PREDICTING THE OVERALL PERCEIVED VALUE OF A LEISURE SERVICE: A SURVEY OF RESTAURANT PATRONS IN PRETORIA

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DEDICATED TO "FATIMA" MY MOTHER:

Keep smiling to light up our lives, this is the beginning!

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ABSTRACT

PREDICTING THE OVERALL PERCEIVED VALUE OF A LEISURE SERVICE: A SURVEY OF RESTAURANT PATRONS IN PRETORIA

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Services are becoming increasingly important. Almost two-thirds of the world's total economic output is accounted for by services. Moreover, the leisure services industry is one of the fastest growing industries around the world. The global growth rate was more than 6% per year in the last five years. The global leisure services industry is expected to be worth $3.4 trillion by 2010, with a growth rate of 6.1% for the 2005-2010 period.

Marketers should focus on value-creating processes that involve customers as co-creators of value, because marketers cannot create or deliver customer value alone. Therefore, assessing consumers' value perceptions can provide informative feedback that marketers can use to adjust their market offerings and meet consumers' needs and expectations more effectively.

This replication study investigated the application and relevance of Petrick's (2002:119) SERV-PERVAL scale as a measure of consumers' perceptions of service value in mid-scale restaurants. The SERV-PERVAL scale measures five dimensions of perceived value, namely perceived quality, emotional response, monetary price, behavioural price and reputation.

The results should assist marketers to decide how best to influence overall value perceptions and favourable *behavioural intentions* amongst target markets through understanding how consumers make purchase decisions based on their perceptions of value.

First, a conceptual framework of the relationships between perceived value and its antecedents and consequences was synthesised from the leisure marketing literature. Then the study surveyed students at the University of Pretoria and asked them to report their perceptions of a dining experience at a mid-scale restaurant. Multiple regression analysis was used to analyse the data. Two multiple regression models were tested.

The findings provided support for the conceptual framework, as well as evidence for the relevance of utilising the SERV-PERVAL scale to measure the value perceptions of South African restaurant patrons. The significance of the two multiple regression models, analysed in the replicated study, was established. Seven hypotheses were tested. In only two cases, the null hypotheses could not be rejected in favour of the alternative hypotheses.

The results of the first multiple regression model indicate that consumers' emotional response is the best predictor of their overall perceptions of value. Thus, mid-scale restaurant managers should enhance the pleasurable attributes of the service experience (e.g., background music; interior decoration and lighting; air-conditioning and scent) in order to enhance the consumer's dining experience. The results of the second multiple regression model indicate that consumers' perceived value is a better predictor of consumers' favourable behavioural intentions than satisfaction.

An implication for managers is that they can increase their consumers' perceptions of value by enhancing the pleasurable attributes that consumers' experience, a well as the quality and the monetary price of services as perceived by the consumers. It is also important to maintain the level of the services' behavioural price and reputation perceived by consumers. However, managers need to identify the attributes that add pleasure to their target customers and understand how to employ them effectively.

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1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

The exponential growth rate of the leisure industry is attracting the attention of marketing and consumer researchers (Cotte & Ratneshwar, 2003:558). Similarly, according to Gallarza and Saura (2006:438), both marketing practitioners and academic researchers acknowledge the influential impact that the perceived value has on consumer behaviour.

Sheth, Newman and Gross (1991:159); Snoj, Korda and Mumel (2004:156) and Zeithaml, 1988:2) mention that earlier literature has investigated the measurement of the perceived value of tangible products, but the domain of measuring the perceived value of services has basically remained untouched. 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 South African context.

Findings from perceived value studies can be translated into marketing strategies, promotional strategies and market segmentation, because consumers' perceptions provide direct input for service development and improvement (Williams & Soutar, 2000:1419). Consequently, Lin, Sher and Shih (2005:318) explain that perceived value is a strategic imperative for organisations and therefore, in recent years, it has especially become the focus of marketing strategies.

On the other hand, Easley, Madden and Dunn (2000:90) underline the vital role played by replication studies in the advancement of marketing research. Not only does it serve as a profound method to utilise the findings of previous studies, but simultaneously both clarifies the accuracy of the results and extends the generalisability of the findings. Therefore, replicated studies are perceived as part and parcel of the process to determine the necessary facts, which has to establish an acceptable level of accuracy in the initial research findings (Hunter, 2001:149).

On strength of the above, this study investigates customers' perceived value of a specific leisure service (i.e. the service provided by mid-scale restaurants, as specified in section 1.4), in order to validate the research. For this purpose, a decision was made to replicate a study, undertaken by Petrick (2002) where the author developed the multidimensional SERV-PERVAL scale. By replicating Petrick's 2002 study, this study undertook to collect data from full-time students at the University of Pretoria, which determined the respondents' perceptions of value, based on their purchase experiences at a mid-scale restaurant in Pretoria. In this way, this research could perform an investigation into the dimensions required as well as achieve its set objectives, listed in section 1.2.2.

The importance of this study is two-fold. Conceptually, it highlights the strategic importance of the perceived value construct for marketing and discusses the relationship between several leisure constructs, including recreation, play, hospitality and catering. Empirically, this study contributes to the limited body of empirical knowledge on the perceived value construct in a South African context. It contributes to the efforts made to assess the relationships that exist between *behavioural intentions*, overall perceived value and the antecedents of overall perceived value identified by Petrick (2002:128). It also builds on previous research findings by validating the application and relevance of the SERV-PERVAL scale as a measure of the perceived value construct.

This dual focus of the research is supported by previous studies, which have shown that relationships exist between perceived value and other important marketing constructs. Various authors such as Hanan and Karp (1989:1) as well as Iglesias and Guillen (2004:373) suggest that there is a unique correlation between the perceived value and customer satisfaction, while Sweeney, Soutar and Johnson (1997:40) as well as Gallarza and Saura (2006:444) argue that service quality is an antecedent of perceived service value. Recent studies that have investigated the measurement of the perceived value (Al-Sabbahy, Ekinci & Riley, 2004b; Gallarza & Saura, 2006; Grewal, Monroe & Krishnan, 1998; Oh, 2000; Petrick, 2004a/b; Sweeney & Soutar, 2001) resulted in the development of a number of purpose-built measurement scales.

This study can also be classified as empirical, because it aims to contribute to the theoretical understanding of the value perception of South African consumers. This

advanced marketing knowledge was achieved through aligning effective measurement tools for the further development and enhancement of perceived value. The specific purpose for developing refined measures of the perceived value construct is to allow leisure providers the opportunity not only to compare the perceived value of different leisure offerings, but also to have a better understanding of the influence that perceived value would have on consumers' purchase decisions.

This chapter includes seven sections. The first section provides background to the study. Section two discusses the problem statement and research objectives, followed by highlighting the importance and benefits of the study in section three. Section four presents definitions of key terms, and section five reviews the proposed research design and methodology. Finally, sections six and seven shed light on the demarcation and structure of the study.

1.2   PROBLEM STATEMENT AND RESEARCH OBJECTIVES

This section discusses the problem statement and the research objectives of the study.

1.2.1   Problem statement

The construct of perceived value has become the focus of marketing strategies, because it is increasingly recognised as a source of competitive advantage (Tam, 2004:897; Woodruff, 1997:139). Equally important is the measurement of the perceived value construct, but surprisingly, hardly any research has been undertaken in South Africa to explore the importance of this aspect (Sanchez *et al.*, 2006:394). In fact, published literature does not even refer to any South African study focusing on the measurement of the perceived value of a leisure service that uses a multidimensional scale. Based on this information, it is imperative that research be carried out to address this void.

Attention is once again drawn to the statement of Williams and Soutar (2000:1419), that findings from perceived value studies can be translated into marketing strategies, promotional strategies and market segmentation, where consumers' perceptions will

provide direct input for service development. By utilising the developed and refined measures of the perceived value construct, the leisure providers are given the opportunity to compare the value of different leisure programmes and offerings. In addition, it will enhance the capability of leisure providers to identify the dimensions of perceived value as positive or negative attributes to their offerings (Petrick, 2002:120).

Oh (2000:66) states that "perceived value should be a central concept in restaurant marketers' efforts to understand consumer behaviour". Consequently, empirical studies referred to and or undertaken by authors such as Babin, Lee, Kim and Griffin (2005:133); Gallarza and Saura (2006:438); Grewal *et al.* (1998:55-56); Iglesias and Guillen (2004:375); Lin *et al.* (2005:333); Petrick (2002:130, 2004a:35, 2004b:405); Sweeney and Soutar (2001:216); Tam (2004:909); Zeithaml (1988:4) as well as Zeithaml, Berry and Parasuraman (1996:37), indicate that the perceived value construct can help clarify consumers' *behavioural intentions*, because it is part of consumer behaviour.

Matanda, Mavondo and Schroder (2000:2) contend that the purchasing behaviour of customers, in developing countries, is mostly influenced by price rather than by other factors. This viewpoint made it necessary for this study to investigate the relationships between the perceived value and its dimensions, identified by Petrick (2002) as, quality, monetary price, behavioural price, emotional response and reputation. Furthermore, the study intends to assess the relationship between overall perceived value and satisfaction, as predictors of South African consumers' *behavioural intentions* within a leisure service setting. As mentioned in 1.1, this assessment is achieved by replicating Petrick's (2002) study that made use of the SERV-PERVAL multidimensional scale for measuring the perceived value of a service.

1.2.2   Research objectives

To achieve the research objectives listed below, the application and relevance of the multidimensional SERV-PERVAL scale to a leisure service (i.e. mid-scale restaurants) has to be investigated in a South African context. The intention is to determine the degree of relevance in utilising the SERV-PERVAL scale in the identified South African context, after

comparing the findings of the current study with that of Petrick (2002), in which the SERV-PERVAL scale was originally utilised.

This study aimed to achieve the following objectives:

- To investigate the relationship between perceived quality and perceived value.

- To investigate the relationship between monetary price and perceived value.

- To investigate the relationship between behavioural price and perceived value.

- To investigate the relationship between emotional response and perceived value.

- To investigate the relationship between reputation and perceived value.

- To investigate the relationship between perceived value and behavioural intentions.

- To investigate the relationship between customer satisfaction and behavioural intentions.

- To determine the relevance of the SERV-PERVAL multidimensional scale as a measure of perceived value in mid-scale restaurants in South Africa.

1.3   IMPORTANCE AND BENEFITS OF THE STUDY

The importance of this study is explained by the increasing interest that marketers display in the leisure services. This growing interest is driven by the fast emerging business of leisure services (Torkildsen, 2005:5). Medlik (2003:104) points out that increased leisure spending became noticeable, because it represented a large growing proportion of consumer expenditure in most countries. Nonetheless, limited attention has been paid to changes in the leisure purchasing behaviour of customers (Matanda *et al.*, 2002:2).

An undeniable fact is that service marketers cannot achieve their marketing objectives without addressing the "consumer behaviour" factor in their marketing plans, thus, service marketers must understand consumer behaviour. Furthermore, perceived value help in explaining different characteristics of consumer behaviour, for example, word-of-mouth communications and repurchase intentions (Lin *et al.*, 2005:333). Lusch and Vargo (2006:181) add that perceived value also relates to customers' experiences when

consuming services, thus it is classified as a customer-experiential phenomenon. Therefore, perceived value is important for the marketing of leisure services. Nevertheless, an incomplete understanding, of value perception influence on decisions made by consumers of leisure services, exists (Green & Boshoff, 2002:2).

Research had been conducted on defining perceived value (Lin *et al.*, 2005:318; Sanchez *et al.*, 2006:394; Zeithaml, 1988:14), its dimension (Al-Sabbahy *et al.*, 2004a:226; Gallarza & Saura, 2006:437; Petrick, 2002:119) and its relationship with other constructs such as satisfaction (Babin *et al.*, 2005:133; Green & Boshoff, 2002:2; Iglesias & Guillen, 2004:373; Tam, 2004:897). However, not all researchers agree on one clear definition of the construct, its dimensions or how it relates to other constructs. Furthermore, due to minimal attention paid to the measurement of the perceived value construct, it automatically leads to minimal knowledge about consumers' perceived value within the South African context. This incomplete conceptual understanding of the meaning and relationships between the overall perceived value construct and other related constructs places a considerable demand on marketing authors and researchers to produce further concrete empirical findings and to fill this conceptual gap of understanding in the service literature (Zeithaml, 1988:4).

Moreover, Babin *et al.* (2005:133) as well as Iglesias and Guillen (2004:375) mention that the perceived value construct can help clarify various aspects of consumer behaviour such as *behavioural intentions*. Additionally, Green and Boshoff (2002:2) explain that the need exists to identify, examine and develop accurate models that explain the influence of perceived value and its related constructs on consumers' satisfaction and *behavioural intentions*. Tam (2004:909) develops this concept and is of the opinion that if companies wish to stimulate customers repeated purchase behaviour, they need to enhance customers' perceptions of the perceived value of services.

Finally, Smith (2003:320) is of the opinion that "… marketing research should improve the quality of decisions made by managers". In order to fill the aforementioned gap, identified in literature and specifically the unavailability of any South African study that focus on the measurement of the perceived value of a leisure service that uses a multidimensional scale, this study intends to address the issue and in the process strive to contribute to the

growing foundation of academic literature on leisure marketing in a South African context. This study intends to replicate the study undertaken by Petrick (2002) where the author developed the multidimensional SERV-PERVAL scale.

Such a contribution becomes possible through establishing facts, which can be attained via replicated studies as explained in section 1.1. Easley *et al.* (2000:83) point out that replication studies are necessary for the advancement of marketing science. Moreover, there is an essential need to replicate studies, as this approach would result in establishing facts, which would contribute to scientific progress (Hunter, 2001:149).

In addition, this study also proposes to assist leisure providers, particularly mid-scale restaurants, to identify the dimensions of the perceived value and their positive or negative impact, and in this way, to provide directions to improve their restaurant's service offering through executing better marketing strategies. Barkema and Drabenstott (in Matanda *et al.*, 2000:2) aptly contend that today's consumer demands a wider variety of healthy and conveniently prepared food services. This demand drives the changes in food markets, which in turn requires a larger effort by service providers to take into consideration the importance of the perceived value among leisure services.

Section 1.4 below provides definitions for the key terms used in this study. Cognisance should be taken of the two major themes linked in this study, namely leisure and perceived value; therefore each term, listed below, can be related to either.

1.4 DEFINITIONS OF KEY TERMS

Behavioural price refers to the non-monetary price of obtaining a service. This includes the time and effort used to search and attain the service (see section 3.3.6).

Emotional response denotes an expressive judgement regarding the pleasure that a service affords the buyer (see section 3.3.6).

Hospitality is an industry that encompasses the accommodation, catering and tourism sectors, which attends to the generous and cordial reception of guests (see section 2.5.1).

Leisure signifies an individual's choice to spend his/her discretionary time fulfilling certain interests or needs; or performing a gratifying experience for the sake of wellness or personal development, such as swimming, going to the cinema or going on a holiday (see section 2.2.1).

The leisure industry encompasses the broad spectrum of businesses that provide goods and services used by persons during their leisure time (i.e., the zoo, night clubs, family restaurants). Such businesses serve the leisure market and attract the expenditure of disposable income (see section 2.2.2).

Mid-scale restaurants indicate a section of full-service restaurants that caters for middle-class customers, operating on a system similar to that used by fast-food restaurants. These restaurants offer specialised limited menus at relatively low food costs and limited services, when compared to up-scale full-service restaurants. Examples of mid-scale restaurants include family restaurants such as Spur and Nandos, while Ocean Basket is representative of mid-scale seafood restaurants (see section 2.5.3).

Monetary price reflects the financial cost of the service as understood by the consumer (see section 3.3.6).

Perceived value delineates a consumer's overall assessment of the service's reputation, quality, monetary price, behavioural price and emotional response (see section 3.3.2).

Perceived quality identifies the discrepancy between customers' expectations and their perceptions of the service performance (see section 3.3.6).

Play describes an activity that is freely chosen and indulged in for its own sake, because of the satisfaction it brings (e.g., playing hide and seek, blowing bubbles or building a sand castle on the beach) (see section 2.4.1).

Recreation refers to a voluntary activity a person chooses to participate in during his/her leisure time, which generates an experience that results in satisfaction, enjoyment, pleasure, achievement and/or a sense of well-being (see section 2.3.1).

Reputation reflects the prestige or status of a service, as perceived by the buyer, based on the image of the service provider (see section 3.3.6).

Repurchase intentions refers to a consumer's plan to consume a particular service again in future (see section 3.3.6).

Satisfaction may be defined as the cognitive state of a buyer, about the negative or positive of the reward received, in exchange for the service experienced (see section 3.3.6).

Tourism comprises the activities of persons travelling to and staying at places, outside their usual environment, for not more than one consecutive year, for leisure, business or other purposes not related to the exercise of an activity remunerated from the place visited (see section 2.5.2).

1.5   RESEARCH DESIGN AND METHODOLOGY

This study can be considered as a formal, communication, modified routine, ex post facto design, a cross-sectional descriptive study (Cooper & Schindler, 2006:139-152; see Table 5.1 in section 5.2). This study used a self-administered questionnaire intended to render the respondents' actual and honest responses to its questions, because the objective was to assess the usefulness of the SERV-PERVAL scale. No experiments were used.

The target population for this study consisted of students, ranging in ages from 17 to 32 years, studying in the Department of Marketing and Communication Management at the University of Pretoria. Respondents were expected to have had at least one dining experience, at a mid-scale restaurant in Pretoria, during the three months prior to the distribution of the questionnaire in August 2006.

The study used a non-probability *convenience sampling* method (see section 5.3.2) and the unit of analysis was the individual student. A respondent was eliminated from the sample if he/she was not a student at the University of Pretoria, and did not consume and/or pay for a meal at a mid-scale restaurant in Pretoria during the three months preceding August 2006.

The sample size was determined in accordance with the requirements of the regression analysis technique, used to analyse the gathered data of the study (see section 5.3.3), it also proved appropriate to have (n=350) as the target sample size. This sample size is in line with the sample size of Petrick's (2002:121) study.

As mentioned earlier, a self-administered questionnaire, containing five questions, was used to collect data. The first two questions were filter questions to determine the eligibility of each participant. The fourth and fifth questions were used to acquire demographic information, while the third question included the SERV-PERVAL multidimensional measurement scale, which had a set of 25 items. In addition there were three scales to measure three constructs: the first, satisfaction, consisted of three items; the second, overall perceived value, contained three items; and thirdly, *behavioural intentions*, included four items. The total number of items contained in question 3 came to 35 items (see Appendix C on p.177).

No incentives were employed to encourage respondents' participation in this study. Data were collected over a one week period during August 2006. Prior to the questionnaire distribution, permission was obtained from the Head of the Department of Marketing and Communication Management, in order to distribute the questionnaire to Marketing and Communication Management students in class.

The measurement approach was set to a multi-item scale (i.e. 5-point Likert-scale). Motivation for this decision rests on the impossibility of measuring an abstract construct, such as the perceived value, while at the same time adequately capturing the dimensions, without using a multidimensional scale that has different sets of items (see section 3.3.4).

Petrick (2002:120), who developed the SERV-PERVAL scale, tested its validity among undergraduate university students in the United States of America. Scale points were labelled ranging from 1 (Strongly disagree) to 5 (Strongly agree). The resulting scale measured five sub-dimensions, namely perceived quality, emotional response, monetary price, behavioural price and reputation.

The questionnaire of this study, in addition to the SERV-PERVAL scale, contained three other constructs, namely satisfaction, overall perceived value and *behavioural intentions*. They were measured using three different sets of items (scales), each scale was assigned to measure one of the three constructs. The questionnaire was pre-tested among twenty respondents, who were drawn from the target population.

The multiple-item rating scales, employed in this study, needed to be reliable. This was achieved by implementing Cronbach's coefficient alpha as an assessment tool. Cronbach's coefficient alpha is a popular testing method applied to multi-item rating scales at the interval level of measurement, because it serves as an indicator of a scale's internal consistency reliability (Cooper & Schindler, 2006:323).

The study also used multiple regression analysis to analyse the data and to test the stated hypotheses. The hypotheses were set to investigate the relationships between dependent and independent variables as suggested by Cooper and Schindler (2006:575). Hair, Black, Babin, Anderson & Tatham (2006:176), also, agree that regression analysis is applicable, when a sample is used instead of a census.

1.6   DEMARCATION OF THE STUDY

It is important to mention that this study focuses on leisure "software" and not "hardware". According to Torkildsen (2005:4), leisure "hardware" constitutes facilities, buildings and other technical matters, while leisure "software" refers to the experience involved in leisure service consumption.

Demarcation concerns itself with three aspects. Firstly, with the context and population under investigation; secondly, the main constructs involved in the study; and thirdly the academic disciplines from which literature is reviewed.

Context and population specifically concentrates on mid-scale restaurants that are located in Pretoria-Hatfield area. Other types of restaurants and food service providers, such as fast food restaurants, were excluded from the investigation. In addition, as mentioned, the target population under investigation were students at the University of Pretoria. The leisure industry is a large growing industry that includes other industries such as the hospitality industry. Mid-scale restaurants reside under the food service sector. According to Powers and Barrows (2006:63), the latter is regarded part of the hospitality industry.

The main constructs of this study, as explained in section 1.1, centres attention on consumers' perceptions of the perceived value of leisure services as well as the application and relevance of the SERV-PERVAL multidimensional scale in a South African context. Furthermore, the study also pays attention to developing an understanding of the relationship between perceived value and its dimensions (perceived quality, monetary and non-monetary price, emotional response and reputation) as well as related constructs, namely satisfaction and *behavioural intentions*. Finally, this study also investigates the predictors of overall perceived value and the consequences thereof.

Academic disciplines reveals previous empirical studies from authors and researchers such as Babin *et al*. (2005:134); Green and Boshoff (2002:11); Kashyap and Bojanic (2000:45); Lin *et al*. (2005:325); Petrick (2004a:31) and (2004b:404) as well as Tam (2004:903), who all investigated the antecedents and consequences of the perceived value through structural models. The testing of such models required advanced statistical knowledge that was not generally required from Masters Students. Consequently, multiple regression analysis is used to investigate the relationship between the constructs of this study.

1.7   STRUCTURE OF THE DISSERTATION

The chapter outline of this dissertation is as follows:

Chapter 1 presents an introduction to the study, its problem statement and objectives, followed by a discussion of the importance and benefits of the study. This chapter also provides definitions of key terms used in the study. Thereafter, a short discussion, regarding the methodology and structure of the study, is supplied. Finally, the structure of the dissertation is reviewed.

Chapter 2 discusses the definition of leisure, its function, importance, categories, motivations and the related constructs of recreation, play and hospitality. The chapter concludes with a focus on restaurants and their relation to leisure.

Chapter 3 explores services marketing and highlights the strategic importance of the perceived value. This chapter also considers conceptualisations of the perceived value and its measurement, predictors and consequences.

Chapter 4 focuses on the adapted model of the SERV-PERVAL scale and the construction of a conceptual framework on value predictors. This chapter also elicits the research hypotheses.

Chapter 5 describes the study's research methodology. Firstly, the research design is reviewed, followed by the sampling approach (i.e. the target population and sample size) adopted. Secondly, the data collection is discussed. This includes a description of the survey method used as well as a discussion of questionnaire design and measurement. Finally, the data analysis approach is described.

Chapter 6 provides information on the empirical findings of the study.

Chapter 7 outlines the limitations of the study and presents recommendations for future research. The conclusions of the study are also presented in this chapter.

2 CHAPTER TWO: DEFINING LEISURE, RECREATION, PLAY AND HOSPITALITY

2.1 INTRODUCTION

This chapter aims to define leisure, describe its main categories as well as distinguish it from related constructs such as recreation, play and hospitality, because the focus of the current study is on the application of the SERV-PERVAL scale, for measuring the perceived value of a leisure service. Leisure represents the central platform for the study. Consequently, it is crucial to provide a comprehensive definition for leisure, as this would provide an in-depth understanding of the nature and scope of leisure services, within the broader service industry; and simultaneously it would support the realisation of the study's focus mentioned above.

This chapter focuses on the following:

- Defining leisure,

- Defining recreation, its categories and characteristics,

- Defining play,

- Defining hospitality, as well as

- Defining restaurants and their relation to leisure.

2.2 DEFINING LEISURE

To define and understand *leisure*, a number of questions need to be raised:

- Is leisure new?

- Is there a need for leisure?

- What aspects should be considered when defining leisure?

Brief answers to these questions are presented below as this study is interested in a specific leisure activity, that is eating out, which will be discussed in the final section of this chapter.

Leisure is not a new concept. Four thousand years ago, the Sumerians and Mesopotamians originated the idea of combining retail with leisure, in their caravan journeys from Damascus to Jeddah. Magicians, story tellers, dancers and craftsmen, could be found within these caravans. Their purpose was to create a pleasant and positive mood among customers, which would be conducive for trade (Torkildsen, 2005:11).

