of mouth, and customer loyalty. This research will consequently serve as an avenue for future researchers to contribute in further theoretical development and formulation of new and unexplored research question, especially pertaining on customer satisfaction in restaurants business industry.

References