The question whether there is a need for leisure, can be answered with an emphatic 'yes', as *need* is an internal force, driving each individual to gain completeness and it could be attached to leisure. However, Torkildsen (2005:105) argues that even though "leisure needs" might not exist, many different human needs can be satisfied through leisure activities.

This author also mentions that the society's needs are shaped by the needs of its individual members. Throughout the different stages of each individual's life, these needs change to a greater of lesser degree of importance. Therefore, each person chooses the leisure activity best suited to the various phases of each respective life. Worth mentioning is the fact that Article 24 of the United Nations Universal Declaration of Human Rights states that every human being has the right to rest and leisure (United Nations, 1948).

Torkildsen (2005:5) states that little research has been undertaken to determine people's need within the context of leisure. The fast emerging leisure industry makes this field of interest, significant.

The word *leisure* can be regarded as a "self-explanatory" concept. If people are questioned about its meaning, varied interpretations are readily offered, as interpreted by each individual (Torkildsen, 2005:46, 63).

The definition for the leisure construct depends on the context used. Consequently, it is neither easy to present all definitions for leisure, nor to single out one complete definition.

Leisure can simply be defined as a social phenomenon that occurs during an individual's discretionary time. Leisure can be considered as time; an activity; a state of mind; and, most importantly, a vital factor in orchestrating harmony between a person's way of life and the environment occupied (Torkildsen, 2005:64).

Current definitions of leisure vary in scope and intent. There are various aspects to consider when defining leisure, because it is an invisible concept. Leisure must be experienced in order to exist (Torkildsen, 2005:108). However, many definitions describe leisure as an enjoyment, more than an activity with a useful function (Leitner & Leitner, 2004:11).

The leisure construct will be discussed in section 2.2.3. For the purpose of the study, leisure, as time, will be reviewed shortly, after reviewing time categories. Since time is perceived as an essential ingredient in leisure, it is appropriate to discuss time categories first, in order to understand the different perspectives of leisure. The next section explains time categories and how they are related to leisure.

2.2.1 Categories of time

Murphy (1981:26) refers to leisure as that portion of time which remains when work and the basic requirements for existence have been satisfied. Moreover, he believes that time falls into three classes:

- time for existence, sleeping, eating and meeting biological requirements,

- time for subsistence (i.e., work), and

- time for leisure (i.e., the time that remains after the basic necessities of life and work requirements have been accomplished).

It is important to note that what is necessary for some people (e.g., eating and sleeping) may be regarded as discretionary activities for others. These discrepancies are causing the various meaning that leisure holds (Torkildsen, 2005:47).

However, Torkildsen (2005:47) is also of the opinion that leisure may not be considered as free time, if the latter is perceived as time free from obligation, or associated with negative destructive, behaviour. On the other hand, some types of leisure activities, such as voluntary charity work, are portrayed as obligations. There are also leisure activities that involve dedication to personal development, such as building a skill through practising a hobby of an enjoyable nature. Learning to speak another language of choice in order to communicate with friends from a foreign country, developing general knowledge through reading and travelling or seeking body building through fitness exercises, are examples of such leisure activities.

People utilise their time to perform various activities. Kelly (1996:19-20) suggests that there are four types of activities:

- remunerative work,

- family obligations,

- socio-spiritual obligations, and

- activities orientated towards self-fulfilment or self-expression.

Leisure is related to the fourth kind of activity mentioned above. On the other hand, Kelly (1996:20) also mentions that an activity could both be regarded as leisure and work (i.e., walking, which may be classed as leisure, work or therapy). The aforementioned perceptions about leisure, give validation to the practice of distinguishing leisure activities by elements other than form or content.

2.2.2   Leisure as time

Gouws (2001:238) believes that leisure time should not be regarded as free time, because leisure time is planned and free time is unplanned. According to Horner and Swarbrook (2005:28), leisure refers to the way in which people spend their time when they are not at work. Kelly (1996:19) adds that leisure time may not be completely free. It is time where participants exercise some choice, in their activities and the services associated with these activities.

Consumers differ in their choice of leisure services as influenced by their time classifications. The following examples can serve as clarification for self/group orientation (Cotte & Ratneshwar, 2003:560-566):

- *Social orientation* refers to the categorisation of discretionary time, where the time style would be dedicated to a person either spending solitary time (self-orientation) or interacting with others (group orientation). Time can either be spent voluntarily or obligatorily. Leisure activities, executed on your own (e.g., fishing or shopping), can be regarded as examples of self-orientation, while executing the same activities with others serve as examples of group orientation.

- *Temporal orientation* refers to the relative significance that individuals attach to the past, the present or the future. Past-orientated people are likely to enjoy making lengthy telephone calls to childhood friends. Present-orientated people are more prone to what offers immediate enjoyment, such as gambling. Future-orientated people often pursue personal development activities, such as golf or cooking classes.

- *Planning orientation* refers to an individual's style of time management (analytic or spontaneous). For example, spontaneous people tend to prefer impulsive leisure activities, such as a "spur-of-the-moment" outing to the beach, while analytical people tend to prefer planned leisure activities, such as participating in a scuba diving training course.

- *Polychronic orientation* refers to the individual's preference for a polychronic, multi-tasking style versus a monochronic "one-thing-at-a-time" style. Monochronic people tend to devote their time to a single leisure activity at a time, such as reading. Polychronic people, on the other hand, prefer doing more than one leisure activity at the same time, such as chatting to a friend and listening to music, while playing cards at the same time.

Time may influence the degree of perceived value that individual consumers of leisure services have, because time affects consumers' decisions about time-consuming leisure activities (Cotte & Ratneshwar, 2003:565). Consequently, the authors suggest that leisure service marketers should stimulate business from consumers with specific time categories, by tailoring their offerings to suit the time preferences of the target consumers.

Tribe (2005:3) defines leisure time as discretionary time - the time remaining after work, commuting, sleeping and doing necessary household and personal chores. Moreover, Tribe (2005:5) suggests a particular view of the activities, related to leisure time, as shown in Figure 2.1.

Figure 2.1: Tribe's (2005) classification of leisure time activities
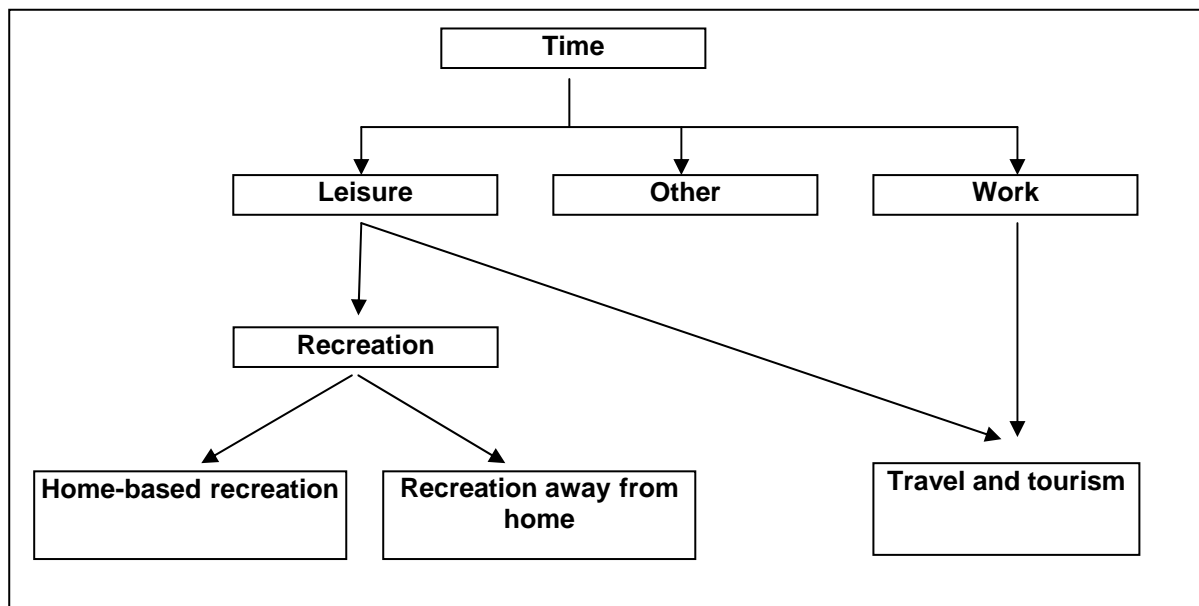
Figure 2.1 suggests that "work" and "leisure" are both part of time, where each occupies an amount of time. Accordingly, recreation is considered part of leisure. Recreation comprises two categories of activities, namely recreational activities that are based at home and recreational activities that are based away from home (e.g., in a park or at a gym). Allocation for "other" in Figure 2.1 refers to time spent by an individual on personal or social needs.

Furthermore, Figure 2.1 suggests an indirect association between leisure and work. This association is described through the function of travel and tourism. For example, work-time may include business trips or courtesy functions and events. These activities can also be considered as leisure activities.

2.2.3   The construct *leisure*

Currently leisure activities are developing and increasing in number. On the one hand, the development of leisure facilities are assisting the economic growth of nations and offering more job opportunities. On the other hand, increasing leisure consumption is attracting the attention of marketing and consumer researchers (Cotte & Ratneshwar, 2003:558). The aforementioned growth motivates the current study to be concerned about marketing leisure, because marketing plays an increasingly important role in a scenario where the provision of leisure is regarded as a marketing exercise (Torkildsen, 2005:418). The necessity to define leisure as an industry therefore exists.

For the purpose of this study *the leisure industry* is defined as a dynamic progressing service industry that covers a broad spectrum of businesses, which provide services used by people during their leisure time. Such businesses serve leisure markets and attract the expenditure of disposable income.

Leisure services are anticipated to help develop new marketing strategies and practices that capture the vast dimensions of the leisure industry, which encompasses recreation, play, as well as hospitality activities. The new marketing strategies should focus on the human being, as the focal point of attention, addressing individual as well as group needs, interests, preferences, desired experiences, prime satisfaction factors and perceived values (Kotler, Bowen & Makens, 2006:23-26).

Marketing efforts are consistently being modified to influence consumers' thinking habits, buying decisions and thought processes. Therefore, it is worth reviewing motivations of leisure, in order to understand the approaches that influence potential customers (Torkildsen, 2005:421).

"*Motivations of leisure*" is a pivotal construct that is related to the core of this study. The construct verifies what is considered as leisure and what is not, by differentiating between consumers' external and internal motives.

For that reason, it is necessary to first provide concise information regarding the functions and importance of leisure, which are discussed in section 2.2.4 and 2.2.5 respectively,

followed by categories of leisure according to their ownership in section 2.2.6 and these in turn are linked to the *"motivations of leisure"* that are discussed in section 2.2.7.

2.2.4   The functions of leisure

According to Murphy (1981:30), there are three functions of leisure, namely *social, behavioural* and *psychological*:

- *The social functions of leisure*

    Kelly (1996:32) proposes that individuals engage in leisure activities to pursue personal and social benefits. Murphy (1981:30) refers to leisure as "[Doing] which gives one pleasure and satisfaction". Individuals tend to belong to a number of social circles, consisting of people who share common interests. Leisure is a means of establishing and sustaining intra-group solidarity (Murphy, 1981:32). Consequently, each society maintains a degree of social control through its leisure attitudes, behaviours and social organisations. Moreover, Murphy (1981:30) mentions that leisure serves three basic social functions that provide opportunities for:

    - relaxation (provides the individual the opportunity to recover from fatigue),

    - entertainment (spells deliverance from boredom), and

    - personal development (serves to liberate the individual from the daily automatism of thought and action).

- *The behavioural functions of leisure*

    Leisure can be regarded as non-work behaviour in which people are voluntarily engaged during their free time. Such behaviour is to be recognised as an expression of the individual's total self and should be goal directed (Murphy, 1981:30). Therefore, leisure activity choice becomes an aspect of the personality. To this end, Kelly (1996:18) agrees that leisure can be regarded as a learned behaviour.

- *The psychological functions of leisure*

    Torkildsen (2005:49-50) refers to leisure as an attitude of mind; a condition of the soul. Murphy (1981:30) similarly suggests that leisure is a state of mind; a way of being, which makes leisure behaviour a function of the individual's needs. Moreover, Sessoms (1984:22) views leisure as an attitude of an individual towards existence,

while Horner and Swarbrook (2005:24) argue that an individual should derive a *positive* mental state, as a result of participating in leisure activities.

The aforementioned discussion of the functions of leisure indicates that leisure, as a phenomenon, is remarkably important. The importance of leisure is discussed in the next section.

2.2.5 The importance of leisure

In the previous sections leisure has not only manifested itself as being an enjoyment, a recreation, or a social activity, but also proved to be an effective and productive use of one's free time to gain contentment, expand one's knowledge, mould one's fitness, or develop a desired hobby or a needed skill. At the same time leisure has also been distinguished as both a lively progressing service industry, which covers a wide range of businesses, where it offers employment to a considerable number of professionals and job seekers world-wide, as well as a field of interest for academic research.

Leisure is important in society especially when measured by time invested, money spent or value expressed (Kelly, 1996:13). Leitner and Leitner (2004:411) have found that it is possible to improve relations between two parties through leisure activities: The football matches organized in Israel for Palestinian and Israeli children in March 2003, serve as a case in point. Therefore, this category of leisure activities could enhance human relations. However, even though the argument exists that the understanding of consumers' behaviour towards leisure is important; questions might arise as to which categories of leisure activities are consumed and who provides them?

2.2.6 Categories of leisure

Torkildsen (2005:193) argues that leisure activities are provided either through the public sector, the voluntary sector or the commercial (private) sector. Verification and congregation of different kinds of leisure activities are easier, if done according to the sector to which the activities belong. Different kinds of leisure activities are attached to each sector mentioned above.

A question arises: What drives people to engage in leisure activities and how is it possible to differentiate between leisure and work? Leitner and Leitner (2004:6) distinguish between work and leisure through "Neulinger's paradigm", which is discussed in the next section on *motivations of leisure*.

2.2.7   Motivations of leisure

Neulinger's paradigm, which is based on the concept of intrinsic and extrinsic motivations, distinguishes between leisure and non-leisure activities (Leitner & Leitner, 2004:6). Table 2.1 shows the six activity categories in Neulinger's paradigm, where intrinsic motivation refers to internal motivation, while extrinsic motivation refers to external motivation and the desire to do an activity for the external rewards involved.

Table 2.1: Neulinger's paradigm of leisure

Perceived freedom = leisure			Perceived constraint = non-leisure		
1	2	3	4	5	6
Pure leisure	Leisure-work	Leisure-job	Pure work	Work-job	Pure job
Intrinsic motivation	Both intrinsic and extrinsic motivations	Extrinsic motivation	Intrinsic motivation	Both intrinsic and extrinsic motivations	Extrinsic motivation

Source: Leitner & Leitner (2004:6).

In the paradigm reflected above, *freedom* refers to personal choices, made by individuals, to perform preferred leisure activities, based mainly on inner drives for the enjoyment and the mere pleasure of the activity. *Constraint* refers to limitations and restrictions associated with the practice of leisure activities, mainly due to the impact of associated extrinsic factors such as pay, social circumstances and health conditions. *Perceived freedom* refers to the fact that a person may not be truly free of his related obligations, whether those are personal, work-related, family-related or social obligations. Freedom is relative and depends on the social circumstances of the individual as well as on their understanding of those circumstances' constrains.

Neulinger's paradigm implies that the largest number of activities is motivated by a combination of both intrinsic as well as extrinsic motivations. Furthermore, this paradigm also proposes that leisure refers to freedom, while non-leisure refers to constraint.

Three of the six activity categories mentioned in Table 2.1 are explained below:

- **Leisure-work** indicates activities motivated by a combination of both intrinsic and extrinsic rewards, where individuals are freely engaged in activities such as sport for enjoyment and fitness benefits. Touring, sailing and fishing are examples of leisure-work.

- **Leisure-job** signifies activities where participants are freely engaged, but the motivation stems solely from obtaining the extrinsic rewards, such as better health or weight reduction. The activities are not at all motivated by enjoyment of the activity itself. Jogging and aerobics might be examples of leisure-job, especially when the participant objective is to reduce his/her weight.

- **Work-job** denotes activities motivated by both intrinsic and extrinsic rewards. In this category, participants of these activities are however engaged under constraint. A college professor, obligated to teach a *leisure studies* course, is extrinsically rewarded by his financial gain and intrinsically rewarded by his joy of teaching. Likewise, a professional football player, who is contractually obligated to play, is also motivated to play because of both the financial rewards and the enjoyment of playing football (Leitner & Leitner, 2004:5).

In conclusion, through examining contemporary empirical research, the above section has discussed the various definitions of leisure, the categories of time, and the leisure industry. The functions and importance of leisure have also been reviewed within this section, followed by categories of leisure, prior to concluding with the motivations of leisure.

The following subsections discuss recreation, which is an important subcomponent of the leisure construct.

2.3 RECREATION

In this section, recreation is discussed as a component of leisure. Initially definitions and meanings of recreation are discussed, followed by trends in leisure and recreation definitions. Furthermore, categories and characteristics of recreation are expounded, and finally an interrelated component of leisure, namely play, is reviewed in section 2.4.

2.3.1 Defining recreation

The word *recreation* stems from the Latin *recreatio,* which refers to restoration or recovery. The term implies the re-creation of energy, or the restoration of a human's ability to function (Kelly, 1996:39). Sessoms (1984:88) and Torkildsen (2005:51) agree that recreation refers to activities, which occur during leisure time. Moreover, participants usually voluntary choose such activities, either because of the satisfaction, pleasure or creative enrichment derived, or because the participant perceives certain personal or social values to be gained from the activities - i.e., the beneficial emotional state derived from involvement (Torkildsen, 2005:52).

Trends in leisure and recreation definitions, reveal, according to Kelly (1996:39), that recreation is more organized for specific ends, with benefits expected, compared to leisure. The author requires recreation to have a reason, a destination, and a purpose.

Although leisure has been related to experience, it appears that the concept of recreation has not been viewed similarly. Furthermore, Williams and Buswell (2003:68) as well as Parr and Lashua (2004:2) regard leisure as an umbrella that covers recreation. However, a continuous evaluation, in the understanding of the leisure construct and its attributes, exists.

Academic researchers have found that definitions of *leisure* and *recreation* overlap and do not fall into a single logical category (Torkildsen, 2005:52), especially with examples which argue that recreation can refer to any activity pursued during leisure time. Simultaneously, leisure can also be defined as recreation (Medlik, 2003:104).

For the purpose of this study, Torkildsen's (2005:52) definition of recreation is adopted, describing it as "a voluntary activity, a person chooses to participate in, during available leisure time, which generates an experience that results in satisfaction, and may lead to enjoyment, pleasure, achievement and/or a sense of well-being, like dining at a restaurant". This activity is organized, meaningful and goal-driven. As stated above, a recreation activity has a reason or a purpose and a destination. Recreation can be regarded as a social phenomenon, when it has a social purpose. *Destination* is a word that may include a combination of meanings, such as a location of natural features, or a man made attraction like a sports' centre or a special event, which would be offered as an interrelated whole (Horner & Swarbrook, 2005:205).

The relationship between recreation and leisure is obviously a very close one, as recreation activities occur during leisure time. Therefore, on the one hand, recreation is to be considered part of leisure, but on the other hand, leisure does not have to have a purpose or be organised. Leisure and recreation do, however, differ from one another, because leisure resembles a bigger spectrum, which encompasses activities other than recreation, such as hospitality and tourism. Nevertheless, for a clearer understanding, the following two sections discuss two important aspects of recreation, which are the categories and characteristics of recreation.

After defining recreation in this section, the next section discusses the categories of recreation.

2.3.2 Categories of recreation

Recreational activities can be categorised in a number of ways. As illustrated in Figure 2.1, Tribe (2005:4) distinguishes between home-based recreational activities and recreational activities that take place away from home.

Home-based recreation refers to recreational activities performed at home. These activities may include listening to music or the radio, watching television, videos or DVDs, or reading. Other home-based activities include Do-It-Yourself (DIY) home improvement

activities, gardening, playing games, doing exercises, practising hobbies and utilising a computer for leisure.

Recreation away from home includes an even wider variety. Participating in sport, watching entertainment activities, practising hobbies, visiting attractions, dining out as well as betting and gambling, are only but a few of these activities.

Horner and Swarbrook (2005:243) specify seven differences between the various forms of recreation. These differences are in terms of:

- **Location** - The recreational activity is performed either at home or away from home.

- **Range and frequency of practice** - The recreational activity is performed on a daily basis or once a day or on a less regular basis.

- **Clothing and equipment used** - Some recreational activities require special clothing and equipment, others little or none.

- **Facility requirements** - Some recreational activities are supported by a large physical infrastructure, while others require no special infrastructure.

- **Nature** - The nature of a recreational activity can be controversial, political or illegal, like hunting in national parks which is considered illegal.

- **Participation type** - A recreational activity requires either group or individual participation.

- **Customer** - During a recreational activity, a person can be either a spectator or a participant in that particular recreational activity.

After this explication of the categories of recreation, the following section elicits the characteristics of recreation.

2.3.3 Characteristics of recreation

Recreation seems to reveal shared characteristics. These include the following:

- Recreation is perceived to fall under the leisure umbrella.

- Recreation refers to activities undertaken during leisure time.

- Recreation activities are chosen voluntarily.

- Recreation activities can take the shape of many different forms.

- Participation in recreation tends to be goal-driven, and recreation is, therefore, purposeful.

- The experience resulting from recreation cannot be predetermined, for example, a consumer's experience of a meal at a restaurant cannot be exactly predicted before the meal is enjoyed in such a setting (Kelly, 1996:25; Torkildsen, 2005:52).

Recreational activities generally have social purposes and organisation (Kelly, 1996:25). However, some recreational activities do not hold social benefits or commitment to community contentment or enhancement, like gambling on the Internet. Some recreational activities are even illegal, such as drug use, because of the perceived immorality and harmful consequences.

In this section recreation has been viewed as a leisure activity, simultaneously revealing that leisure is a broader concept than recreation (Sessoms, 1984:23). Under its broad umbrella, leisure has many activities and one of them is play. The following section considers the definition of play as well as the similarities between play, recreation and leisure.

2.4 PLAY

The definitions of play are reviewed in this section. The similarities between play, recreation and leisure are also highlighted.

2.4.1 Defining play

The term play comes from the Anglo-Saxon *plega* referring to a game, sport or even a fight. The Latin *plaga* means a blow, thrust or stroke as in a ball game or in combat (Kelly, 1996:28).

Torkildsen (2005:67) attaches play to children by defining play as "a freely chosen, personally directed, intrinsically motivated behaviour that actively engages the child". Kelly (1996:31) appends such satisfaction - that would result from doing a *play* activity - to the moment, meaning that the satisfaction of play is concentrated in the experience of doing the activity. Moreover, Kelly (1996:31) considers *play* as a leisure activity that has a non-serious meaning. Although individuals seek recreational experiences and possess the need for leisure experiences, they have an inherent desire to play (Horner & Swarbrook, 2005:24).

For the purpose of this study, play is defined as a voluntary activity a person chooses to participate in, for its own sake during available leisure time. Play is not organised and does not create wealth, moreover, play results in enjoyment and pleasure. Play falls under the leisure umbrella and is considered the most effective method of children's early learning experiences (Torkildsen, 2005:77).

2.4.2 Similarities between play, recreation and leisure

There are many words and concepts that are shared when describing constructs such as play, recreation or leisure. Horner and Swarbrook (2005:23) suggest that pleasure constitute the central focus of the overlapping ideas of play, recreation and leisure. Consequently, pleasure is perceived as the central concept between leisure, recreation and play. Figure 2.2 illustrates the concept of pleasure.

Figure 2.2: Pleasure at the heart of play, recreation and leisure
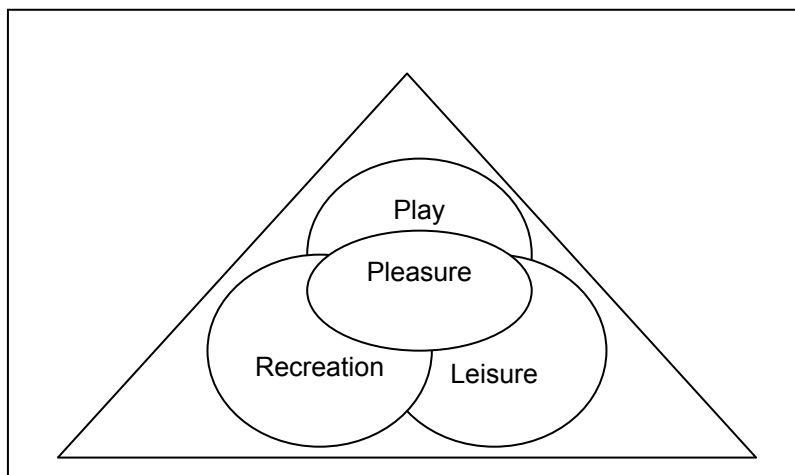
<u>Source</u>: Torkildsen (2005:121).

Figure 2.2 suggests that pleasure is the central experience that is shared by play, recreation and leisure activities. Torkildsen (2005:121) argues that pleasurable experiences occur within favourable environments, where a leisure consumer would be satisfied by receiving positive outcomes from leisure services purchased.

These similarities emphasise that play, recreation and leisure are integrated and they appear, collectively, to have common characteristics (Torkildsen, 2005:50). Consequently, the perception exists that leisure, for its broader scope, represents an umbrella term that includes both recreational as well as play activities.

The differences between play, recreation and leisure reveal that *play* exhibits childlike characteristics of joy. Recreation often refers to a consuming experience that leads to restoration, hence, recreation experiences renew. Leisure has the potential to lead a person to self-fulfilment or self-actualisation that will positively affect the person's way of life (Torkildsen, 2005:120).

After discussing similarities and differences between play, recreation and leisure as well as establishing that recreation and play are components of leisure, the following section discusses another component of leisure, namely, hospitality.

2.5   HOSPITALITY

In this section, hospitality and tourism are defined and their relation to the leisure construct is reviewed. For the purpose of the study, a specific hospitality sector, namely "restaurants" is explained.

2.5.1   Defining hospitality

In South Africa, the term hospitality is being used more frequently than the phrase "hotel and catering", because it can be expanded to include all offerings to the consumer away from home (George, 2001:18).

Horner and Swarbrook (2005:26) mention that *hospitality* means looking after guests well. George (2001:18) distinguishes between two definitions of hospitality; the first made by the **A**merican **T**ourism and **H**ospitality **I**ndustry (ATHI), which states "Hospitality is the friendly and generous reception and service of guests". The second is the definition of the **S**outh **A**frican **H**otel **I**ndustry **T**raining **B**oard (SA-HITB), which states that "Hospitality is an industry that encompasses the accommodation, catering, tourism and maintenance sectors". Maintenance refers to cleaning services and facility up-keep.

Hospitality can be regarded as an industry (George, 2001:18). Waller (1996:VIII) argues that the hospitality industry serves to meet two main objectives, namely: providing services to the consumer and ensuring a return on investment for the owner.

Figure 2.3 outlines the sectors that service the South African hospitality industry.

Figure 2.3: The sectors of the South African hospitality industry

Accommodation

- Hotels and Bed & Breakfast establishments
- Guest-houses
- Caravan parks & camp sites
- National parks
- Holiday farms
- Game lodges

Catering

- Restaurants
- Cafes
- Roadhouses
- Take-away establishments

Hospitality

Tourism

- Providing tourism services to tourists

Maintenance

- Providing maintenance or cleaning services to the accommodation, catering and tourism sectors
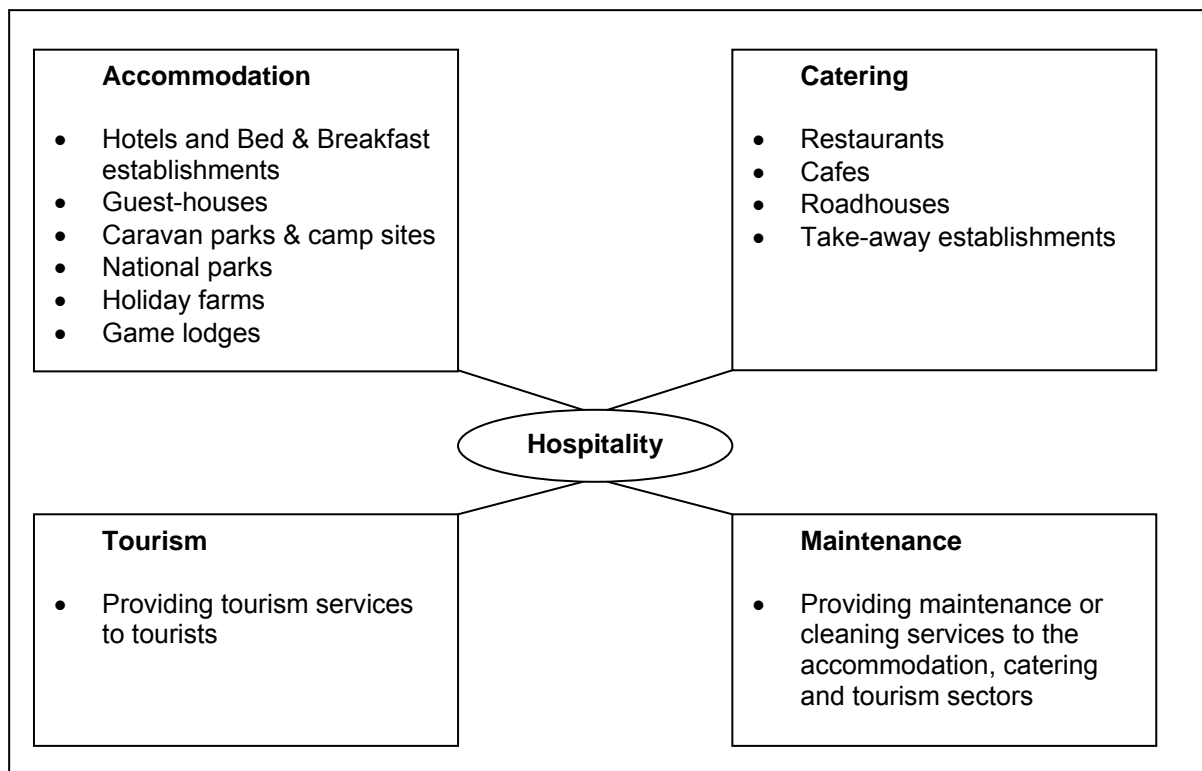
Source: George (2001:18).

As shown in Figure 2.3, the South African Hotel Industry Training Board (HITB) suggests that the hospitality industry includes the following sectors: Tourism, Catering, Accommodation and Maintenance.

Horner and Swarbrook (2005:26) argue that hospitality includes the following features:

- Hospitality covers different sectors, namely accommodation, catering, tourism and maintenance.

- Hospitality promotes a warm and friendly experience for consumers.

- Hospitality services are mainly offered to the consumer away from home with the exception of two occasions, namely the occasion of catering (i.e., food and/or beverage delivery services) and when hospitality services (maintenance) are offered by a residential compound to its permanent residents (i.e., the facility up-keep and/or security services offered by management to residents).

George (2001:22) suggests that the marketing of hospitality services has unique features that distinguish it from the marketing of other services:

- Hospitality services reveal a lack of ownership amongst consumers, because most hospitality consumers retain intangible memories of the experience.

- Hospitality services are offered through fixed locations.

- Hospitality services are influenced by seasonality, because the demand for such services fluctuates as dictated by high and low seasons.

- Hospitality services are interdependent. The decision to purchase a service, usually involves the simultaneous purchase of several connected services, which might require a set of different complex processes to be followed. These different services will contribute to the consumer's overall experience. For example, a man decides to go on a two-week trip; he initially purchases aeroplane tickets to the desired destination and books a room in a hotel close to the leisure attractions he desires to experience. After arriving at the destination, he not only purchases leisure services available at the leisure attraction, but his needs (i.e., food) also compel him to additionally purchase edible consumables.

For the purpose of the study, the following section will focus on a specific sector of the hospitality industry, namely the restaurant sector.

2.5.2 Restaurants and their relation to leisure

Historically, the evolution of public eateries was stimulated by people's desire to travel for both spiritual enrichment and commercial gain. Historically, restaurants were primitive and poorly organised. Through time, however, these eating places have developed significantly (Palacio, Harger, Shugart & Theis, 1994:20).

Restaurants and catering service establishments deliver well-known functions within the leisure industry. These services are important to the tourism industry, since most leisure and tourism facilities provide food services to their customers (Horner & Swarbrook, 2005:256).

The literature identifies different types of food service outlets. These include:

- Individually owned, independent restaurants,

- Chain-owned restaurants,

- Cafes and snack bars,

- Fast-food and "take-away" food outlets,

- Home delivery catering services,

- Bars and pubs where meals are served, but the main function is dispensing beverages,

- Transport catering including airline, train and motorway catering services,

- Themed and non-themed catering at visitor attractions,

- Entertainment complexes, which offer catering services (i.e., night clubs, spa resorts),

- Catering outlets at hotels and resort complexes,

- Catering contractors who provide catering for functions on the client's premises, and

- Institutional catering, including catering at hospitals, prisons and schools (Horner and Swarbrook, 2005:256).

Waller (1996:2) suggests two major categories of food service outlets in Figure 2.4.

Figure 2.4: The main types of food service outlets
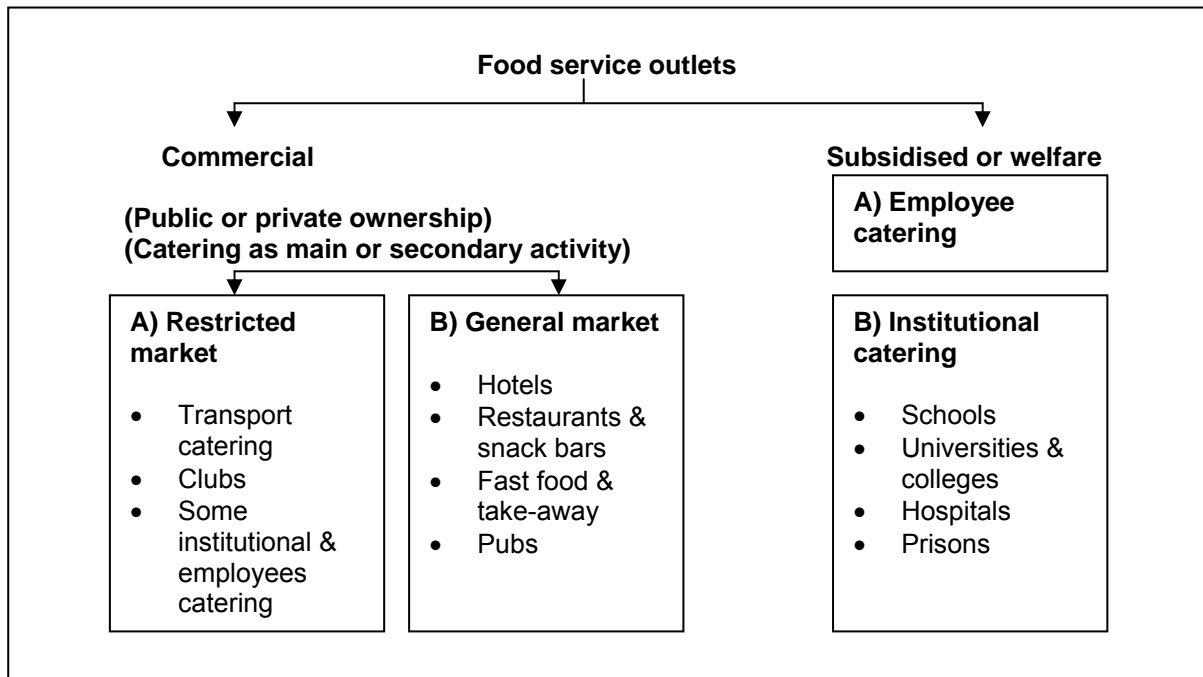
Source: Waller (1996:2).

As shown in Figure 2.4, restaurants belong to the general market category of food service outlets. This type slots in under the commercial category of food service outlets. For the purpose of this study, the focus is on commercial, general market, food service outlets.

In the event of eating away from home, Waller (1996:60) points out that the implications for customer care can differ substantially between individuals representing different groups. People such as travellers, students or workers (eating away from home as a matter of convenience), could provide positive customer feedback about the service utilised. In contrast, other individuals such as members of a captive audience, prisoners, hospital patients or workers on oil rig (eating away from home in terms of necessity) would provide more negative customer feedback. Within this study, subsidised welfare catering, which includes institutional catering (e.g., a school's cafeteria, a hospital self-service restaurant, a prison's eatery), is not discussed.

This study is interested in mid-scale restaurants. Mid-scale restaurants, according to Powers and Barrows (2006:85), are part of full-service restaurants and are basically

targeted for middle-class customers. The operating system of mid-scale restaurants is similar to the one used by fast-food restaurants (such as KFC and Wimpy), which belong to quick service restaurants. This is why people may refer to mid-scale restaurants as "moderately fast food". The production of service within mid-scale restaurants is simplified using specialised menus that minimise skill level required, thus, reducing staff costs and speeding service. Food is served faster in mid-scale restaurants than in up-scale full-service restaurants. Moreover, the productivity of such restaurants is highly efficient and they have relatively low food costs as well as limited services.

Mid-scale restaurants include (Powers & Barrows, 2006:86):

- Family restaurants (e.g., Spur),

- Seafood restaurants (e.g., Ocean Basket),

- Cafeterias and buffets (e.g., House of Coffee),

- Pizza restaurants (e.g., Roman's Pizza), as well as

- Ethnic food restaurants (e.g., Uncle Fouzi's Mediterranean food).

2.6 CONCLUSION

This chapter defined the *leisure* and considered the social, behavioural and psychological functions of leisure. This was followed by a discussion of the motivations of leisure, which were viewed through the explanation provided by Neulinger's paradigm of leisure. The chapter concluded with a section on hospitality with a focus on restaurants and their relation to leisure.

The importance of a phenomenon such as leisure varies depending on the people who consume leisure, the goals to be achieved through performing leisure activities and the surrounding environments when having leisure time. Leisure activities can be performed either at home or away from home.

Existing literature also indicates that leisure is more than just the disposable time after work. Leisure can therefore be seen as an activity, or a state of mind.

The chapter reflects that the leisure industry is important and beneficial to both the individual and the community. Furthermore, the role of the leisure industry enables countries to offer positive economical and social contributions to their citizens.

Recreation and play are considered under the leisure umbrella, while hospitality services are found to be directly linked to leisure. A number of tourism avenues (i.e., travelling for business, education or medical purposes), may not include leisure services, but are, nonetheless, facilitated by hospitality services.

Noteworthy, in this chapter, is the trend that marketing is becoming more important to the future of leisure and hospitality services. The reason for this tendency is that the development of an effective marketing function provides better services, where its benefits can be communicated to prospective consumers.

The chapter concludes with a focus on restaurants, because this study is researching a particular kind of restaurants, i.e., "mid-scale restaurants". Mid-scale restaurants are part of full-service restaurants and are basically attracting middle class customers. They include family restaurants, pizza restaurants as well as cafeterias and buffets (Powers & Barrows, 2006:85).

Chapter three discusses the marketing of leisure services and focuses on the core constructs of the study by defining the perceived value within a leisure context.

3 CHAPTER THREE: PERCEIVED VALUE WITHIN A LEISURE CONTEXT

3.1 INTRODUCTION

This chapter provides a definition for the term *service*; discusses the unique characteristics of services compared to tangible goods. Subsequently, the chapter highlights the importance of understanding perceived value, underlining the way perceived value has come under focus, as it influences consumers' behaviour and assists in opening up new opportunities in modern marketing. The latter delineates the area where firms are to enhance customers' perceptions of the value of service, in order to stimulate customers' repeat purchase behaviour.

The chapter continues by developing the definition of perceived value and advances to cover the conceptualisations and dimensions thereof, while providing perspectives on the components of the perceived value construct. Discussions in this chapter centre on perceived value as a multidimensional construct, as well as on its measurement.

The multidimensional SERV-PERVAL scale, for measuring the perceived value of a service, is presented. Attention is also paid to the five dimensions of perceived value, namely perceived quality, monetary price, behavioural price, emotional response and reputation.

A hypothetical model of service production is introduced, in an attempt to illustrate the predictors of value perceptions. The assessment of five different studies, which were conducted for the purpose of conceptualising and/or measuring perceived value in the context of restaurants, concludes the chapter.

3.2 EXPLORING THE UNIQUE CHARACTERISTICS OF SERVICES

The perception that marketing a service, or "selling the invisible", is more difficult than marketing a tangible product that consumers can sample by employing the five senses

before buying, has been debated (Lancaster & Reynolds, 2005:65). Consequently, marketing professionals are keen to grasp the unique characteristics of services.

Organisations design services that meet customers' needs and wants (Reid & Bojanic, 2006:1). Marketing seeks to make the exchange process between organisations and their customers, a mutually rewarding transaction. Value is created through this process, which leaves both parties better off than before the exchange took place (Bowie & Buttle, 2004:8). Consequently, service companies should continue to study and understand their markets and customers. Therefore, the more service companies increase their knowledge, the more they gain repeated business, enabling them to offer better value (Baschab & Piot, 2005:144-156).

Kotler *et al.* (2006:30) suggest that the core marketing concept involves achieving organisational goals, by determining the needs and wants of target markets as well as delivering satisfaction, more effectively and efficiently than competitors. Figure 3.1, below, illustrates the core marketing concept. According to Waller (1996:1), the demand to meet customers' needs more effectively, requires organisational goals, such as improving profitability, to be achieved. However, Kotler *et al.* (2006:16), holds that marketing is an ongoing process as customers and competitors change over time.

Figure 3.1: The core marketing concept
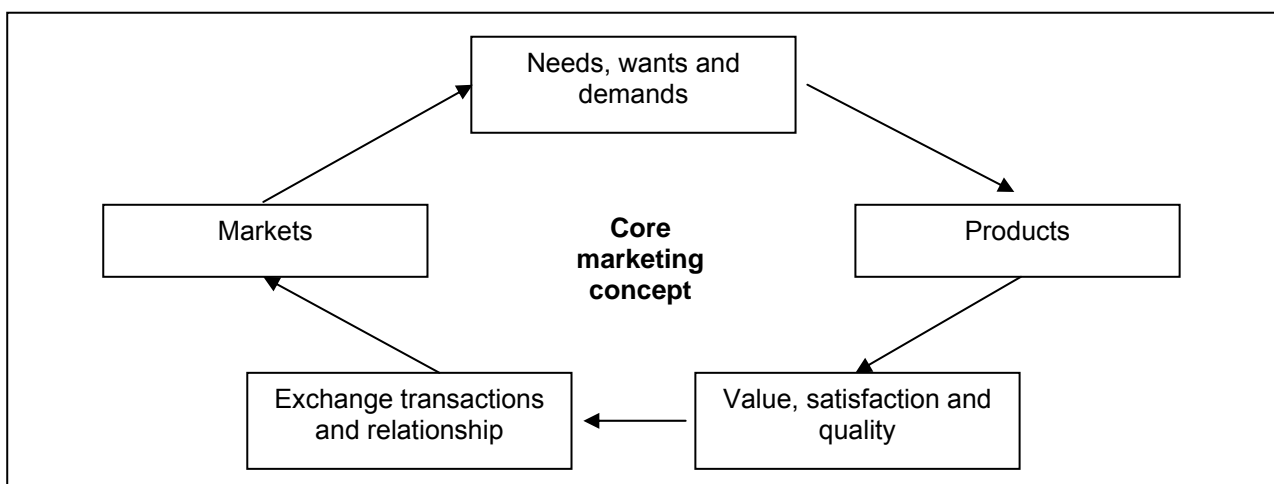
Source: Kotler *et al.* (2006:13)

Following the directional flow of Figure 3.1, above, it would be noted that the core marketing concept, with an outward orientation, is initiated by marketers who determine the needs, wants and demands of their potential customers. This should sequentially lead to the offering of customised services and products. Worthy products and quality-driven services are transmitters of value for they generate consumer satisfaction. Satisfied customers would then serve as co-creators of value. This process would, in turn, result in rewarding transactions that help to build long term complementary relationships, which would successively enrich the markets and open up new and competitive avenues for expansion and enhancement, to meet future changing needs.

This section will provide a definition for the term *service* and discuss its unique characteristics. Consideration will also be given to reasons why leisure services are regarded as part of the service industry.

3.2.1   Defining the term "service"

Services are becoming increasingly important. Almost two-thirds of the world's total economic output is accounted for by services (Malhorta, Ulgado, Agarwal, Shainesh & Wu, 2005:271).

Zikmund and D'Amico (2002:527) describe a service as "a task or activity performed for a buyer which is intangible and that cannot be handled or examined before purchase". Kandampully, Mok and Sparks (2004:6) state that service has been defined as "any activity or benefit one party can offer to another that is essentially intangible and does not result in the ownership of anything".

On the other hand, goods are defined as "tangible economic products that are capable of being seen and touched and may or may not be tasted, heard or smelled" (Mudie & Pirrie, 2006:2).

Goods and services are both regarded as products. It is important for the purpose of this study to put a special emphasis on this statement, because people, who are unfamiliar

with marketing, regard a "product" as a physical object with identifiable and tangible attributes (Lancaster & Massingham, 1988:135). Conversely, various services would not be considered as products (e.g., insurance policies, music concerts or tourism packages).

Zikmund and D'Amico (2002:525) define a product as "a good, service or idea that offers a bundle of tangible and intangible attributes to satisfy consumers". Accordingly, goods and services are both regarded as products.

The question, why services are different from goods, while both are considered as products, needs to be asked. Section 3.2.2 provides a relevant clarification for this question through highlighting the unique characteristics of services.

3.2.2 The unique characteristics of services

Several authors including Bowie and Buttle (2004:22); Kotler *et al.* (2006:42-45) as well as Zikmund and D'Amico (2002:248) suggest that services have the following unique characteristics:

- **Intangibility:** Buyers cannot see, feel, smell, hear or taste a service before they purchase it from sellers. Since evaluating the quality of something intangible is difficult, service marketing professionals have to employ a strategy to make the intangible tangible. This could be achieved by attempting to reduce consumers' uncertainties and reservations as well as assisting consumers to understand and evaluate the nature of the services on offer. As buyers look for tangible evidence that will provide information and instil confidence about the services to be purchased, marketers have to determine how to communicate proficiently the services' processes, deliverables and benefits, in order to acquire the desired confidence. For example, people often view the equipment and facilities of a gym, before purchasing membership of the offered service (Kotler *et al.,* 2006:42).

  Where services are regarded as intangibles, service customers are seen as purchasing promises of satisfaction while in return, service marketers aim to present evidence of reliability through keeping promises. This task can be attained through developing a

symbolic appearance of competency and credibility to customers (Zikmund & D'Amico, 2002:248).

- **Perishability***:* Services cannot be stored. For example, an empty seat on a commercial aeroplane flight cannot be stored for a future flight, because consumers (passengers) are consuming the service of transportation delivered by the airline during that particular flight. Similarly, an empty seat in a theatre for a particular performance cannot be stored for a future performance. Therefore, if the ability to produce a service exists, but it goes unused due to low demand, the units of the intangible offering perish (Bowie & Buttle, 2004:21).

Consequently, service marketers need to accurately forecast the demand for services so that supply matches demand (Zikmund & D'Amico, 2002:249). Demand often fluctuates and may be seasonal or time sensitive. This adds to making perishability a prime concern of service providers.

- **Inseparability***:* With tangible goods, the production precedes the selling thereof, and the consumption of goods occurs last in the exchange process. Conversely, services have a different exchange process. Inseparability means that both service providers as well as customers must be present for transactions to occur. Inseparability often demands personal contact between buyers and sellers. To overcome this problem, the production processes should be viewed as marketing activities, and the standards for personal effectiveness and efficiency should be based on consumers' perceptions, not on assembly line standards. Service inseparability also means that customers are part of the service. This makes it highly important for service providers to carefully manage the delivery processes, as customers are able to observe these processes in action. Another important implication of inseparability is that the actions and/or reactions of customers influence the nature of services being delivered and thus also the value perceived (Bowie & Buttle, 2004:22).

- **Heterogeneity** or **variability** refers to the fact that the quality of delivered services can vary widely. Within service industries, it is not possible to deliver equal service experiences to all customers, because service offerings are tied to service providers' personal performances and, in many cases, to those of customers as well. Consequently, it is unlikely for service customers to know precisely what to expect ahead of time from services, before consumption takes place. Moreover, the perceptions of consumers can vary from those of other consumers, although they might all have consumed the same service at the same time. These varied perceptions may arise, because customers have different knowledge, experience, personal characteristics and feelings. For example, the same meal served to two different customers at the same time, in the same restaurant and by the same staff can be perceived differently (Bowie & Buttle, 2004:22).

Heterogeneity (or variability) is influenced by human factors and consequently, every service performance is a unique event. Human interaction cannot be standardised and it is impossible for service providers to deliver a totally non-variable experience. For example, a meal experience can be very different from one week to the next for the same person eating the same meal, which is cooked by the same chef and served by the same person, at the same restaurant. The causes for these differences are various and could be based on the consumer, since the consumer might feel unwell, has experienced a bad day at work or is not enjoying the music played at the restaurant on that particular day (Bowie & Buttle, 2004:23).

Consequently as described above, the implications of these unique characteristics, place additional burden on service providers, in order to elevate consumers' value perceptions and successfully make the intangible tangible. Firstly, service providers need to align supply with demand, to efficiently cope with perishability. Secondly, consumers ought to be accommodated as part of the service, in order to manage inseparability. Finally, to successfully deal with variability that is tied to personal performances, especially that of consumers, service providers should be well-trained in readjusting sails, when controlling the wind, is unattainable.

The next section discusses the importance of understanding perceived value.

3.3 THE IMPORTANCE OF UNDERSTANDING PERCEIVED VALUE

There are two main reasons why it is important to understand perceived value:

- Firstly, recent theoretical and practical marketing approaches have placed the focus on perceived value.

- Secondly, perceived value is seen as an important factor that influences the behaviour of consumers.

These two reasons are discussed below, in more detail.

3.3.1 Recent theoretical and practical marketing approaches have placed the focus on perceived value

Marketing practices have developed over the years. In the beginning of the industrial era, organisations focused on production, which stressed the development of technology and distribution efficiency (Zikmund & D'Amico, 2002:16). The production (or manufacturing) concept fell short of focusing on customers. It suggested that organisations should focus on producing goods in large quantities. This approach was common when demand exceeded supply (Kotler *et al.*, 2006:23).

The production concept was followed by the product concept, where organisations focused on producing products of high quality and expected them to be sold easily (Zikmund & D'Amico, 2002:16). Both these concepts had an inward focus on organisational interests (Woodruff, 1997:140) and did not consider changes in consumers' needs (Kotler *et al.*, 2006:25).

The selling concept, which followed the previous two concepts, focused on convincing customers to buy what was already produced. Organisations focused on short-term increases in the sales of existing products rather than on long-term profits (Zikmund & D'Amico, 2002:17) and did not seek to establish long-term relationships with their

customers (Kotler *et al.,* 2006:25). The selling concept is common when supply exceeds demand.

It should be mentioned that the aforementioned concepts are interrelated and have common characteristics. The dominant logic in the previous concepts was based on the exchange of manufactured output and the focus was on tangible resources. Progressively, new perspectives have emerged to provoke a new dominant logic for marketing, which focuses on intangible resources (Vargo & Lusch, 2004:1). According to Lusch and Vargo (2006:181-183), service dominant logic has the following characteristics:

- it focuses on the value-creation process;

- it regards products as transmitters of value;

- it considers customers as co-creators of value;

- it suggests that companies cannot create or deliver value alone, without involving consumers; and

- it centres marketing communication activities on conversation and dialogue with customers to stimulate learning and relationship development.

Moreover, Lusch and Vargo (2006:183) suggest that a greater in-depth understanding of perceived value is needed and that marketing practice should focus on the creation and exchange of value between partners. Consequently, emphasis can be drawn to the fact that recent theory and marketing practices have placed the focus on the perceived value.

Presently, the market (or marketing) concept/orientation is evident in displaying an outward orientation that focuses on the needs of customers. This concept is adopted by modern organisations, to maintain profitable long-term relationships with customers (Gallarza & Saura, 2006:438; Kotler *et al.,* 2006:26). Cravens and Piercy (2003:5) define market orientation as "a business perspective that makes the customer the focal point of a company's total operations".

Furthermore, modern marketing is societal marketing. Societal marketing caters for the market orientation as it places the society and its needs under consideration, not only the

making of profit. Societal marketing is defined as "the idea that an organisation should determine the needs, wants and interests of target markets and deliver the desired satisfactions more effectively and efficiently than competitors in a way that maintains or improves the consumer's and the society's well-being" (Kotler *et al.*, 2006:31).

Zikmund and D'Amico (2002:17); Cravens and Piercy (2003:8) as well as Kotler *et al.* (2006:16-20) agree that employing modern marketing results in delivering superior customer value. This implies that the perceived value is the focus of modern marketing.

3.3.2 Perceived value is seen as an important factor that influences the behaviour of consumers

Consumer behaviour includes all the activities and influences that occur when purchasing and consuming services. These activities are undertaken by customers and result in decisions and actions to pay for, purchase and consume services (Cant , Brink & Brijball, 2006:2).

The field of consumer behaviour has attracted growing interest from marketing practitioners, because knowledge about how consumers think, feel and behave, enables marketers to describe, analyse, predict and control or influence consumers' decision making processes (Crouch, Perdue, Timmermans & Uysal, 2004:1).

Mudie and Pirrie (2006:7-8) argue that there are two concepts attached to the consumption of a service, namely expectations and perceptions. Expectations reflect customers' anticipations of 'what will happen' as well as looking forward to the experience. Perceptions represent customers' evaluation of the service, particularly in relation to expectations.

Organisations seek to obtain information about the behaviour of their customers. This information is a crucial component in developing appropriate marketing strategies (Cravens & Piercy, 2003:4-5). In addition, Lin *et al.* (2005:318) argue that the perceived value is a strategic imperative for organisations, which guides them towards meeting their customers' need, since it influences consumers' behaviour. Similarly, Gallarza and Saura

(2006:438) point out that the perceived value is linked to marketing strategies such as market segmentation, product differentiation and positioning policies. For example, if a particular group of customers has certain characteristics – e.g., enjoy driving their own cars - and has common needs – e.g., easy and fast access to restaurants' services, then organisations can target this particular group of customers by fulfilling this particular need - i.e., a "drive through" service at the restaurant located in the target group's area. Subsequently, such organisations would develop the specific market segmentation, positioning policies and differentiating the offering, in accordance with the target market preferences.

Imperative to each organisation is the need to differentiate itself consistently from its competitors, through delivering better value to its consumers (Cant *et al.*, 2006:38). Thus, several marketing authors (Cravens & Piercy, 2003:18; Gallarza & Saura, 2006:438; Kotler *et al.*, 2006:198-390) agree that perceived value is instrumental in gaining a competitive advantage. Understanding the gaps between consumers' perceptions (what consumers receive from services) and consumers' expectations, will effectively influence organisations' efforts to enhance the perceived value amongst consumers (Mudie & Pirrie, 2006:18; Woodruff, 1997:139).

Consequently, a competitive advantage can be achieved through an outward orientation toward customers. Improving customers' perceived value is the core of such an outward orientation (Woodruff, 1997:140).

Gallarza and Saura (2006:437) argue that consumer behaviour is better understood when analysed through the perspective of perceived value, because the latter can help explain different areas of consumer behaviour, such as product choice and repetitive purchasing. De Bono (1993:141) states that perceived value is the main drive of purchase intentions.

Perceived value is also related to important patterns of consumer behaviour, such as loyalty. Butcher, Sparks and O'Callaghan (2002:506) state that, "customer loyalty is earned by consistently delivering superior value".

A proffered suggestion is that marketing theory and practice should focus on the processes by which exchange partners (e.g., leisure service providers and their customers) create and exchange value, derived from skills and knowledge (Lusch & Vargo, 2006:183). This means that service relationships depend on the ongoing exchange of value.

On the other hand, consumer behaviour can be influenced through marketing practices (Zikmund & D'Amico, 2002:522). In these practices consumers' *behavioural intentions* are motivated by consumers' perceptions of leisure services offered (Grewal *et al.*, 1998:46).

According to Zeithaml *et al.* (1996:34), there are favourable and unfavourable *behavioural intentions*. These authors also argue that customers' positive perceptions of value have a positive influence on their *behavioural intentions*.

The central role of value in the exchange process between consumers and leisure service providers makes it possible to acknowledge that value perceptions influence the *behavioural intentions* of consumers. An understanding of consumers' perceived value, therefore, provides leisure services providers with knowledge about their consumers' needs as well as their *behavioural intentions*.

In conclusion, it is evident that an understanding of perceived value has practical benefits for firms. Initially, perceived value has an outward orientation that situates the customer as the focal point of modern marketing strategies. This leads marketing strategists to focus on the value creation process, to deliver better value in order to gain competitive advantage, because customers think about services in relation to other services offered by competitors. Therefore, understanding how existing and potential customers perceive value of services in relation to its competitors is vital (Cravens & Piercy, 2003:234; Gallarza & Saura, 2006:438).

Eventually marketing practitioners came to the point where products and services are not viewed as the only dispatchers of value, but consumers are also regarded as co-creators of value. The realisation and acceptance of this concept enabled marketing practitioners to

predict consumers' perceptions, analyse consumers' expectations and target behaviour in order to influence decision making processes (Lush & Vargo, 2006:181-182).

The following section discusses a number of definitions of perceived value and also imparts the definition that is used in this study.

3.4   DEFINITIONS OF PERCEIVED VALUE

This section lists various definitions of perceived value that have appeared in literature during the last two decades. Conceptualisations of the perceived value are also reviewed. In conclusion, a definition of perceived value that is used in this study is presented.

A compelling question that needs to be raised at this point is: How can marketers recognise value? Patterson and Spreng (1997:417) argue that value is an abstract concept with meanings that vary according to the context. Within a marketing context, value is defined from the consumers' point of view; therefore, marketers should use the consumers' point of view to recognise value (Cravens & Piercy, 2003:234; Gallarza & Saura, 2006:438; Petrick, 2003:252; Zeithaml, 1988:13).

In-depth interviews and focus group interviews were carried out by Zeithaml (1988:3-17) during the author's exploratory study to investigate consumers' perceived value. Patterns of responses were grouped into four consumer definitions of value:

- Value is low price;

- Value is whatever I want in a product;

- Value is the quality I get for the price I pay; and

- Value is what I get for what I give.

Based on these results, Zeithaml (1988:14) formulated the following definition of perceived value: **"Perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given"**. This definition

of perceived value is regarded as the most universally accepted definition (Al-Sabbahy *et al.*, 2004a:227; Gallarza & Saura, 2006:439; Petrick, 2004b:398).

However, different definitions of perceived value seem to display a variety of meanings (Woodruff, 1997:141). Moreover, such definitions are developed according to changes in consumers' behaviour. As elaborated on earlier, understanding perceived value is closely linked to understanding the consumers' behaviour.

Cravens and Piercy (2003:14) argue that perceived value consists of "the benefits and costs resulting from the purchase and use of products". Another definition of perceived value, by Iglesias and Guillen (2004:374), suggests that perceived value represents "an exchange of what is received and what is given". Keller (1998:178) is of the opinion that "consumers combine quality perception with cost perception to arrive at an assessment of the perceived value".

Snoj *et al.* (2004:158) collected definitions from different authors concerning customer perceived value. These definitions are grouped in Table 3.1 below.

Table 3.1: Definitions of customer perceived value

Definition of customer perceived value	Authors	Comments
Perceived value is composed of all factors - qualitative and quantitative, objective and subjective - that jointly form a consumer's buying experience.	Schechter (1984)	Experience is the result of the perceived value.
The consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given.	Sweeney *et al.* (1999); Ulaga & Chacour (2000)	This is the most common definition found in the services marketing literature.
The ratio between perceived benefits and perceived sacrifices.	Monroe (1990)	This reflects the perceived value as an equation with two components (benefits and sacrifices)
Product value to a consumer is the comparison of tangible and intangible benefits from the generic as well as the supplementary levels of a product and the total costs of production and usage of a product.	Nilson (1992)	This suggests that consumer perceives only positive attributes. It also suggests that costs are monetary costs. Therefore it is value for money.

Definition of customer perceived value	Authors	Comments
Trade-off between desirable attributes compared with sacrifice attributes.	Woodruff & Gardial (1996)	This is similar to the equation definition, the ratio between benefits and sacrifice.
Perceived worth in monetary units of the set of economic, technical service and social benefits received by a customer in exchange for price paid, and taking into account the available alternative offerings.	Anderson *et al.*, (1993); Ulaga & Chacour (2001)	This definition is not very clear but brings out the major idea of the monetary costs involved and its effect on consumer perceptions (associated with perceived risk).
The customers' assessment of the value that has been created for them by a supplier given the trade-off between all relevant benefits and sacrifices in a specific use situation.	Flint *et al.*, (1997); Woodruff (1997)	This definition postulates the gap between benefits and sacrifices. It also mentions that suppliers create such value for consumers.
Product value for a consumer is created when the benefits a consumer gets from a product are greater than the long term costs a consumer is expected to pay with a product.	Slater & Narver (2000)	This definition simply means value is the result of benefits minus costs.
Value equals a perceived quality relative to the price.	Hallowell (2000)	This affirms that the perceived value contains perceived quality and price.

<u>Source</u>: Adapted from Snoj *et al.* (2004:157).

A review of existing literature in a service marketing context (Bolton & Drew, 1991:376; Cravens & Piercy, 2003:19; Heinonen, 2004:207; Iglesias & Guillen, 2004:374; Lichtenstein, Ridgeway & Netemeyer, 1993:235; Patterson & Spreng, 1997:414) suggests that perceived value involves a trade-off between the customers' evaluation of benefits (what customers get) and sacrifices (what customers give).

A faulty conceptualisation refers to perceived value as the trade-off between *one* "give" component, namely price, and *one* "get" component, namely quality (Zeithaml, 1988:13). Iglesias and Guillen (2004:374) mention that the perceived value has two components, namely perceived quality and price. Lichtenstein *et al.* (1993:235) also refer to value consciousness as the ratio of quality received to the price paid in a purchase transaction, while Al-Sabbahy *et al.* (2004a:227) argue that monetary price represents the major sacrifice by a consumer in a purchasing transaction. The authors, however, agree that there are other costs, which are encountered by consumers.

Different types of benefits, which customers can receive, as well as different kinds of costs or sacrifices customers may impart, to either obtain products or experience services, exist. Groth and Dye (1999:348) suggest that customers' perceptions of the value of services are based on all factors that influence the decision making process (i.e., brand of service, quality of service).

Moreover, costs are not just restricted to the actual monetary price, but may reflect opportunity costs of time, energy and any psychological involvement in the decision that consumers might have (Keller, 1998:178; Kotler, 1999:140; Petrick, 2002:123).

Sanchez *et al.* (2006:395) suggest a number of benefits and sacrifices in the cost-benefit conceptualisation of the perceived value as reflected in Table 3.2 below.

Table 3.2: Components of the cost-benefit conceptualisation of perceived value

Benefit components	Sacrifice components
Economic benefits	Price sacrifices
Emotional benefits	Time sacrifices
Social benefits	Effort sacrifices
Relationship benefits	Risk
	Inconvenience

Source: Sanchez *et al.* (2006:395)

As shown in Table 3.2, the benefits, associated with perceived value may include:

- **Economic benefits,** which refer to the consumers' monetary savings when purchasing services (e.g., buying air tickets at discounted prices);

- **Emotional benefits** that denote the affective gain to consumers for purchasing specific services (e.g., buying honeymoon packages from a travel agent);

- **Social benefits,** which indicate consumers recognition of services as the referrals' choice, as their friends or relatives recommend a service to them (e.g., visiting highly recommended tourist destinations); and

- **Relationship benefits** that represent a state when consumers consider service providers as valuable source who attend to consumers' expectations and fulfil their

needs (e.g., frequent cafe customers build up trust on the bartender or waitress and how reliable the services are, therefore, building long-term relationships with the cafe).

On the other hand, sacrifices may include the following:

- **Price sacrifice,** which imply the monetary cost as perceived by consumers (e.g., if consumers find the cost of services higher than expected, they need to decide if sacrificing the additional cost is worthwhile);

- **Time sacrifices** entail the amount of time consumers have to spend on finding, purchasing or consuming services (e.g., the time people spend waiting for pizza deliveries);

- **Effort sacrifices,** which involve the physical energy devoted by people to find, purchase or consume services;

- **Risk** that refers to the probability of negative consequences of purchasing or consuming services (e.g., the risk of not enjoying a weekend stay at the coast during the annual rainy season of a designated geographical area); and

- **Inconvenience,** refers to circumstances where consumers had unpleasant experience while consuming services (e.g., while dining at a restaurant, consumers find the background music too loud, noisy or disagreeable).

Cognisance must be taken of the fact that although convenience is positively related to consumers' experience of services, consumers often perceive it as a standard ingredient of food service providers. Therefore, a lack of convenience (i.e., perceived inconvenience, for example, the chairs at the restaurant are not comfortable to sit on) can be considered as a sacrifice component in the cost-benefit conceptualisation of perceived value (Powers & Barrows, 2006:650).

Perceived value is dynamic; it varies between customers, cultures and over time. Therefore, marketers should seek to explore and understand consumers' perceptions of value (Sanchez *et al.*, 2006:394).

As discussed and revealed above, the definitions of the perceived value of services generally involve a trade-off between what customers get (benefit) and what they give (sacrifice) to acquire a service (Tam, 2004:900; Zeithaml, 1988:14). The possibility exists that a benefit such as "economical benefit" may be perceived by consumers as a sacrifice (price sacrifice), if the monetary price is higher than what consumers expected. However, the monetary price is not the only sacrifice consumers have to pay to acquire services. There are also non-monetary costs such as behavioural price, which refers to the time and effort spent to acquire services (e.g., ease of acquiring services). In addition to monetary and non-monetary price, reputation and quality of services are part of the variables that influence the perceived value construct (Petrick, 2003:252).

One of the variables that influence the perceived value construct is the *emotional response* of consumers towards services - e.g., how services make the consumers feel (Petrick, 2003:252) and the joy received from the service (Petrick, 2002:123). Consequently, emotional response, price (monetary and non-monetary), reputation and perceived quality of services are all variables that influence the perceived value. For the purpose of the study, perceived value is therefore defined as consumers' overall assessment of a service's reputation, quality, monetary price, behavioural price and the consumers' emotional response to the service.

The next section discusses the concept of consumers' perceptions and its relation to consumers' perceived value.

3.5   THE MEANING OF CONSUMERS' PERCEPTIONS OF VALUE

The human mind can only see what it is prepared to see. Indeed, perception is a capacity for comprehension. "Most of a person's behaviour is based on perception" (De Bono, 1993:54). This section aims to define consumers' perceptions, as well as the reasons for the variation of value perceptions between different consumers and the importance for service firms to understand how consumers perceive the value of their services.

Consumer perception represents the process of interpreting sensations and giving meaning to stimuli (Zikmund & D'Amico, 2002:524). Any stimulus is received through one or more of the five senses (sight, hearing, smell, taste and touch). The perception of the stimulus is, therefore, affected by its physical nature, the environment of the individual and by the person's psychological condition (Lancaster & Reynolds, 2005:65). These factors explain the variation of value perception among consumers.

According to Groth and Dye (1999:338), perceptions of value may vary from one consumer to another, since consumers often have different expectations. The authors have also noticed that within a marketing context, consumers' perceptions of value occur in environments that render competitive offerings. In these circumstances consumers are offered alternative opportunities and have the right to compare, select and enjoy the value of the services purchased.

Consequently, it is important for service firms to understand how consumers perceive their services. Baschab and Piot (2005:144) believe that service companies should continue to study and understand their markets and customers. Therefore, the more service companies increase their knowledge of their consumers' perceptions, the more they gain repeated business and generate better revenues (Baschab & Piot, 2005:156).

Groth and Dye (1999:340) provide some guidelines to assist marketers in their efforts to enhance consumers' perceptions of the value of the services they sell. These guidelines reveal that service providers should identify and specifically state the features of the service in order to:

- allow customers to make a better assessment of the match between their needs and the attributes of the service that will fulfil those needs;

- permit customers to recognise the service attributes and their importance to customers;

- foster the formation of realistic expectations; and

- reduce the variance of pre-purchase expectations.

Consumers' perceptions of value, as suggested by Patterson and Spreng (1997:416), include four aspects:

- functional aspects, such as performance/quality and price;

- social aspects;

- emotional aspects; and

- epistemic aspects.

These four aspects are discussed in more details in the next section. The next section also reviews reasons why perceived value is regarded as a multidimensional construct.

3.6   PERCEIVED VALUE AS A MULTIDIMENSIONAL CONSTRUCT

Different views concerning the dimensions of the perceived value construct exist. A number of these views are outlined below, but preference is given to addressing the following two questions.

- Should perceived value be viewed as a uni-dimensional or as a multidimensional construct?

- Are the dimensions of the perceived value construct constant or do they change?

3.6.1   Should the perceived value be viewed as a uni-dimensional or as a multi-dimensional construct?

Cognisance must be taken of the fact that, initially, researchers have conceptualised perceived value as a uni-dimensional construct (Kashyap & Bojanic, 2000:50; Tam, 2000:36). Progressively, other researchers discovered that a uni-dimensional scale is not appropriate to measure the perceived value construct and a multidimensional scale is more appropriate (Al-Sabbahy *et al.*, 2004a:226; Gallarza & Saura, 2006:441; Sanchez *et al.*, 2006:395; Sweeney & Soutar, 2001:206; Tam, 2004:916).

Petrick (2002:122) argues that it is inappropriate to use a uni-dimensional scale when measuring the perceived value construct. The reasons for the author's argument are:

- using a uni-dimensional scale assumes that consumers have a shared meaning of value;

- a uni-dimensional scale lacks validity; and

- a uni-dimensional scale does not give specific directions on how to improve value.

Moreover, according to Kashyap and Bojanic (2000:50), uni-dimensional scales provide less reliable measures than multidimensional scales.

The idea of measuring the perceived value construct with a multidimensional scale has resulted in several different conceptualisations of perceived value measurement (Sanchez *et al.*, 2006:395; Sweeney & Soutar, 2001:206). For example, Sanchez *et al.* (2006:395) indicate that the conceptualisation of perceived value as a multidimensional construct is a recent approach. This approach:

- overcomes some of the problems of the previous two-part approach (benefits received and sacrifices made), which focuses on economic utility; and

- echoes new theoretical developments in the area of consumer behaviour.

Viewing perceived value as a multidimensional concept is based on the understanding that customers do not buy each service for its own sake. Rather customers buy bundles of attributes from which they derive value, which can be represented as a sum total of the benefits less the sacrifices in obtaining the services (Snoj *et al.*, 2004:157). Consequently, perceived value is related to consumers' knowledge of buying and consuming services, a trade-off between benefits and sacrifices. Thus, perceived value becomes a multidimensional concept (Snoj *et al.*, 2004:158).

3.6.2 Are the dimensions of perceived value constant or do they change?

The dimensions of perceived value may change over time, because of the continuous change of consumers' needs and wants, which alter consumers' expectations towards services offered. This change affects the consumers' perceptions of value (Williams &

Soutar, 2000:1419). Additionally, consumers are becoming more knowledgeable about services offered and, therefore, more sophisticated decision makers. As a result, the dimensions used to measure perceived value, should be modified accordingly (Cravens & Piercy, 2003:3).

Moreover, people come from different cultures and environments, which affect their consuming behaviour and influence variables that measure their perceived value. Consequently, the dimensions of perceived value are rated differently, because such dimensions depend on the type of experiences and characteristics of consumers (Sanchez *et al.*, 2006:394; Williams & Soutar, 2000:1419; Zikmund & D'Amico, 2002:15).

As a result, leisure services need to be developed continuously, because the dimensions of overall perceived value are not constant and do change over time. Walker, Backman, Backman and Morais (2001:49) argue that leisure service providers should seek to modify current programme offerings by adding new/better leisure experiences that would enhance the overall perceived value of the experiences offered.

The next section discusses different perspectives on the components of perceived value.

3.6.3   Perspectives on the components of perceived value

For the purpose of shedding light on the components of perceived value, the following perspectives will be discussed:

- Cognitive and affective views of perceived value;

- Sheth *et al.*'s (1991) "five values" conceptual framework;

- Acquisition and transactional value;

- Hedonic and utilitarian value;

- Holbrook's typology of consumer value; and

- Gallarza and Saura's (2006) conceptual framework.

Each of the six perspectives mentioned above, is discussed below.

- **Cognitive and affective views of perceived value**

The cognitive view of perceived value refers to the rational part of consumption decisions, where consumers process information and build knowledge that is derived from each person's own experiences. The affective view, on the other hand, refers to consumers' feelings that may be favourable or unfavourable concerning the relevant experience (Sanchez *et al.*, 2006:395-396).

Furthermore, the cognitive view is related to consumers' knowledge of how they interpret stimuli and events experienced. The cognitive view of perceived value, therefore, synthesises the experience of consumers' collective meanings and beliefs (e.g., Muslims might not wish to buy and consume breakfast at western restaurants, because Muslims may think that such restaurants might include ham in their breakfast meals, therefore, Muslims try to avoid consuming such meals because it would violate their religious beliefs).

The affective view is related to consumers' emotions (e.g., love, hate, shame, joy, boredom). Consumers, within the affective view, respond in accordance to feelings, which may be favourable or unfavourable (Sanchez *et al.*, 2006:395).

The cognitive view is inseparable from the affective view. Thus, the cognitive-affect-behaviour perspective offers conceptual support for the experiential view, which refers, within the leisure context, to the resulting feeling of pleasure that consumers derive from the leisure services consumed (Sanchez *et al.*, 2006:395).

- **Sheth *et al.*'s (1991) "five values" conceptual framework**

Sheth *et al.* (1991:160) present a conceptual framework that explains the reasons for consumers' choices (See Figure 3.2).

Figure 3.2: The five values framework of Sheth *et al.* (1991)
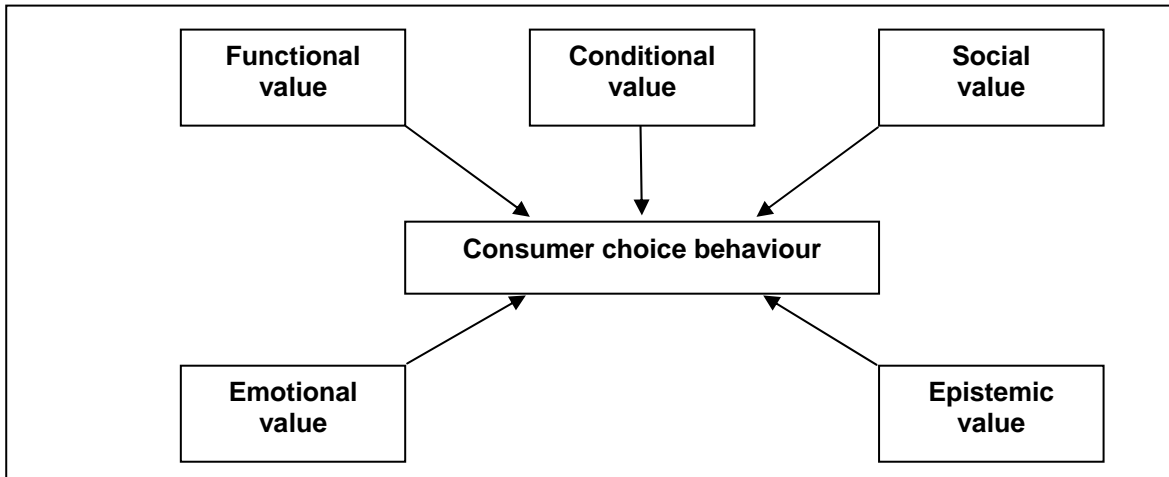
Source: Sheth *et al.* (1991:160).

As is shown in Figure 3.2, the conceptual framework of Sheth *et al.* (1991) identifies five value dimensions that influence consumers' choice behaviour, namely:

- **Functional value** is defined as "the perceived utility acquired from an alternative's capacity for functional, utilitarian or physical performance" (Sheth *et al.,* 1991:160). Functional value refers to the physical evidence and quality of the service offered. For example, an alternative's functional value may be derived from its characteristics or attributes, such as reliability, durability and price (e.g., customers prefer to send and receive parcels through a certain company, because they perceive the services offered as reliable and of high quality, as a result of the fact that parcels are delivered on time and are undamaged).

- **Social value** is classified as "the perceived utility acquired from an alternative's association with one or more specific social groups" (Sheth *et al.,* 1991:161). Choices involving highly visible products (e.g., jewellery) or services to be shared with others (e.g., recreational activities for a group of people) are often driven by social value.

- **Emotional value** is described as "the ability of a service to arouse feelings or affective states" (Sheth *et al.,* 1991:161). For example, the fear aroused while viewing a horror movie or the romance aroused by a candlelight dinner indicate that services are frequently associated with emotional responses.

- **Epistemic value** is defined as "the perceived utility acquired when the service arouses curiosity, provides novelty and/or satisfies a desire for knowledge" (Sheth *et al.,* 1991:162). An alternative that provides a simple change can also be attached to epistemic value. For example, trying a new kind of coffee, travelling to a destination for the first time or visiting a rural area to experience a new environment or culture. The epistemic value in the *coffee* example could be innovation and to escape boredom, while in the *travel* example it could be curiosity and at the *visit* example a desire to learn;

- **Conditional value** occurs when there is a specific set of circumstances or a specific situation facing the choice maker. For example, wedding services are often associated with consumers once in a lifetime. Christmas greeting cards also have seasonal value (Sheth *et al.,* 1991:162).

Williams and Soutar (2000:1418) conducted a qualitative, exploratory study involving four focus groups to test the consumption value framework of Sheth *et al.* (1991:159) in the context of leisure services. A purposive sampling method was used to select members for the four focus groups. The study findings support the model suggested by Sheth *et al.* (1991:160), except for the conditional value dimension, because the conditional value depends on the situation, which varies significantly from one leisure experience to another.

According to Gallarza and Saura (2006:439), the PERVAL scale suggested by Sweeney and Soutar (2001) was also based on Sheth *et al.*'s (1991:168) conceptual study. This scale identifies four value dimensions, namely:

- emotional value;

- social value;

- functional value that refers to price/value for money; and

- functional value that refers to performance/quality.

- **Acquisition and transactional value**

According to Grewal *et al.* (1998:46), the conceptual distinction between acquisition and transactional value has not been fully addressed.

Al-Sabbahy *et al.* (2004a:226); Grewal *et al.* (1998:48) as well as Petrick and Backman (2002:39) suggest that the perceived value is conceptualised as consisting of two dimensions, namely:

- **Acquisition value**, which refers to the perceived net gains from the trade-off between benefits (quality of service) and sacrifices (price of service); and

- **Transactional value**, which refers to the difference between the consumers' internal reference price and the price offered within the context of a special deal.

Grewal *et al.* (1998:48) argue that transactional value may result in an additional value beyond that provided by acquisition value. Therefore, they define transactional value as "the perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal".

Cognisance must be taken of the fact that Petrick and Backman's (2002:39) study was based on Grewal *et al.*'s (1998) study. The authors' findings revealed that the two scales consisted of two unique value dimensions (acquisition value scale and transactional value scale).

Petrick and Backman (2002:39) further mention that transactional value can be used as an objective and monetary measure of utility (physical value), while acquisition value is a more subjective measure of utility (behaviour value).

Al-Sabbahy *et al.* (2004b:426) argue that Petrick and Backman's (2002:41) findings were incorrect, because the authors confused transactional value with acquisition value. The major difference between Petrick and Backman's (2002) study and that of Grewal *et al.* (1998), is that the latter investigated products, while the former investigated services.

Of further importance is the fact that Petrick and Backman (2002:44) have mentioned that their study's findings "… are in contradiction to the Grewal *et al.* (1998) findings". Therefore, "a modified version" of Grewal *et al.*'s (1998:51) scale was necessary to measure the two dimensions of the perceived value of a service (acquisition and transactional value).

On the other hand, Al-Sabbahy *et al.*'s (2004a:226) measurement scale for measuring acquisition and transactional value was found reliable, but there were concerns about its validity for transactional value. The questionability of these authors' measurement scale stems from the fact that there were only three statements as "scale items" to measure the transactional value, while there were nine scale items to measure the acquisition value used in Grewal *et al.* (1998:51).

Gallarza and Saura (2006:439) regard the *acquisition* and *transactional* value difference as a classical approach of value typologies. Another classical approach is the hedonic versus utilitarian value dichotomy.

- **Hedonic and utilitarian value**

Babin *et al.*'s (2005:134) conceptual framework suggests that hedonic (affective) value and utilitarian (functional) value are the two dimensions of the personal shopping value (PSV) construct. This construct reflects "the overall assessment of how worthwhile a consumer views a particular investment in resources with a retailer". Thus, hedonic value captures the affective qualities, while utilitarian value captures the functional qualities of services (Babin *et al.*, 2005:137).

Hedonic value refers to the experiential perspective where consumers appreciate services because of the feelings they evoke (e.g., people buy cinema tickets to see the same movie again, because the movie was appealing). The utilitarian value of a service, on the other hand, is based on how well the service performs its proper function (e.g., airline customers expect to arrive safely and on time at the desired destination) (Sweeney & Soutar, 2001:205).

However, Sanchez *et al*. (2006:396), point out that Holbrook's studies have demonstrated the importance of the hedonic component when shopping for leisure services. Hedonic value comes from inside consumers (feelings), while utilitarian value comes from outside consumers (i.e., stimuli, environment and external surroundings). This matter is discussed in more detail below.

- **Holbrook's typology of consumer value**

Holbrook's typology of consumer value illustrated in Table 3.3 below, is based on three dimensions, namely extrinsic/intrinsic, active/reactive and self-oriented/other-oriented. This typology includes eight separate categories of consumer value, namely: *efficiency, excellence* (quality)*, play, aesthetics, esteem, status, ethics and spirituality* (Rust & Oliver, 1994:45)*.*

Table 3.3: Holbrook's typology of consumer value

		Extrinsic	Intrinsic
Self-oriented	Active	Efficiency (Convenience)	Play (Fun)
	Reactive	Excellence (Quality)	Aesthetics (Beauty)
Other-oriented	Active	Status (Success, Impression)	Ethics (Virtue, Justice)
	Reactive	Esteem (Reputation, Materialism)	Spirituality (Faith)

Source: Rust & Oliver (1994:45).

According to Gallarza and Saura (2006:439), Holbrook's typology argues that consumer value can be:

- **Extrinsic or intrinsic** (utilitarist vs. hedonist): This depends on whether or not value originates from outside of consumers. This view regards consumers' pleasure (hedonic) value as an intrinsic motive, while the utility value of the service consumed represents an extrinsic value. According to Rust and Oliver (1994:41), Holbrook suggests that intrinsic value characterises the appreciation of some experience for its own sake, while extrinsic value characterises something as a mean that is useful in bringing about some further end (i.e., source of services that accomplishe some purpose).

- **Active or reactive**: This type refers to a state when there is an active or passive control by consumers on objects. For example, *status* and *esteem* are both forms of extrinsic value. *Status* has an active control. A cyclist, for example, enters a cycling race with the intention to win the first place. This intention represents an active control that motivates the cyclist to achieve the status of winning the first place in the cycling race. *Esteem* has a reactive control. Spectators at a rugby match, for example, motivate team players to score goals. The crowd's cheering presents a passive control that escalates self-esteem among the players during the match. *Active* value occurs when an individual manipulates the environment to some effect (physical effect such as playing a video game or mental effect such as daydreaming), while *reactive* value occurs when the individual apprehends or responds to an object, such as viewing an art exhibition (Rust & Oliver, 1994:43).

- **Self-oriented or other-oriented**: This appears when a social dimension of the act of consuming is adopted. For example, *aesthetics* as a concept is regarded as a self-oriented value. A female student wears make-up to look beautiful before taking photos on her graduation ceremony. *Ethics* presents an important dimension of social value. For example, a number of leisure service providers in the hospitality industry have dress codes. They kindly request their customers to follow these dress codes to reflect the social sense attached to the hospitality organisation. *Self-oriented* value includes preferences that result from self-interest (e.g., buying and eating a chocolate bar), while *other-oriented* value covers preferences that look beyond the self (e.g., participating in a picnic with the family) (Rust & Oliver, 1994:42).

When studying the *intrinsic value dimension*, for example, *play* and *spirituality* are both found under the intrinsic value, but *play* is considered part of the *self-oriented dimension* too, because it does not necessarily involve anyone else than the person experiencing particular value. *Spirituality* is considered part of the *other-oriented dimension* since it often requires a form of communication between the person and another party. In the *spirituality* category, a person would execute an action based on a reaction or perform a ceremony (e.g., prayer) whereas with *play* the action is usually performed more spontaneous.

- **Gallarza and Saura's (2006) conceptual framework**

Gallarza and Saura (2006:439) point out that recent studies on the topic of value, quality and satisfaction use the methodological approach of means-end models. *Means-end models* refer to "knowledge structures that organise consumers' product and services perceptions by linking attributes to high level constructs". For example, means-end theory implies that consumers of leisure services would determine the value (benefit) of those services to the extent to which those services are important and help consumers achieve desired ends. That could mean that if security is a desired end for consumers who dine at mid-scale restaurants, this desired end will be fulfilled by having security guards at the car-parking area (Kashyap & Bojanic, 2000:45).

According to Petrick and Backman (2002:39), means-end theory states that "consumers' perceptions of value are assessed by analysing how well a product attributes performs in relation to desires, followed by an assessment of the desired consequences in use situations and how this correlates to their goals and purposes".

A means-end approach was used in Gallarza and Saura's (2006:440) study to review previous studies related to the perceived value literature, more effectively. The authors reviewed thirty studies that were analysed in a matrix format. The resulted table reveal the links between constructs in the perceived value literature. For example, nine out of the thirty studies indicated that perceived value was an antecedent of *behavioural intentions*, 25 studies stated that perceived quality was an antecedent of perceived value, while eleven studies pointed out that satisfaction was a consequence of perceived value.

Subsequently, Gallarza and Saura (2006:439-441) explored the relations between perceived value, satisfaction and loyalty in a tourism context. The authors' conceptual framework included perceived value, satisfaction and loyalty as simple variables. Moreover, perceived value was considered as an antecedent of satisfaction and satisfaction as the unique antecedent of loyalty.

The framework also included the following eight variables as antecedents of perceived value (Gallarza & Saura, 2006:445):

- efficiency;

- service quality (excellence);

- social value;

- play;

- aesthetics;

- perceived monetary price;

- time and effort spent; and

- perceived risk.

Findings indicated that *quality* was considered part of *value* (Heinonen, 2004:205; Rust & Oliver, 1994:64). One important difference between Holbrook's model (Rust & Oliver, 1994:45) and the model of Gallarza and Saura (2006) was that the latter included negative variables, which were used in the measurement of the perceived value. A negative variable referred to a negative relationship between two constructs (e.g., a negative relationship was found between perceived value and perceived risk; the higher the perceived risk the lesser the perceived value). Holbrook's model was deemed inadequate to measure the perceived value construct, because it did not consider negative dimensions of value.

It became clear that constructs, such as perceived value, have multiple dimensions (e.g., perceived value as mentioned previously, has *functional value* as a dimension). Service quality is also argued to have *functional and technical quality* (Boshoff & Gray, 2004:27; Edvardsson, 2005:130; Kang & James, 2004:274; O'Neill & Palmer, 2003:188; Sachdev & Verma, 2002:44; Zeithaml, Parasuraman & Berry, 1990:16).

This section discussed three perspectives of the multi-dimensionality of perceived value, namely cognitive and affective value, acquisition and transaction value, as well as hedonic

and utilitarian value. Moreover, this section also discussed three conceptual frameworks suggested by the following authors:

- Sheth *et al.*'s (1991:160) conceptual framework;

- Holbrook's typology, which was empirically tested by Gallarza and Saura (2006:439); and

- Gallarza and Saura's (2006:445) conceptual framework.

The following section discusses the measurement of the perceived value construct.

3.7   THE MEASUREMENT OF PERCEIVED VALUE

There are several existing approaches for measuring the perceived value construct. These measurement approaches can be divided into three categories:

- single-item measures of overall perceived value;

- multiple-item uni-dimensional measures of overall perceived value; and

- multidimensional measures of perceived value.

These three categories are discussed, in more detail, below.

3.7.1   Single-item measures of overall perceived value

Kashyap and Bojanic's (2000:47) study used a single-item to measure "overall perceived value". The authors measured overall perceived value on a single-item 10-point scale. Petrick (2004b:401) also used a single-item scale to measure overall perceived value.

The argument on which single-item measures are based, namely that consumers have a shared meaning of value has been disproved (Petrick, 2002:121). As mentioned before, perceived value varies from person to person, from culture to culture and from time to time. Using a single item to measure perceived value disregards the variance between customers, competitors and their offerings (Sanchez *et al.*, 2006:394). Clearly evident, therefore, is the fact that single-item scales provide less reliable measures than multiple-

item scales and often lack validity, because the findings are inapplicable across the board of people and time (Kashyap & Bojanic, 2000:50; Oh, 2000:63).

Thus, the single-item measuring of the perceived value construct is inadequate, because measuring the different components, which influence the perceived value using just one dimension, will be inaccurate.

Consequently, when using single-item measures, it should be done in conjunction with other measures, to overcome its weakness. For example, in both the studies of Petrick (2004b:401) as well as Kashyap and Bojanic (2000:47), the single-item scale for measuring the overall perceived value was not used exclusively. It was enhanced with other scales as indicated below:

- Kashyap and Bojanic's (2000:47) study had:

    - a single-item scale to measure overall perceived value;

    - a single-item scale to measure perceived price;

    - a single-item scale to measure the comparison of offering to competitors;

    - a single-item scale to measure repurchase intentions; and

    - 16 items to measure three dimensions of service quality.

- Petrick's (2004b:401) study had:

    - a single-item scale to measure overall perceived value;

    - a single-item scale to measure satisfaction;

    - a single-item scale to measure "word-of-mouth" intention;

    - a two-item scale to measure repurchase intentions; and

    - the 25-item SERV-PERVAL scale to measure the perceived value.

3.7.2   Multiple-item, uni-dimensional measures of overall perceived value

Viewing perceived value as a uni-dimensional construct has emerged from the "trade-off" concept (*give* versus *get*). For example, in Kashyap and Bojanic's (2000:47) study perceived value represents the trade-off between quality and price, thus, perceived value of service equals perceived quality of service minus perceived sacrifice of service, where monetary price was operationalised as perceived sacrifice.

Consequently, the different indicators for perceived value that are found in uni-dimensional scales, focus on one dimension of perceived value such as "fair price", "value for money" and "meeting quality and price requirement" (Lin *et al.*, 2005:319; Oh, 2000:63). The uni-dimensional conceptualisation is straightforward, but cannot give specific directions on how to improve value (Petrick, 2002:122), nor can it determine the complex nature of perceived value (Lin *et al.*, 2005:319).

Yang and Peterson's (2004:811) conceptual model is an adaptation of Levesque and McDougall's (1996) uni-dimensional measurement of perceived value. Their measurement scale, which contains five items, is based on cost and value for money components within the context of comparing offered services to those of competitors.

Three empirical studies that used multiple-item, uni-dimensional scales to measure the perceived value construct, namely the studies of Cronin *et al.* (2000:212); Tam (2004:904) and Oh (2000:62), are discussed below.

The study of Cronin *et al.* (2000:212) used a two-item, uni-dimensional scale to measure the perceived value construct (see Appendix A on p.173). Furthermore, the authors implemented a three-item scale to measure sacrifice (monetary, time and effort), thirteen items to measure service quality, eight items to measure satisfaction and three items to measure *behavioural intentions* (Cronin *et al.*, 2000:201-205).

In Tam's (2004:904 & 916) study, perceived value was measured using a two-item uni-dimensional measure. One item referred to "price paid" and the other item referred to "time spent" (see Appendix A on p.173).

Oh's (2000:62) study contains another example of a multiple-item, uni-dimensional measure of the perceived value construct. He used a four-item uni-dimensional scale to measure the value perceptions of diners at a restaurant. The four items used had "*value for money*" as their focal point (see Appendix A on p.173).

3.7.3 Multiple-item, multidimensional measures of perceived value

Value is a multidimensional construct whose attributes are difficult to measure (Snoj *et al.*, 2004:157; Zeithaml, 1988:14). Measuring overall value through conceptualising the give-get components has contributed to the development of multiple-item scales and led to the measurement of the perceived value as a multidimensional construct (Gallarza & Saura, 2006:441; Lin *et al.*, 2005:321; Snoj *et al.*, 2004:158; Zeithaml, 1988:14).

Bamert and Wehrli (2005:134) state, "services differ from goods and cannot be sensed in the same manner as goods". Petrick (2002:122) argues that scales, which are developed for measuring the perceived value of tangible products, are difficult to use when measuring the perceived value of services, because the dimensions inherent in services differ from those of tangible products.

Within a service context, Groth and Dye (1999:348) believe that customers consider various factors of influence and alternative opportunities in their perception of value. A supporting argument for this notion comes from Petrick (2002:123) who states that "empirical studies have shown that multiple dimensions of the perceived value of a service can be recognized".

Grewal *et al.*'s (1998:49) measurement scale, the PERVAL scale (Sweeney & Soutar, 2001:211), the SERV-PERVAL scale (Petrick, 2002:128) and Al-Sabbahy *et al.*'s (2004a:229) measurement scale are examples of scales that treat perceived value as a multidimensional construct. Table 3.4 below reviews these four measurement scales.

Table 3.4: Studies measuring perceived value as a multidimensional construct

Study	Measurement scale	Antecedents and consequences*	Comments
Grewal *et al.* (1998)	This scale was developed to assess buyers' perceptions of internal reference price, quality, acquisition value, transaction value, willingness to buy and search intentions.	Internal reference price (2C) Quality (3A) Acquisition value (3A) Transaction value (9A) Willingness to buy (3C) Search intentions (3C)	Buyers' perceptions of acquisition value is mediated by transaction value. The effects of transaction value on buyers' behavioural intentions are mediated by acquisition value.
Sweeney and Soutar (2001)	PERVAL: Developed to assess the perceived value of consumer durable goods at a brand level.	Functional value (quality) (6A) Functional value (price) (4A) Emotional value (5A) Social value (4A)	Emotional value, social value, quality/performance and price/value for money drive purchase attitude and behaviour.
Petrick (2002)	SERV-PERVAL: Developed to assess the perceived value of services.	Quality (4A) Monetary price (6A) Behavioural price (5A) Emotional response (5A) Reputation (5A)	The scale was found reliable and valid for measuring the perceived value of services.
Al-Sabbahy *et al.* (2004a)	Applying Grewal *et al.*'s (1998) two-dimensional value scale to hospitality services (hotels and restaurants).	Acquisition value (8A) Transaction value (3A)	The scale is found to be reliable, but there are concerns about its validity, especially for transaction value.

*Note: The numbers in brackets refer to the number of scale items assigned to each antecedent or consequence, where the letter *A* refers to "*Antecedents*" and the letter *C* refers to "*Consequences*". For example, **search intensions (3C)** means that *search intensions* is a **consequence** of perceived value and it was measured using a **three-item scale** in Gerwal *et al.*'s (1998) study.

According to Petrick (2002:123), the dimensions of what consumers receive from the purchase of a service include the emotional response to the service, quality perceived from the service, and the reputation of the service rendered. Furthermore, the dimensions that relate to what is sacrificed or given, include monetary and non-monetary price.

The SERV-PERVAL scale and its conceptual framework need to be discussed in detail as it forms the core focus of this study. The in-depth discussion is provided in chapter 4.

A review of the existing literature on the perceived value raises the following question: How does perceived value interact with related marketing constructs such as perceived quality or satisfaction? (Eggert & Ulaga, 2002:107). The next section sheds light on literature aimed to explaining the interaction between perceived quality, satisfaction, repurchase intentions and the perceived value in order to offer a concise view of these constructs.

3.7.4 The interaction between perceived value, perceived quality, repurchase intentions and satisfaction

The results of Gallarza and Saura's (2006:437) study support the findings of Petrick's (2002:130) study. The results suggest the existence of a logical link between quality, perceived value and satisfaction in delivering a better leisure service to consumers and in enhancing their experiences. Consequently, according to the view of service marketers, there is no definite determination of the relationship between quality, perceived value and satisfaction, as to which one of these constructs serves as a mediation antecedent for the other constructs and which serves as a consequence (Green & Boshoff, 2002:2).

Empirical studies have shown that perceptions of value can be generated without buying or consuming services, while satisfaction depends on the experience of consuming services (Sanchez *et al.*, 2006:397). Moreover, the viewpoint exists that perceived value and perceived quality are cognitive responses to service experiences (Petrick, 2004:397; Woodruff, 1997:142). This means that consumers' quality perception occurs during leisure service processes, which results in shaping their perception of value.

Satisfaction, on the other hand, is realised after the consumption of the leisure services. Satisfaction refers to the emotional state of consumers (positive or negative) of the benefits received after experiencing given services (Iglesias & Guillen, 2004:374). Thus, satisfaction occurs after the perception of value (Gallarza & Saura, 2006:440; Woodruff, 1997:143). In addition to satisfaction, repurchase intentions are also considered part of consumers' post-purchase behaviour (Tam, 2004:902).

To clarify the interaction between perceived value, perceived quality, repurchase intentions and satisfaction, this section will initially pay attention to the interaction between perceived quality and perceived value. This will be followed by the interaction between the perceived value and satisfaction and finally between the perceived value and repurchase intentions.

- The relationship between perceived quality and perceived value

Perceived quality is viewed as a cognitive construct that has a positive influence on perceived value. Therefore, it can be argued that quality is a functional sub-factor of perceived value that contributes to it (Sanchez *et al.*, 2006:397). Thus, perceived quality is viewed as an antecedent of perceived value (Gallarza & Saura, 2006:444; Sanchez *et al.*, 2006:397).

- The relationship between customer satisfaction and perceived value

The use of expectations as a key explanatory element in studies on both customer satisfaction and quality, resulted in the practice of judging satisfaction and quality as synonymous. Yet satisfaction and quality are viewed as two different constructs, with perceived quality modelled as an antecedent of satisfaction (Bowen & Clarke, 2002:298).

The same applies to the concepts of perceived value and satisfaction, even though the concepts are different. The reason for the synonymous usage is that perceived value is derived from a comparison between expected benefits of services and the sacrifices that consumers would have to make in order to assure those benefits. Satisfaction, as a concept, also reflects these benefits and sacrifices, but at the same time it is comparing those results with previous expectations (Sanchez *et al.*, 2006:397).

Perceived value and satisfaction can be conceptualised and measured as two distinct, yet complementary constructs (Eggert & Ulaga, 2002:107). However, it is universally accepted that satisfaction is a post-consumption evaluation (Sanchez *et al.*, 2006:397), while perceived value develops before, during and after consumption. For example, a consumer refers to previous expectations regarding a meal at a mid-scale restaurant, when looking at the menu, before ordering the meal. The consumer then compares such expectations with the actual experience when consuming the meal. Thereafter, the consumer can

conclude whether the individual perceived value, from the meal experience, has been satisfactory.

Therefore, the perceived value occurs at different stages of the purchasing process, while satisfaction occurs after consumption. Thus, perceived value is a direct antecedent of customer satisfaction and customer satisfaction is a consequence of the perceived value (Gallarza & Saura, 2006:444; Sanchez *et al*., 2006:397; Oh, 2000:60; Woodruff, 1997:143).

However, this argument was empirically challenged by Green and Boshoff (2002:14), who concluded that "customer satisfaction is a strong predictor of value perceptions", moreover, they mention that the variables representing perceived value and customer satisfaction in their study, were measuring different constructs.

Since satisfaction and perceived value both represent the trade-off between what is received and what is given, the measurement of satisfaction cannot be made independent of value perceptions (Green & Boshoff, 2002:14; Woodruff, 1997:139). Thus, viewing satisfaction as a predictor of *behavioural intentions* is much agreed on among researchers (Babin *et al*., 2005:134; Gallarza & Saura, 2006:447; Lin *et al*., 2005:332; Petrick, 2004a:36, 2004b:404; Tam, 2004:909).

- The relationship between perceived value and repurchase intentions

Repurchase intentions is one of the most important consumers' *behavioural intentions* within marketing practices (Grewal *et al*., 1998:46). It refers to consumers' intentions to consume services again.

Three different arguments were found concerning the chain of relationship between the perceived value, satisfaction and repurchase intentions: Firstly, Gallarza and Saura (2006:443) argue that direct relationships exist between perceived value and satisfaction, as well as between satisfaction and repurchase intentions. Figure 3.3 illustrates the argument of Gallarza and Saura (2006:443).

Figure 3.3: Gallarza and Saura's (2006) argument on the relationship between perceived value and satisfaction

```
┌────────────┐      ┌────────────┐      ┌────────────┐
│ Perceived  │  →   │Satisfaction│  →   │ Repurchase │
│   value    │      │            │      │ intentions │
└────────────┘      └────────────┘      └────────────┘

The first relationship:
Perceived value is a direct antecedent of satisfaction

The second relationship:
Satisfaction is a direct antecedent of repurchase intentions
```
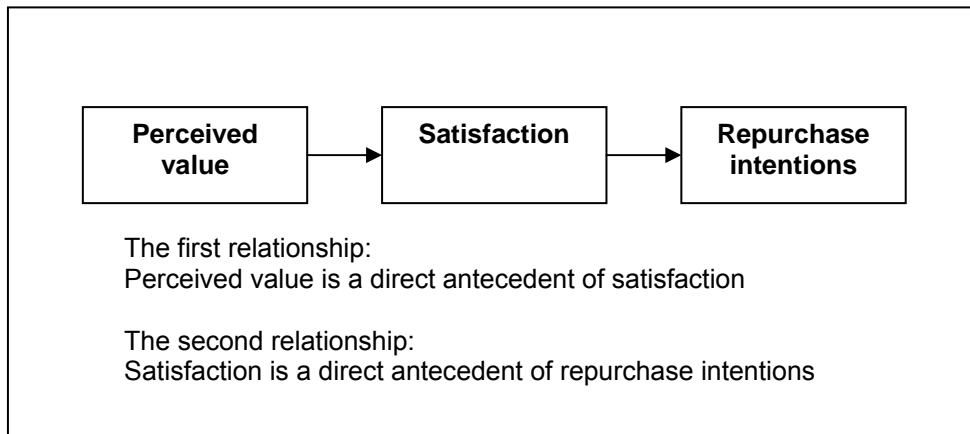
Secondly, Green and Boshoff (2002:9) state that "perceived value mediates the relationship between satisfaction and behavioural intentions". The authors' argument is shown on Figure 3.4.

Figure 3.4: Green and Boshoff's (2002) argument on the relationship between perceived value and satisfaction

```
┌────────────┐      ┌────────────┐      ┌────────────┐
│Satisfaction│  →   │ Perceived  │  →   │ Behavioural│
│            │      │   value    │      │ intentions │
└────────────┘      └────────────┘      └────────────┘

The first relationship:
Satisfaction is a strong predictor of value perceptions

The second relationship:
Perceived value is a strong predictor of behavioural intentions
```
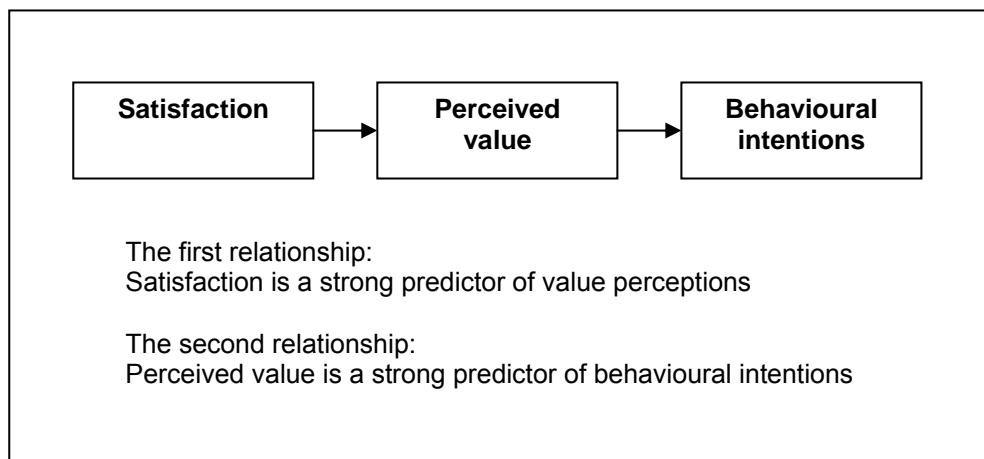
The relationship between satisfaction and perceived value, as shown in Figure 3.3, is opposite to the one shown in Figure 3.4. However, Green and Boshoff's (2002:14) study has not confirmed the causal ordering of the relationship between satisfaction and perceived value. Moreover, they have not rejected the possibility of viewing perceived value as a strong predictor of satisfaction, because it is difficult to explain the influence between the two constructs.

Thirdly, Petrick (2002:120) argues that perceived value is a direct antecedent of *behavioural intentions*. Thus satisfaction is not the only predictor of *behavioural intentions*. Consequently, the relationship between satisfaction and *behavioural intentions* is not a casual relationship, but a correlational one.

Some services can be very satisfying to consumers who might consider it of poor value, because the costs associated with said services are perceived to be too high (Petrick, 2002:120). For example a newly married couple experience ambivalent feelings towards their trip with the Blue Train to Cape Town. Even though they were very satisfied, they perceive the trip to be of poor value when comparing the cost and time spent on this service to that of an aeroplane flight to the same destination, as the former resulted to an expense ten times that of the latter. Consequently, moderately satisfied consumers perceive services to be of good value when they receive good benefits for the price paid.

Figure 3.5 illustrates the aforementioned argument by Petrick (2002:120). The current study agrees with Petrick's (2002:120) argument, which suggests that perceived value and satisfaction are both antecedents of *behavioural intentions*.

Figure 3.5: Petrick's (2002) argument on the relationship between perceived value, satisfaction and behavioural intentions
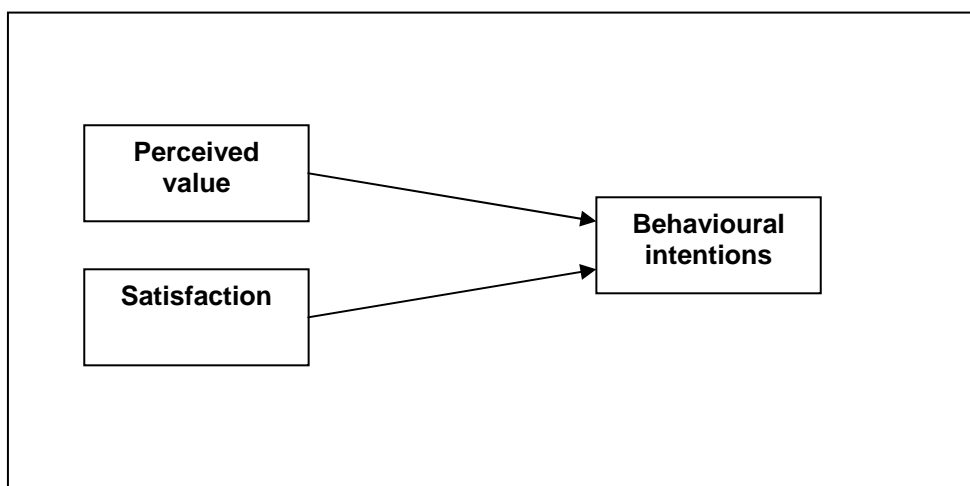
The empirical findings of Lin *et al.*'s (2005:325-329) study confirm Petrick's (2002:120) argument (see Figure 3.5) that a correlational relationship exists between perceived value and *behavioural intentions* as well as between satisfaction and *behavioural intentions*.

The next section discusses the relationship between perceived value and related constructs.

3.8 THE ANTECEDENTS AND CONSEQUENCES OF PERCEIVED VALUE

This section presents a framework of service production processes, which helps one to better understand the antecedents and consequences of perceived value. Furthermore, the section distinguishes between related constructs such as perceived value, perceived quality, satisfaction, experience and price. Thereafter, each antecedent and consequence of the perceived value construct is defined.

Recent studies within a leisure context (Iglesias & Guillen, 2004:373; Petrick, 2004:397) have indicated how service production processes influence consumers' perceptions of value after consumption. The three levels of service production processes are described in Figure 3.6.

Figure 3.6: The service production process
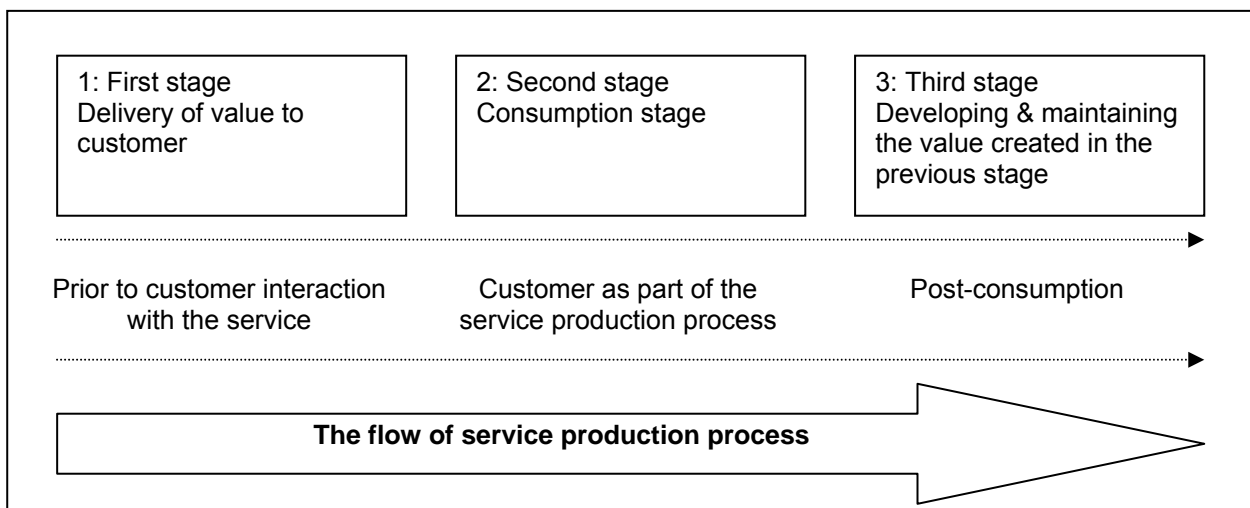
Source: Iglesias and Guillen (2004:373).

As shown in Figure 3.6 above, the inputs of the first stage cover the benefits consumers would get in exchange for what is sacrificed. Benefits are economical, social, emotional and relationship (Sanchez *et al.*, 2006:394), while sacrifices include monetary costs or

money paid and non-monetary costs, which involve time and search costs (Petrick, 2002:123).

Outcomes of the service production processes include consumers' perceived value, satisfaction and perceived quality, which are the results of the service experience. Petrick (2004:397) states that satisfaction is "… an end state of the service process and a response to the service experience".

According to Swarbrook and Horner (1999:51), the service experience is "…the memorable events that engage customers in intrinsically personal ways". The authors also suggest three phases of experience:

- The anticipation phase, which occurs before services are consumed;

- The consumption phase, which refers to the time during consumption of services; and

- The memory phase, which occurs after the consumption of services has ended.

For the purpose of the study, the following antecedents and consequences of perceived value are identified:

- *Antecedents of perceived value*:

    a. Perceived quality refers to the differences between customers' expectations and perceptions of the service performance (Tam, 2004:899). Thus, quality is defined as customers'' judgements about the overall excellence or superiority of the service received (Petrick, 2002:125). Quality also refers to the perceived reliability of the service (Petrick & Backman, 2004:431);

    b. Monetary price signifies the price of services as encoded by consumers (Petrick, 2002:125);

    c. Perceived risk refers to the subjective anticipation by consumers as loss of some degree, connected with negative consequences and the possibility that services will not offer all the expected benefits. Perceived risk may include different dimensions such as financial, psychological, physical, functional and social risk (Snoj *et al.*, 2004:159);

d. Convenience points to an emotional state experienced by consumers and is influenced by surrounding attributes. For example, consumers may feel comfort or discomfort, ease or difficulty if restaurant X's chairs provide uncomfortable seating (Sanchez *et al.*, 2006:395);

e. Non-monetary (behavioural) price refers to the non-monetary price of obtaining services, which includes the time and effort used to search and purchase the services (Petrick, 2002:123; Gallarza & Saura, 2006:449);

f. Emotional response refers to the descriptive judgement regarding the pleasure that services give purchasers (Petrick, 2002:125); and

g. Reputation denotes the prestige or status of services as perceived by purchasers, based on the image of service providers (Petrick, 2002:125).

- *Consequences* of perceived value:

a. Satisfaction is an emotional state of consumers' minds created by exposure to service experiences (Petrick, 2004b:399). Satisfaction, as a cognitive state of purchasers, refers to the appropriateness or inappropriateness of rewards received in exchange for services experienced (Iglesias & Guillen, 2004:374); and

b. Behavioural intentions refer to the willingness of consumers to take action towards services offered, such as searching for additional price information (Grewal *et al.*, 1998:48). *Behavioural intentions* are split broadly into favourable and unfavourable *behavioural intentions*. Examples of consumers' favourable *behavioural intentions* include praising of service providers (positive word-of-mouth communications); expressing preferences for specific service providers over others; loyalty; increasing volume of purchases; and paying a price premium. Examples of consumers' unfavourable *behavioural intentions* include complaining; spending less (reduce purchases); and negative word-of-mouth communications (Zeithaml *et al.*, 1996:34). Perceived value is an antecedent of consumers' *behavioural intentions* Cronin *et al.* (2000:196).

The restaurant example referred to earlier, illustrated that "services offering value not only influences [*sic.*] customers' choice behaviour at the pre-purchase phase, but also affects customers' satisfaction, intention to recommend and return behaviour at the post purchase phase" (Al-Sabbahy *et al.*, 2004a:226).

The next section presents a review of studies investigating the antecedents and consequences of the perceived value in a restaurant context.

3.9 A REVIEW OF STUDIES ON ANTECEDENTS AND CONSEQUENCES OF PERCEIVED VALUE IN A RESTAURANT CONTEXT

Five studies that were conducted within the restaurant context, with a focus on consumers' value perceptions, are reviewed in this section. These are the studies of Oh (2000); Iglesias and Guillen (2004); Al-Sabbahy *et al.* (2004a); Tam (2004) and Babin *et al.* (2005).

- The study of Oh (2000)

Oh (2000:58) investigated diners' perceptions of quality, value and satisfaction in the USA. The study did not provide a definition of perceived value; instead, it mentioned that the value concept usually involved some calculation of utility (benefits) in exchange for time and money spent. The study demonstrated a *dining decision-making model* where perceived value, quality and satisfaction interacted to influence consumers' repurchase intentions.

Perceived value was measured using a four-item uni-dimensional scale (see Appendix A on p.173). These items focused on value as compared to the monetary cost (value for price paid), thus, "… perceived value is determined by customers' evaluations of gain and loss in a transaction" (Oh, 2000:60).

The study suggested that quality was a component of the perceived value, while satisfaction was the result of consumers' consumption experiences. The study also

suggested that satisfaction was less important than perceived value in forming repurchase intentions (Oh, 2000:66).

The findings of the study showed that, in pre-purchase situations (the stage before purchasing the service), satisfaction was not a powerful predictor of purchase intentions. However, in post-purchase situations, satisfaction was a powerful predictor of customer repurchase intentions (Oh, 2000:66).

The study concluded that the perceived value should be viewed as a powerful predictor of repurchase intentions. Therefore, it should be a central concept in restaurant marketers' efforts to understand and influence consumer behaviour.

Moreover, Oh (2000:65-66) recommends that future studies should develop efficient and effective ways of measuring perceived value in order to understand its influence on consumers' positive *behavioural intentions*.

- The study of Iglesias and Guillen (2004)

Iglesias and Guillen (2004:373) investigated perceived value and its impact on the satisfaction of restaurant customers in Spain. The authors analysed the effects of total perceived price and perceived quality on customers.

Perceived value was defined as "the overall evaluation that a consumer makes regarding the utility of a product, based on the perceptions of what is received and what is given" (Iglesias & Guillen, 2004:374). This definition implies that perceived value is derived from a comparison between the expected benefits of services and the sacrifices that consumers would have to make in order to acquire those benefits. Moreover, this comparison should influence the degree of consumer satisfaction (Iglesias & Guillen, 2004:374).

The conceptual model used in the study contained *perceived quality* (benefits gained) as the positive predictor of satisfaction and total perceived price by consumers (sacrifices made in term of monetary and non-monetary costs such as time, physical and mental efforts) as the negative predictor of satisfaction. Thus, the conceptual model of the study hypothesised that "the satisfaction experienced by a customer was positively affected by

perceived quality and negatively affected by the total price that the customer might perceive" (Iglesias & Guillen, 2004:375).

One of the findings of Iglesias and Guillen's (2004:377) study was that restaurant offerings were rather intangible. Moreover, the findings indicated that the perceived value construct involved *total perceived price* that had a negative influence on satisfaction and *perceived quality* that had a positive influence on satisfaction.

The study's findings also stated that perceived value had a positive impact on customers' purchase intentions, while customer satisfaction positively influenced repurchase intentions and positive word-of-mouth communication (Iglesias & Guillen, 2004:377-378).

The study concluded that perceived value influenced customer satisfaction. A positive influence was achieved through enhancing the perceived quality of services, which is considered vital for restaurants in order to survive in the long term. This is due to the highly competitive environment existing in the restaurant sector (Iglesias & Guillen, 2004:373).

- The study of Al-Sabbahy *et al.* (2004)

Al-Sabbahy *et al.* (2004a:226-228) investigated the perceived value dimensions as well as the implications it has for hospitality research. The authors used Grewal *et al.*'s (1998:46-58) conceptual model (acquisition and transactional value) as the basis for their study. Al-Sabbahy *et al.*'s (2004a:226) study, which was conducted in Great Britain, focused on hotels (first study) and on fast food restaurants (second study), because of the popularity of fast food compared to other food service operations.

The study conceptualised overall perceived value as the sum of two dimensions, namely *acquisition value* and *transaction value*. Acquisition value referred to the "perceived net gains from the trade-off between benefits and sacrifices". At the same time transaction value referred to "the difference between the consumers' internal reference price and the price offered within the context of a special deal" (Al-Sabbahy *et al.*, 2004a:226). Internal reference price referred to the price in the buyers' minds (the *expected fair price*).

Acquisition value was positively influenced by the service benefits and negatively influenced by the monetary price paid. Consequently, transaction value increased if buyers, for example, found that the actual selling price was less than expected.

Al-Sabbahy *et al.* (2004a:229) used a two-dimensional scale to measure each dimension of overall perceived value, namely acquisition value (eight-item scale) and transactional value (three-item scale). The study found that the two-dimensional scale did not provide sufficient outcomes to be used in the hospitality environment. Although the scale was reliable, it was initially developed for tangible products (bicycles) and not for services (hotels), so there were concerns about the validity of the scale. Thus, the hotel study mismatched the conceptual framework of Grewal *et al.*'s (1998:46), which was used within the context of tangible products (Al-Sabbahy *et al.*, 2004a:230).

Consequently, the findings by the restaurant study of Al-Sabbahy *et al.* (2004a:230), which had tangible elements (food) and intangible elements (services), showed that both scales (acquisition and transaction value) were highly reliable. However, the validity of the scale was questionable, as the findings showed that the model had a poor fit, because the eleven-item scale only measured one construct (acquisition value) (Al-Sabbahy *et al.*, 2004a:231). Thus, the validity of the transaction value scale in both studies (hotels and restaurants) was very poor (Al-Sabbahy *et al.*, 2004a:232).

The study concluded that perceived value influenced customers' choice behaviour at the pre-purchase phase and affected their satisfaction as well as their intention to recommend and return at the post-purchase phase (Al-Sabbahy *et al.*, 2004a:226). Therefore, a chain reaction resulted, where services offering value served as antecedents that influenced customers' behaviour even before buying, consuming or using the service and then, in turn, caused satisfaction that served as another antecedent that led them to return.

- The study of Tam (2004)

Tam (2004:897-917) investigated the relationships between customer satisfaction, service quality and perceived value among restaurant patrons in Hong Kong. Overall perceived value was defined as "the result of customers' evaluation of the service received against their perceptions of the costs of obtaining the service" (Tam, 2004:900).

The conceptual model hypothesised that perceived quality had a direct positive effect on perceived value, while monetary costs and time costs had negative effects on the perceived value. Overall perceived value was hypothesised to have a positive effect on satisfaction and post-purchase behaviour. It also had an indirect positive effect on post-purchase behaviour via customer satisfaction. Moreover, the study hypothesised that perceived quality had a positive effect on customer satisfaction and the latter has a positive effect on post-purchase behaviour.

The overall perceived value construct was measured using a two-item scale. As reflected in Appendix A, one item focused on perceived worth compared to monetary price paid and the other item focused on perceived worth compared to time spent to acquire the service (Tam, 2004:916).

The findings of the study revealed that customer satisfaction and perceived value significantly influenced post-purchase behaviour. Moreover, the study's findings indicated that perceived value had a greater influence on post-purchase behaviour than customer satisfaction (Tam, 2004:909). Therefore, in order to stimulate repeated purchase behaviour, companies should enhance customers' perceptions of the value of services. To accomplish this, companies need to identify the characteristics of services that customers value most. It is essential to direct efforts towards these characteristics in order to influence customers' overall perceptions of value.

One way to increase customers' overall perceived value was identified by Tam's (2004:910) study. That was through reducing customers' perceptions of the costs associated with using a service compared to the costs of using competitors' services.

Tam (2004:910) acknowledged that the significance of perceived sacrifices (monetary and non-monetary costs), which directly influenced the overall perceived value, might vary among customers as well as with types of services. Therefore, it was neither necessary to offer the highest quality nor the lowest price. Thus, it was important to determine the characteristics that represented value for the targeted customers.

- The study of Babin *et al.* (2005)

Babin *et al.* (2005:135) investigated consumers' satisfaction, perceived value and their influence on consumers' positive word-of-mouth intentions, in restaurants in South Korea. The authors' study defined overall perceived value as "the overall assessment of how worthwhile a consumer viewed a particular investment in resources with a retailer" (Babin *et al.*, 2005:137). The study also viewed overall perceived value as the summation of hedonic and utilitarian value. Hedonic value referred to the affective qualities, and utilitarian value referred to the functional qualities of services and both dimensions formed the personal shopping value (PSV) construct or the construct of customer service value (CSV) (Babin *et al.*, 2005:133).

The conceptual model used in Babin *et al.*'s (2005:135) study hypothesised overall perceived value as a mediating construct between the set of the retail environment and customer reactions to the retail environment. The retail environment included three dimensions, namely overall service quality; positive affects (i.e., service atmospheres that *excited* customers) and negative affect (i.e., service atmospheres that *angered* customers). The study focused on certain customer reactions, namely consumer satisfaction and intention to engage in positive word-of-mouth communication regarding services experienced.

Overall perceived value was measured by Babin *et al.* (2005:136) using two dimensions; a six-item scale for measuring the hedonic value and a two-item scale for measuring the utilitarian value.

The study argued that consumers were able to describe the outcome of the service experience in terms of both utilitarian and hedonic value. Consequently, utilitarian value and hedonic value had positive relationships with satisfaction and positive word-of-mouth communications.

The findings of Babin *et al.*'s (2005:138) study signalled that when an experience, for example, was taking place at a restaurant, the more prestigious and expensive the restaurant, the higher the role of the hedonic value. Consequently, the more functionally oriented the restaurant, the more customers would emphasise the role played by utilitarian

value. Moreover, other factors, such as the time of the meal and the people consuming the meal, might moderate the relationships suggested by Babin *et al.*'s (2005:138) conceptual model.

The authors noted that when using *service quality, perceived value or satisfaction* measurement scales in a country other than the country where the scale originated, such scales could be culturally sensitive. Therefore, results should be interpreted with caution (Babin *et al.*, 2005:138).

After reviewing the previous five studies, the issues found relevant to this study include the following:

- Overall perceived value is a multidimensional construct.

- Perceived quality is an antecedent of perceived value.

- Monetary and non-monetary costs are antecedents of perceived value.

- Emotional response (including both social value and hedonic value) is an antecedent of perceived value.

- Overall perceived value is a powerful predictor of repurchase intentions.

- Customer satisfaction is a consequence of perceived value.

- Customer satisfaction is a powerful predictor of repurchase intentions.

- The overall perceived value construct should not be measured with a single-item scale.

- Assessments of overall perceived value may vary among customers, from culture to culture, and from service to service. Furthermore, it is developing and not constant.

- An understanding of the perceived value construct and how to measure it is an essential part of understanding consumer behaviour.

- There is no general agreement on one definition of the overall perceived value construct, and there is, clearly, much to be learned about how perceived value influences consumer behaviour.

3.10 CONCLUSION

The marketing concept has evolved from a production orientation and sales orientation, to a consumer orientation and societal marketing, where organisations are becoming market-driven and customer-focused.

The chapter has explored services marketing, following the developmental steps of the young discipline of consumer behaviour, closely (Cant *et al.*, 2006:1) and highlighting the emergence of perceived value as a focal point of attention for both present-day marketing researchers and practitioners. Presenting evidence from contemporary literature, the chapter has reflected how perceived value influences consumers' perceptions and behaviour. Likewise, examining this multidimensional construct further, the chapter has shed light on measures of perceived value. The chapter has concluded by providing an assessment of five different studies that were conducted at different locations, for the purpose of measuring perceived value in the context of restaurants.

4 CHAPTER FOUR: CONCEPTUAL FRAMEWORK AND HYPOTHESES TESTED IN THE STUDY

4.1 INTRODUCTION

This chapter describes the conceptual framework tested in this study. The constructs indicated in the model are defined and the chapter also provides motivation for the hypotheses that were tested.

4.2 A CONCEPTUAL FRAMEWORK OF THE ANTECEDENTS AND CONSEQUENCES OF PERCEIVED VALUE

Consumers' perceptions of value are at the very heart of their service assessments (Gallarza & Saura, 2006:438). However, perceived value has a complex nature (Lin *et al.*, 2005:319) that makes it difficult to quantify or measure the perceived value construct (Petrick, 2002:122).

A general idea, across conceptual frameworks of the overall perceived value construct, is that the perceived value is the result of a comparison of what consumers "receive" with what consumers "give" to acquire services (Iglesias & Guillen, 2004:374; Oh, 2000:58; Petrick, 2002:123; Sweeney & Soutar, 2001:204; Tam, 2004:900; Zeithaml, 1988:14). Therefore in this construct benefits are received and sacrifices are given or made (Sanchez *et al.*, 2006:395; Snoj *et al.*, 2004:157; Woodruff, 1997:142). For the purpose of the study, perceived value was defined as consumers' overall assessment of services' reputation, quality, monetary price, behavioural price and emotional response.

This section discusses the conceptual framework, which is tested in the study in more detail. The discussion consists of three main parts. First, an overview of the conceptual framework is provided in the form of a figure. Then the relationship between overall perceived value and each of the antecedents (predictors) shown in the figure, is reviewed. Finally, the relationship between the overall perceived value and each consequence shown in the figure, is discussed.

4.2.1 An overview of the conceptual framework tested in the study

Various studies distinguish between the antecedents (predictors) and consequences of overall perceived value (Gallarza & Saura, 2006:445; Petrick, 2002:119). This study empirically investigates the relationship between overall perceived value and its predictors, namely perceived quality, monetary price, behavioural price, emotional response and reputation (Petrick, 2002:128). Moreover, the relationships between *behavioural intentions* and its predictors, namely overall perceived value and satisfaction (Gallarza & Saura, 2006:445; Zeithaml *et al.*, 1996:83), are also explored. These relationships are illustrated in Figure 4.1.

Figure 4.1: The conceptual framework tested in the study
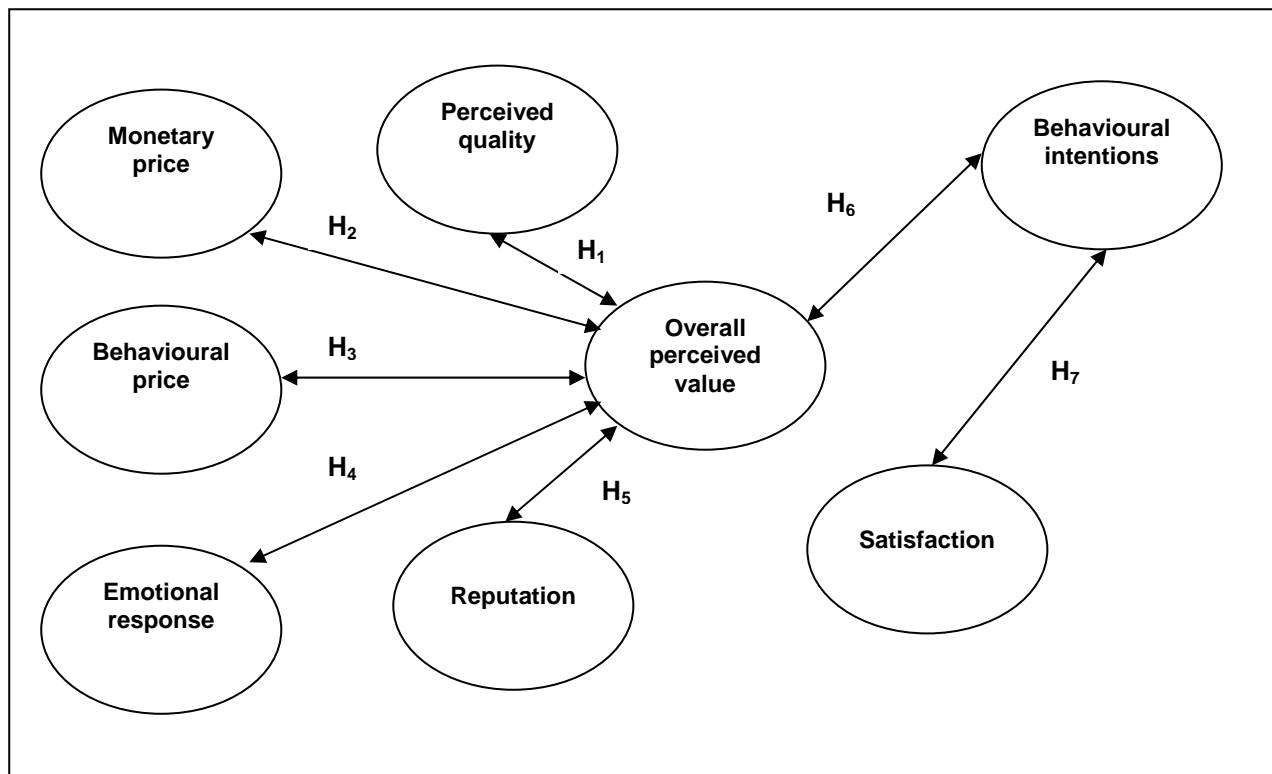
Note: The relationships indicated in Figure 4.1 were treated as correlational relationships (as indicated by the double-headed arrows) and not as causal relationships like those found in a structural equation model.

Conceptual frameworks, such as the one shown in Figure 4.1 above, are usually tested through structural equation modelling. This study has used a simpler approach by testing two regression models through multiple regression analysis.

A hypothesis of a possible correlation between two variables does not stipulate a cause - effect relationship between the variables. It only states that variable X, for example, is related to variable Y. Causal relationships, however, signify a direct cause-effect relationship between the variables. Causal relationships are more difficult to verify than correlational relationships, because quite commonly, interaction between variables exists and therefore, other variables may also be involved in the "effect" relationships (Cooper & Schindler, 2006:151).

Table 4.1 presents the eight constructs investigated in this study. These constructs are differentiated in terms of which are dependent variables and which are independent variables in the study's two regression models.

Table 4.1: The eight constructs differentiated in terms of dependent variables and independent variables

Model	Independent variables	Dependent variables
Model 1	Perceived quality, monetary price, behavioural price, emotional response, reputation	Overall perceived value
Model 2	Overall perceived value, satisfaction	Behavioural intentions

The constructs listed in Table 4.1 are defined in section 4.2.2 and 4.2.3 below.

Seven relationships are investigated in this study. The two regression models displayed in Table 4.1 examine the following relationships:

- In model 1, five independent variables (IVs) - perceived quality, monetary price, behavioural price, emotional response and reputation - are related to the dependent variable (DV), overall perceived value.

- In model 2, two dependent variables (IVs) - overall perceived value and satisfaction - are related to the dependent variable (DV), behavioural intentions.

The next section discusses the relationships between overall perceived value and its predictors as well as the development of hypotheses for each relationship presented.

4.2.2 The relationships between overall perceived value and its antecedents (predictors)

According to Petrick (2002:123), the dimensions of what consumers receive from purchasing services include the emotional response, the quality perceived and the reputation obtained from the services (e.g., travelling overseas on *first class* aeroplane seats, advertised recently). However, the dimensions related to what is sacrificed or given, include monetary and non-monetary price. The relationships investigated in this section are found between overall perceived value and perceived quality, monetary price, behavioural price, emotional response and reputation.

- **The relationship between overall perceived value and perceived quality**

  Quality is defined as consumers' judgements about the overall excellence or superiority of services (Petrick, 2002:125). Perceived quality has different dimensions, referring not only to the *perceived reliability* of services, which is only one of five genenric dimensions of the service quality construct (Petrick & Backman, 2004:431), but also to the discrepancy between customers' expectations and their perceptions of the service performance (Tam, 2004:899).

  The criteria customers use to evaluate service quality may be more difficult for marketers to comprehend (Zeithaml *et al.*, 1990:16). However, Gallarza and Saura (2006:445) note that the perceived quality of leisure services entails that services are perceived as reliable, consistent and dependable. Thus in this study, perceived service quality is defined as the consumers' judgement about the superiority, reliability, dependability and consistency of leisure services.

Perceived quality has an obvious relationship with perceived value (Sachdev & Verma, 2002:43). Moreover, Sweeney *et al.* (1997:39) state: "Service quality has an impact on perceived value".

Consequently, perceived quality is viewed as a cognitive construct that has a positive influence on perceived value (Sanchez *et al.*, 2006:398). Thus, this signifies a positive correlation between perceived quality and perceived value (Green & Boshoff, 2002:6; Oh, 2000:59).

Previous empirical results indicate that perceived quality is positively related to perceived value (Gallarza & Saura, 2006:443; Petrick, 2002:125; Snoj *et al.*, 2004:162; Tam, 2004:899). Therefore, the following hypothesis is stated:

H_1: Perceived quality is a positive predictor of overall perceived value.

- **The relationship between overall perceived value and monetary price**

Price is often used as the key measure, to represent what customers have to sacrifice in order to obtain services (Tam, 2004:900). Al-Sabbahy *et al.* (2004a:233) define price as "the summation of sacrifices made by a consumer in order to experience the benefits of a service".

Monetary sacrifices/costs are different from non-monetary costs and are based on fiscal costs. Monetary price refers to the fiscal costs of services as perceived by consumers (Petrick, 2002:125). For example, consumers may consider the monetary price of specific leisure services as fair, economical and reasonable, simultaneously judging the services as good buys, which are worth the money and assessed as good bargains.

In this study, the perceived monetary price of leisure services is defined as consumers' judgements that leisure services, compared to their fiscal price, are worth the money;

that is a good bargain would therefore be considered as a good buy. At the same time, the fiscal price of the leisure services, should be economical, fair and reasonable.

Monetary price is viewed as a cognitive construct that represents a sacrifice component of the value equation. One would, therefore, expect monetary price to be *negatively* correlated with overall perceived value (Kashyap & Bojanic, 2000:46; Lin *et al.*, 2005:327; Sanchez *et al.*, 2006:398; Sweeney & Soutar, 2001:206; Zeithaml, 1988:10).

However, Petrick (2002:128) measured the construct of monetary price in a way that would measure the extent to which respondents had *positive* perceptions about the construct. Accordingly, the author measured the extent to which respondents' would see the price charged as good value, fair or a bargain. High scores on the monetary price measurement scale, therefore, would reflect *positive* perceptions regarding value for money/price fairness (see Appendix B on p.175).

The monetary price measurement scale developed by Petrick (2002:128) was similar to the one used by Sweeney and Soutar (2001:212). Consequently, monetary price, in this study, was measured similarly. Monetary price, therefore, positively affects consumers' overall perceived value (Petrick, 2002:130). The following hypothesis is thus formulated:

H_2: Perceived monetary price is a positive predictor of overall perceived value.

- **The relationship between overall perceived value and behavioural price**

Non-monetary (behavioural) price refers to the non-monetary price or non-fiscal costs of obtaining services, which include the time and effort spent to acquire services (Gallarza & Saura, 2006:449; Petrick, 2002:123). In this study, perceived behavioural price of leisure services is defined as consumers' judgements that leisure services are easy to shop for, require little energy/effort to obtain and are bought easily.

Behavioural price is also viewed as a cognitive construct that represents a sacrifice component of the value equation. Therefore, the trend would be to expect behavioural price to be *negatively* correlated with overall perceived value (Kashyap & Bojanic, 2000:46; Sanchez *et al.*, 2006:398).

However, according to Petrick (2002:128), this construct was measured in a way similar to that of the monetary price explained earlier. Thus, Petrick measured the extent to which respondents' would see the effort/energy required to obtain services as low. Consequently, high scores on the behavioural price measurement scale would reflect *positive* perceptions regarding value for convenience/ease of purchase (see Appendix B on p.175).

Behavioural price, therefore, positively affects consumers' overall perceived value (Petrick, 2002:130). Therefore, the following hypothesis is formulated:

H₃: Perceived behavioural price is a positive predictor of overall perceived value.

- **The relationship between overall perceived value and emotional response**

Leisure service customers have expectations of emotional arousal (Wakefield & Blodgett, 1994:66). The degree of arousal or excitement that customers experience, during and after consuming leisure services may, therefore, be a major determinant of their value perceptions of the services experienced (Petrick, 2004b:403; Sheth *et al.*, 1991:161). Consequently, emotional response refers to the descriptive judgement regarding the pleasure that services afford purchasers (Petrick, 2002:125).

In this study, the consumers' emotional response to leisure services is defined as the consumers' judgement that leisure services have enabled consumers to feel good, delighted and happy. Furthermore, consumers derive pleasure and joy from the services experienced.

A similar definition was provided by Sweeney and Soutar (2001:211); the authors have stated that "the utility derived from the feelings or affective states that a product has generated is part of overall perceived value". The direction of the relationship between consumers' emotional response and overall perceived value, therefore, is positive (Petrick, 2002:123; Sweeney & Soutar, 2001:206). Moreover, Sweeney and Soutar's (2001:206-216) study provides empirical evidence that consumers' emotional responses are positively correlated with overall perceived value. The following hypothesis is thus formulated:

H_4: Emotional response is a positive predictor of overall perceived value.

- **The relationship between overall perceived value and reputation**

Reputation refers to the prestige or status of services, as perceived by purchasers. Reputation is based on the image and brand recognition of the service provider (Petrick, 2002:125). In this study, perceived reputation is defined as consumers' judgements about the status of as well as their regard/respect for leisure services.

The conceptual framework "the perceived quality component" by Zeithaml (1988:7), which refers to *reputation* as the extrinsic attributes, argues that reputation is a positive predictor of the service perceived quality. Similarly, Zeithaml's (1988:4) other conceptual framework "means-end model relating price, quality and value" also argues that reputation is positively correlated with both perceived quality and perceived value. The findings of the author's study provided empirical evidence that supported both conceptual frameworks presented in the study.

Petrick (2002:128) provides empirical evidence that reputation, as perceived by consumers, is a positive indicator of perceived value. Therefore, the following hypothesis ensued:

H_5: Reputation is a positive predictor of overall perceived value.

The next section discusses the relationships between *behavioural intentions* and its antecedents (predictors).

4.2.3 The relationships between behavioural intentions and its antecedents (predictors)

The focus of this section is on two antecedents of *behavioural intentions*, namely consumers' overall perceived value and consumers' satisfaction.

- **The relationship between overall perceived value and behavioural intentions**

Consumer's *behavioural intentions* are considered as part of the consumers' post-purchase behaviour (Tam, 2004:902). Also, repurchase intentions is a component of the consumer *behavioural intentions*. According to Zeithaml *et al.* (1996:32), the repurchase intentions construct is defined as a construct that occurs when consumers plan to consume specific services again. The consumers' *behavioural intentions* include other intentions in addition to repurchase intentions, such as consumers' search intentions, which refer to consumers' willingness to search for additional price information in order to find the most appropriate available offers (Grewal *et al.*, 1998:48). Moreover, consumers' perceptions of the best offers available are reflected through their assessment of the overall benefits services' offers.

There are favourable *behavioural intentions*, such as consumers' intentions to be engaged in positive word-of-mouth communication, intentions to pay a premium price, intentions to be loyal and recommend specific services to others. There are also unfavourable *behavioural intentions*, such as intentions to be involved in negative word-of-mouth communication, intentions to complain and to decrease the amount of business customers do with specific service providers (Zeithaml *et al.*, 1996:34).

In this study, the *behavioural intentions* construct is defined as that which occurs when consumers aim to take positive action or say positive things regarding specific services,

particularly, the intention to repurchase services or to be involved in positive word-of-mouth communication regarding said services.

Previous empirical results indicate that consumers' favourable *behavioural intentions* are positively influenced by their positive perceptions of overall value (Grewal *et al.*, 1998:48-49; Petrick, 2002:119; Petrick, 2004b:401; Zeithaml *et al.*, 1996:34). For the purpose of this study, and to avoid stating contradicting items in the measurement scale, two of the favourable *behavioural intentions* were measured in the scale, namely repurchase intentions and positive word-of-mouth communication (see section 5.4.3) (Gallarza & Saura, 2006:445). Therefore, the following hypothesis ensued:

H_6: Overall perceived value is a positive predictor of behavioural intentions.

- **The relationship between satisfaction and behavioural intentions**

Satisfaction is a relative, subjective and multifaceted concept (Reisinger & Turner, 2003:196), which represents customers' status or after purchase judgement/evaluation of services (Gallarza & Saura, 2006:440; Matanda *et al.*, 2000:2).

Several definitions mention that satisfaction, when evaluating consumption, is when the experienced service was, at least, as good as it was expected to be (Boshoff & Gray, 2004:28). The degree of satisfaction is also defined as "the cognitive state of the purchaser in relation to the appropriateness or inappropriateness of the reward received in exchange for the service experienced" (Iglesias & Guillen, 2004:374).

For the purpose of this study, satisfaction is defined as the judgement, resulting from the consumption experience of leisure services. This judgement might concern the appropriateness of services, where consumers evaluate their decisions to purchase specific services as a wise choice. Additionally, services would also live up to expectations, if consumers reveal that experiences were just what were needed, after dining at mid-scale restaurants.

Woodruff (1997:142-143) contends that the concept of perceived value suggests a strong relationship with the concept of satisfaction. Both concepts provide evaluative judgements about services and both place a special importance on the use situation. Gallarza and Saura (2006:444); Oh (2000:66) as well as Sanchez *et al.* (2006:397) argue that perceived value is a positive predictor of customer satisfaction. Sweeney and Soutar (2001:206) also argue that satisfaction is a consequence of overall perceived value, because it depends on the experience of having consumed services.

However, different conceptualisation also exists, Green and Boshoff (2002:14); for example, argue that perceived value is a consequence of customer satisfaction. This disagreement identifies a limitation in the understanding of the relationship between perceived value and satisfaction as they both serve as predictors of *behavioural intentions* (Gallarza & Saura, 2006:441; Petrick, 2004b:404). Consequently, satisfaction is considered as a positive predictor of *behavioural intentions*.

Moreover, empirical findings (Oh, 2000:66; Cronin *et al.*, 2000:213) point out that *behavioural intentions* is a consequence of satisfaction. The following hypothesis is thus formulated:

H_7: Satisfaction is a positive predictor of behavioural intentions.

4.3   CONCLUSION

The study's seven hypotheses have been formulated in this chapter. Eight constructs were also investigated, in order to be measured through a self-administered questionnaire.

Previous empirical studies (Babin *et al.*, 2005:134; Green & Boshoff, 2002:11; Kashyap & Bojanic, 2000:45; Lin *et al.*, 2005:325; Petrick, 2004a:31; Petrick, 2004b:404; Tam, 2004:903) have investigated the perceived value construct through structural equation models. These structural equations recognise certain variables as antecedents and other variables as consequences. Since structural models are difficult to analyse, a multiple

regression model was used to identify predictors of the perceived value construct, as well as to identify its consequences.

In the next chapter, chapter five, the research methodology and design are discussed to test both the application and relevance of the SERV-PERVAL scale, within a South African context. Chapter five also discusses the multiple-item scales, used for measuring the different dimensions of the overall perceived value construct.

5 CHAPTER FIVE: RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

Chapter five addresses the research design and methodology applied in this study. In the first section, the research design is classified through different descriptors. The second section deals with the sampling approach adopted. It is discussed in terms of the target population, the sampling method and the sample size. Thirdly, follows the section on data collection that covers the survey method and the questionnaire design, where research objectives and their related variables are highlighted. The data collection section proceeds to shed light on the constructs investigated and measurement scales used, prior to providing a short account on pre-testing. Before ending with a concise conclusion, chapter five describes the data analysis approach applied in this study.

5.2 RESEARCH DESIGN

According to Cooper and Schindler (2006:139-152), research designs can be classified through eight different descriptors, namely:

- the degree to which the research question has been crystallised;

- the method of data collection;

- the power of the researcher to produce effects in the variables under study;

- the purpose of the study;

- the time dimension of the study;

- the topical scope - i.e. breadth and depth - of the study;

- the research environment; and

- the participants' perceptions of the research activity.

Table 5.1 provides guidelines about the options, which this study has followed. The table is followed by concise explanation of each option and the reason for adopting each option

into this study. The specific descriptors that apply to this study have been highlighted in *italics*, in Table 5.1, below.

Table 5.1: Descriptors of the current study's research design

Category (descriptor)	Options
Degree of research question crystallisation	Exploratory or *formal*
Method of data collection	Monitoring or *communication*
Researcher's control of variables	Experimental or *ex post facto*
Purpose of the study	*Descriptive* or causal
Time dimension	*Cross-sectional* or longitudinal
Topical scope	Case or *statistical*
Research environment	*Field setting*, laboratory research or simulation
Participants' perceptions	Actual routine or *modified routine*

<u>Source</u>: Cooper & Schindler (2006:139).

Babbie (2004:102) points out that social research often involves revisiting phenomena and building on the results of earlier research. Furthermore, social research also deals with people and their communications (Veal, 2006:3). Since the main objective of this study was to investigate the application of the SERV-PERVAL scale and to test hypotheses, this study should be regarded as a **formal study**. Cooper and Schindler (2006:140) mention that the goal of a formal research design is to test hypotheses.

A self-administered questionnaire was used to collect data from respondents. This study did not intend to monitor (observe) subjects; rather it intended to elicit responses from them. Therefore, this study could be classified as a **communication study,** in relation to the data collection method used (Cooper & Schindler, 2006:140).

An **ex post facto design** was used in this study, because the researcher had no control over the variables, in the sense of being able to manipulate the variables within the context of an experiment. Instead, the researcher was interested in reporting what had transpired (Cooper & Schindler, 2006:141). Moreover, it is important to use **non-experimental methods**, therefore, to realise the differences between people as they exist, when the study is investigating a leisure phenomenon (Veal, 2006:4).

This study could be considered a **descriptive study** and not a causal one, because its purpose was to describe the nature and direction of the relationships between constructs investigated (Cooper & Schindler, 2006:141). The study did not aim to test causal relationships among constructs, since causal relationships would require one variable to always cause another or, to be responsible for changes in another (Cooper & Schindler, 2006:151-153). The current study was interested in determining whether variables were related and furthermore, in establishing the strength of the relationships between them (Cooper & Schindler, 2006:151-153). Therefore, this study should not be considered a causal study.

A descriptive study attempts to define and describe a subject. This is popular in business research. Descriptive research is also very common in the leisure area (Veal, 2006:3). However, a descriptive study does not explain why an event has occurred, or why the variables interact the way they do (Cooper & Schindler, 2006:151).

As this study was only carried out once, it could be considered a **cross-sectional study**. This study represented a "snapshot" of participants' perceived value after consuming a meal in a mid-scale restaurant (Cooper & Schindler, 2006:141).

According to Cooper and Schindler (2006:142), statistical studies are designed for breadth rather than depth, meaning that statistical studies tend to capture a population's characteristics, by making inferences from a sample's characteristics. For this reason this study should be regarded as a **statistical study,** since it aimed to describe consumers' perceptions by studying the attributes of a sample.

The respondents who completed the study's questionnaire were sensitised to the fact that they were participating in a research study. This meant that their normal daily routine was modified. Therefore, this study could be described as a **modified routine** study (Cooper & Schindler, 2006:142).

The following section describes the sampling approach used in the study.

5.3 SAMPLING

This section describes the sampling approach adopted in terms of the target population, the sampling method and the sample size.

5.3.1 Target population

The target population for this study consisted of undergraduate and honours students studying in the Department of Marketing and Communication Management at the University of Pretoria. They were to have had and paid for at least one dining experience at a mid-scale restaurant in Pretoria, during the three months preceding the distribution of the questionnaire, in August 2006.

The use of university students as a target population in a research study was criticised by Sweeney, Soutar and Johnson (1999:86), because a number of disadvantages could be argued. For example, one argument raised, was that a student sample did not reflect the whole consumer population in every respect; therefore, a student sample might not be an adequate representation of the whole consumer population (Gallarza & Saura, 2006:444). However, a number of empirical studies (Gallarza & Saura, 2006:444; Petrick, 2002:126; Snoj *et al.*, 2004:160) had used students as their target population.

Although the use of student samples had sometimes been criticised as being non-representative of the target population of service providers, a student sample was still found to be appropriate, since undergraduate and honours student are considered an important target group for many leisure services (Wakefield & Boldgett, 1994:71). Therefore, the target population of this study, as defined above, was considered to be sufficient for the purpose of the study.

Veal (2006:12) contends that research conducted by academics, requires little or no special financial resources. Since the main motive of academic studies is the advancement of knowledge, the study used students as subjects. Still, research done by Masters and Doctoral students can render useful contributions in the enhancement of knowledge (Veal, 2006:1).

5.3.2   Sampling method

The study used a non-probability *convenience sampling* method to draw a sample from the target population. As mentioned previously, the target population referred to undergraduate and honours students studying in the Department of Marketing and Communication Management at the University of Pretoria. Researchers normally use any readily available individuals as participants in convenience sampling (Cooper & Schindler, 2006:707). Convenience sampling is a simple form of non-probability sampling (Cooper & Schindler, 2006:423). Thus, the researcher of this study targeted student in lecture halls. The unit of analysis was the individual student.

According to Cooper and Schindler (2006:707), element selection in a convenience sample is based on ease of accessibility. However, the current study utilised a convenience sample, based on a definite screening criteria, because it was necessary to exclude respondents who did not have had a dining experience at a mid-scale restaurant, in the specified time. The first two questions in the study's questionnaire were screening questions that served as definite screening criteria. Even so, there is a limitation when using convenience sampling. There is no guarantee that the sample is representative, and the choice of subjects is left to the researcher's judgement, which may be biased (Cooper & Schindler, 2006:407).

A potential respondent was eliminated from the selected sample if he/she was not a student at the University of Pretoria. A potential respondent was also deemed unsuitable, if he/she had not consumed or paid for a meal, at a mid-scale restaurant in Pretoria, in the three months prior to the distribution of the questionnaire.

5.3.3   Sample size

The target sample size for Petrick's (2002:126) study was approximately 350 observations. Similar studies investigating the perceived value construct in the restaurant industry (Babin *et al.*, 2005:135; Iglesias & Guillen, 2004:375; Oh, 2000:66; Tam, 2004:906) used varied sample sizes. Tam (2005:906) for instance, used 255 respondents, while Babin *et al.* (2005:135) had a sample size of 334 respondents.

Multiple regression analysis was used to analyse the data of the current study (see section 5.5). Therefore, the sample size could not be small, because in the case of small sample sizes, the estimated regression coefficients would vary widely. On the other hand, if the sample size increased, the aforementioned variation would become smaller and the sample would become more representative of the target population (Hair *et al*., 2006:195). Consequently, a small sample might be of little scientific value, because the results might not be generalised to other samples (Pallant, 2005:142).

An adequate sample size should ensure statistical power of outcomes, resulting from analysis performed and generalisability applied to the population of the study (Hair *et al*., 2006:196). Multiple regression analysis has some requirements when determining an adequate sample size. For example, Pallant (2005:142) recommends that about 15 to 20 subjects per predictor should be obtained.

The decision concerning sample size, in regression analysis, involves a number of issues such as the number of predictors, desired power and expected effect sizes, when using multiple regression analysis (Tabachnick & Fidell, 2001:117). The simplest rule of thumb for testing the multiple correlation is: [$N \geq 104 + m$] (*where m is the number of* independent variables). Therefore, the sample size for the current study should be $N \geq 104 + 7$ = **111** observations.

Mention was made of the fact that the study's questionnaire included filter questions, which would eliminate some respondents, from the observations gathered for analysis, when certain answers were provided through the questionnaire. This would result in a smaller number of adequately collected observations. For this reason, a larger sample was favoured.

392 copies of the questionnaire were made.

- **32** copies of the questionnaire were not used;

- **360** copies of the questionnaire were distributed and all were retrieved;

- **268** copies of the questionnaire were included in the data set for analysis;

- **92** copies of the questionnaire were completed, but not included in the data set for analysis.

Completed questionnaires, not included in the data set for analysis, were rejected for the following reasons:

- **14** respondents answered *NO* to the first question in the questionnaire, which disqualified them since the first two questions of the questionnaire were filter questions;

- **65** respondents answered *NO* to the second question in the questionnaire, which also eliminated them;

- **4** respondents did not complete the whole questionnaire; and

- **9** respondents did not provide reliable answers.

As a result, **268** completed questionnaires were analysed.

Table 5.2 provides a demographic profile of the respondents who participated in the study.

Table 5.2: A demographic profile of respondents who participated in the study (*n* = 268)

	n	%
Gender		
Female	151	56.34
Male	117	43.66
Age		
17-19 years	114	42.53
20-25 years	149	55.60
26-31 years	5	1.87

The sample revealed a slight domination by female respondents (56.3%) and the majority of the respondents (55.6%) fell into the 20-25 age group.

The next section discusses the data collection techniques used in this study. This includes the survey method, the questionnaire design, measurement scales used and pre-testing of the questionnaire.

5.4 DATA COLLECTION

This section discusses the survey method used in the study. In addition, the questionnaire design, measurement and pre-testing are also examined.

5.4.1 Survey method

Veal (2006:39) suggests that the best sources of information about individuals' leisure behaviour or aspirations are individuals' revelations about themselves. Therefore, a self-administered questionnaire, which would reveal information about the target sample, was used to collect data from students at the University of Pretoria. In addition, the mentioned source also argues that the majority of researchers, who deal with people (including psychological researchers), have relied on the use of self-administered questionnaires, and that the use of alternative methodological approaches are relatively rare. The self-administered questionnaire approach places more reliance on the people being studied, to provide their own explanation for their particular situation. This approach, which is generally regarded as an inductive approach, also suggests a less formalised approach to data collection (Veal, 2006:35).

Kumar (2005:130) mentions that a self-administered questionnaire is limited, because it cannot be used on a population that is illiterate. On the other hand, the author does point out that there are both advantages as well as disadvantages attached to the use of a self-administered questionnaire:

Advantages:
- Less expensive, when compared to interviews, while simultaneously saving time, as well as human and financial resources;
- A self-administered questionnaire can offer greater anonymity.

Disadvantages:
- Lack of honesty;
- Lack of accuracy; and

- Difficulty in remembering or bringing to mind needed details (Kumar, 2005:130).

Veal (2006:39) states that there are a number of disadvantages in using data collection methods, when dealing with people. When people are aware of research conducted about them, they do not always remain purely passive subjects. The results of the research may motivate them to change their behaviour accordingly.

No incentives were used to encourage respondents' participation in this study. Data were collected over a one week period during August 2006, specifically on the 14th, 15th and 17th (Monday, Tuesday and Thursday). Permission to distribute copies of the questionnaire to Marketing and Communication students during lectures had to be obtained in advance, from the Head of the Department of Marketing and Communication Management. Therefore, copies of the questionnaire could be handed to respondents inside lecture halls if pre-arranged with the relevant lectures.

The next section discusses the design of the questionnaire.

5.4.2 Questionnaire design

The questionnaire used in this study is provided in Appendix C (on p.177). In Table 5.3, below, each construct measured has a corresponding number of related questions listed against it.

Table 5.3: Research objectives and related question number and variables in the questionnaire

Research objective	Question number and variables in questionnaire
Perceived quality as a predictor of overall perceived value	Q3, V6 – V9
Emotional response as a predictor of overall perceived value	Q3, V10 – V14
Monetary price as a predictor of overall perceived value	Q3, V15 – V19, V30
Behavioural price as a predictor of overall perceived value	Q3, V5, V20 – V23
Reputation as a predictor of overall perceived value	Q3, V24 – V28
Satisfaction as a predictor of behavioural intentions	Q3, V4, V29, V31

Research objective	Question number and variables in questionnaire
Overall perceived value as a predictor of behavioural intentions	Q3, V32 – V34
Behavioural intentions as a consequence of overall perceived value and satisfaction	Q3, V35 – V38
Investigating the relevance of the SERV-PERVAL multidimensional scale to the context of South African restaurants	General objective

The questionnaire included five questions. The first two questions were filter questions and the last two were demographic questions, while the third question included the 25-item SERV-PERVAL multidimensional scale (see Appendix B on p.175). Three scales were contained with the SERV-PERVAL scale in question 3 of the questionnaire. These three scales measured the following three constructs:

- *Satisfaction*, which had three items;

- *Overall perceived value*, which also had three items; and

- *Behavioural intentions*, which had four items.

Question 3, therefore, contained a total of 35 items.

Each respondent was asked to indicate his/her agreement with the statements in question 3 (see Appendix C on p.177).

The next section deals with measurement.

5.4.3 Measurement

A total of eight abstracts were investigated in this study. Each construct was measured through a separate set of scale items. Table 5.4 lists these constructs and their associated scale items.

Table 5.4: Measurement scales used in the current study

Construct	Item and variable number	Source of the scale
Perceived quality (4 items)	Outstanding quality (V6) Very reliable (V7) Very dependable (V8) Very consistent (V9)	Petrick (2002:128)
Emotional response (5 items)	It made me feel good (V10) It gave me pleasure (V11) It gave me a sense of joy (V12) It made me feel delighted (V13) It gave me happiness (V14)	Petrick (2002:128)
Monetary price (6 items)	A good buy (V)15 Worth the money (V16) Fairly priced (V17) Reasonably priced (V30) Economical (V18) Appeared to be a good bargain (V19)	Petrick (2002:128)
Behavioural price (5 items)	Easy to buy (V5) Required little energy to purchase (V20) Easy to shop for (V21) Required little effort to buy (V22) Easily bought (V23)	Petrick (2002:128)
Reputation (5 items)	Had a good reputation (V24) Well respected (V25) Well thought of (V26) Had status (V27) Reputable (V28)	Petrick (2002:128)
Satisfaction (3 items)	My choice to purchase that meal was a wise one (V29) I did the right thing when I purchased that meal (V4) This experience was exactly what I needed (V31)	Cronin *et al.* (2000:213)
Overall perceived value (3 items)	The overall value of this experience was high (V33) Comparing what I gave up and what I received, the overall perceived value is positive (V34) The experience had satisfied my needs and wants (V32)	Gallarza and Saura (2006:445)

Construct	Item and variable number	Source of the scale
Behavioural intentions (4 items)	If I am going to have another meal at a mid-scale restaurant, I will consider this restaurant as my first choice (V35)* I will say positive things about this restaurant to other people (V36) I will recommend it to someone who seeks my advice (V37) I will encourage friends and relatives to visit this restaurant (V38)	*Petrick (2004b:401) Zeithaml *et al.* (1996:38)

The eight abstract constructs investigated in the study are listed in the first column of Table 5.4. The first five constructs, namely perceived quality, emotional response, monetary price, behavioural price and reputation, represent the independent variables of the first model, tested in the study. These five constructs also form the SERV-PERVAL scale. The dependent variable of the first model is perceived value. The second model's independent variables were the sixth and seventh constructs in Table 5.4, namely satisfaction and overall perceived value. The eighth variable (behavioural intentions), is the dependent variable of the second model tested in the study.

The number of items used to measure each construct is mentioned under each construct in the first column of Table 5.4. For example, the construct "monetary price" was measured with six items. The items associated with each construct are listed in the second column of Table 5.4. This column also contains a cross-reference to the relevant variable number in the questionnaire. The third column shows the source of the scale (group of items) used.

The abstract constructs were all measured as a five-point Likert scale. All the scale points were labelled, as follows: **1** = "Strongly agree"; **2** = "Agree"; **3** = "Neither agree nor disagree"; **4** = "Disagree"; and **5** = "Strongly disagree".

As mentioned, the SERV-PERVAL scale was developed by Petrick (2002:120) and was tested among undergraduate university students in the United States of America. The SERV-PERVAL scale was also applied in other studies (Petrick, 2004a:33; Petrick, 2004b:402). There were no reversed score items.

Petrick's (2002:128) SERV-PERVAL scale was used in this study to assess respondents' perceptions of value; three items adopted from Cronin *et al.* (2000:193-215), were added

to the afore-mentioned. These were integrated to assess respondents' satisfaction. Furthermore, three items, adopted from Gallarza and Saura (2006:445) were used to assess respondents' overall perceived value, as well as four items adopted from two studies, (credited in the next two sentences), to assess respondents' *behavioural intentions*. The first item measuring *behavioural intentions* was adopted from Petrick (2004b:401), which measured repurchase intentions. The last three items were adopted from Zeithaml *et al.* (1996:38).

Analysis of scales' internal consistency reliability is presented in section 6.2, followed by indication of how the total (summated) scores were calculated in section 6.3.1. The next section discusses the pre-testing of the questionnaire.

5.4.4 Pre-testing the questionnaire

Pre-testing, as noted by Cooper and Schindler (2006:384), should contribute to the effort of refining the questionnaire. Furthermore, it would assist in clarifying errors related to the wording, the content, the sequence or the design of the questions; discovering ways to increase participants' interest; as well as exploring ways to improve the overall quality of the questionnaire (Cooper & Schindler, 2006:385). Additionally, it would help to detect weaknesses, if any, in the questionnaire. Moreover, pre-testing would familiarise the researcher with respondents, fieldwork arrangement and time constraints, while executing the survey (Veal, 2006:276). The only way to establish shortcomings and errors in questionnaire is to subject it to pre-testing, under actual conditions, so that its performance can be mentioned (Cooper & Schindler, 2006:397).

There are different methods to conduct pre-testing. The method used by this study was *participant pre-testing* (Cooper & Schindler, 2006:396). Pre-testing involved a prototype administration of the questionnaire to a limited number of selected potential respondents. This interactive and adaptable method of conducting the survey meant that the suggestions made by respondents were taken into consideration through identifying and changing what were perceived to be confusing or offensive questions and techniques (Cooper & Schindler, 2006:397).

The questionnaire was pre-tested among twenty respondents drawn from the target population defined earlier (see section 5.3.1). Drawing subjects, from the target population, for pre-testing purposes, proved to be ideal solution as advocated by Cooper and Schindler (2006:396).

The twenty participants responded to all the questions in the questionnaire. The aspects of the questionnaire under scrutiny were wording, spelling errors, the sequence of questions (especially the filter questions) and the layout of the questionnaire as a whole. Though the findings were rather limited, a few spelling errors on page 1 as well as absence of **bold**/*italic* of a few words, for increased visibility to respondents, materialized. The time needed to complete the questionnaire was less than 10 minutes (between five to seven minutes).

Section 5.5, below, describes the data analysis method used in the study.

5.5 DATA ANALYSIS

The study used *multiple regression analysis* to test the stated hypotheses, because the hypotheses were set to investigate the relationships between dependent and independent variables (Cooper & Schindler, 2006:575). The multiple regression analysis technique used in this study is discussed in detail in the next chapter.

5.6 APPROVAL OF ETHICS COMMITTEE

Formal approval for this study was obtained from the Research Ethics Committee of the Faculty of Economic and Management Sciences at the University of Pretoria on 26th July 2006.

5.7 CONCLUSION

This chapter discussed the design and methodology used in this study. The discussion covered research design and sampling, as well as the data collection approach and the data analysis technique applied in the study.

Regarding sampling, the target population and sample size were defined and the method used was convenience sampling. Data collection, the survey method, questionnaire design, measurement and pre-testing were also reviewed.

To fulfil the objectives of the investigation, Petrick's (2002:119) SERV-PERVAL scale for measuring the perceived value of a leisure service was applied. This chapter had identified this empirical study as a descriptive cross-sectional, non-experimental, modified routine study.

6   CHAPTER SIX: EMPIRICAL FINDINGS OF THE STUDY

6.1   INTRODUCTION

This chapter presents the findings of the current study. The chapter consists of four main sections. The reliability of the multiple item measures used in the study is discussed in section one. This is followed by an interpretation of univariate descriptive statistics for the composite scale scores and for the individual questions in the questionnaire, in section two. The correlations between the composite scale scores are presented in section three and finally the results of the two regression models, tested in the study, are presented in section four.

6.2   RELIABILITY ANALYSIS

Reliability is defined as "the degree to which a measuring instrument is free from random error so as to supply consistent results" (Cooper & Schindler, 2006:323). Reliability also refers to the degree of consistency between multiple measurements of a variable (Hair *et al.*, 2006:137). There are three different perspectives on reliability, namely stability, equivalence and internal consistency (Cooper & Schindler, 2006:322).

Cronbach's alpha is a statistical measurement that is widely used to assess the internal consistency reliability of multi-item scales at an interval level of measurement (Cooper & Schindler, 2006:322). Cronbach's alpha was used as an indicator of internal consistency reliability, which refers to the degree to which the set of items of a scale are internally consistent in their measurements and to their measuring of the same underlying construct (i.e., the extent to which the items were coherent and had a constant difference in phase) (Hair *et al.*, 2006:710). A scale's internal consistency is one of the important aspects of reliability (Pallant, 2005:90).

The minimum level that is generally agreed upon for the Cronbach's alpha coefficient of a scale is 0.70 (Hair *et al.*, 2006:137; Pallant, 2005:90). The Cronbach's alpha reliability coefficients of the eight constructs measured in the study are provided in Tables 6.1 to 6.8

below. Each table provides the Cronbach's alpha coefficient for a specific construct measured in the study. Each value stated under the label "item to total correlation" refers to the correlation of each item included in the scale to the summated scale score (Hair *et al.*, 2006:137). The values in the column labelled "item to total correlation" for the items in each scale are provided along with an indication of how the scales of Cronbach's alpha will change if a particular item is deleted.

Multiple item scales were used to measure eight abstract constructs, namely perceived quality, emotional response, monetary price, behavioural price, reputation, satisfaction, overall perceived value and *behavioural intentions*. Table 6.1 shows the results of a reliability analysis conducted on the items measuring the *perceived quality* construct.

Table 6.1: The internal consistency reliability of the items measuring the perceived quality construct

Cronbach's alpha for scale:	0.84	
Item	**Item to total correlation**	**Cronbach's alpha if item is deleted**
Outstanding quality	0.59	0.82
Very reliable	0.73	0.76
Very dependable	0.71	0.78
Very consistent	0.65	0.81

The Cronbach's alpha reliability coefficient for the scale measuring *perceived quality* is **0.84,** which is higher than the accepted minimum value of 0.70. None of the values listed in the third column labelled "Cronbach's alpha if item is deleted" are larger than 0.84. Therefore, one cannot improve the internal consistency reliability of the scale by deleting any of the items.

The values stated under "item to total correlation" reported in column two are all above 0.50. According to Hair *et al.* (2006:137), the rule of thumb suggests that the value of an "item-to-total correlation" (which refers to the correlation of the item to the summated scale score) should exceed 0.50. The scale measuring *perceived quality*, therefore, has an acceptable level of internal consistency reliability.

Table 6.2, below, shows the results of reliability analysis conducted on the items measuring the *emotional response* construct

Table 6.2: The internal consistency reliability of the items measuring the emotional response construct

Cronbach's alpha for scale:	0.89	
Item	**Item to total correlation**	**Cronbach's alpha if item is deleted**
It made me feel good	0.66	0.88
It gave me pleasure	0.68	0.87
It gave me a sense of joy	0.80	0.84
It made me feel delighted	0.79	0.85
It made me feel happy	0.71	0.87

The Cronbach's alpha reliability coefficient for the scale measuring *emotional response* is **0.89,** which is greater than the accepted minimum value of 0.70. None of the values included in the third column labelled "Cronbach's alpha if item is deleted" are larger than 0.89. This means that it is not possible to improve the internal consistency reliability of the scale by deleting any of the items.

The values stated below "item to total correlation" reported in column two are all above 0.50. Therefore, the correlation of each of the items to the summated scale score is larger than 0.50 (Hair *et al.*, 2006:137). The scale measuring *emotional response*, therefore, has an acceptable level of internal consistency reliability.

Table 6.3, below, shows the results of a reliability analysis conducted on the items measuring the *monetary price* construct.

Table 6.3: The internal consistency reliability of the items measuring the monetary price construct

Cronbach's alpha for scale:	0.86	
Item	**Item to total correlation**	**Cronbach's alpha if item is deleted**
A good buy	0.50	0.86
Worth the money	0.62	0.85

Cronbach's alpha for scale:	0.86	
Item	Item to total correlation	Cronbach's alpha if item is deleted
Fairly priced	0.74	0.82
Reasonably priced	0.71	0.83
Economical	0.69	0.83
Appears to be a good bargain	0.70	0.83

The Cronbach's alpha reliability coefficient for the scale measuring *monetary price* is **0.86,** which is higher than the accepted minimum value of 0.70. None of the values listed in the third column labelled "Cronbach's alpha if item is deleted" are larger than 0.86. This indicates that the internal consistency reliability of the scale cannot be improved by deleting any of the items.

According to Hair *et al.* (2006:137), the rule of thumb suggests that the value of an "item-to-total correlation" should exceed 0.50. The item to total correlations reported in column two are all above 0.50.

The scale measuring *monetary price*, therefore, has an acceptable level of internal consistency reliability.

Table 6.4, below, shows the results of a reliability analysis conducted on the items measuring the *behavioural price* construct.

Table 6.4: The internal consistency reliability of the items measuring the behavioural price construct

Cronbach's alpha for scale:	0.82	
Item	Item to total correlation	Cronbach's alpha if item is deleted
Easy to buy	0.40	0.83
Required little energy to purchase	0.62	0.77
Easy to shop for	0.63	0.77
Required little effort to buy	0.72	0.74
Easily bought	0.68	0.76

The Cronbach's alpha reliability coefficient for the scale measuring *behavioural price* is **0.82,** which is larger than the accepted minimum value of 0.70. The values in the third column labelled "Cronbach's alpha if item is deleted" indicate that the scale's internal consistency reliability can be improved slightly to 0.83 by excluding the item "Easy to buy".

However, the researcher decided not to exclude this item for two reasons. Firstly, the exclusion of the item "Easy to buy" will lead to a very small improvement in the scale's internal consistency reliability by increasing the Cronbach's alpha coefficient by 0.01. Secondly, the findings of the study are to be compared with those of Petrick (2002:128), who included this item in his measurement.

Hair *et al*. (2006:137) mention that the rule of thumb suggests that the value of "item-to-total correlation" should exceed 0.50. The values of "item to total correlation" reported in column two are all above 0.50 except for the item "Easy to buy" which has an item-to-total correlation value of 0.40. However, the researcher decided to retain this item for the reasons mentioned above. Thus, the scale measuring *behavioural price*, therefore, has an acceptable level of internal consistency reliability.

Table 6.5, below, shows the results of a reliability analysis conducted on the items measuring the *reputation* construct.

Table 6.5: The internal consistency reliability of the items measuring the reputation construct

Cronbach's alpha for scale:	0.87	
Item	**Item to total correlation**	**Cronbach's alpha if item is deleted**
Had good reputation	0.67	0.85
Well respected	0.74	0.84
Well thought of	0.69	0.85
Had status	0.71	0.84
Reputable	0.71	0.84

The Cronbach's alpha reliability coefficient for the scale measuring *reputation* is **0.87,** which is higher than the accepted minimum value of 0.70. None of the values included in the third column labelled "Cronbach's alpha if item is deleted" is larger than 0.87.

Therefore, it is not possible to improve the internal consistency reliability of the scale by deleting any of the items.

The values stated under "item-to-total correlation" reported in column two are all above 0.50. Hair *et al.* (2006:137) agree that the value of "item-to-total correlation", which refers to the correlation of the item to the summated scale score-the mean of total scores, should always exceed 0.50.

The scale measuring *reputation*, therefore, has an acceptable level of internal consistency reliability.

Table 6.6 includes the Cronbach's alpha values for each of the five constructs of SERV-PERVAL scale; the latter were obtained in four studies by Petrick.

Table 6.6: The Cronbach's alpha for the SERV-PERVAL scale obtained in five previous studies

Construct	Cronbach's alpha
Perceived quality	0.84 current study 0.79 (Petrick 2002:129) 0.92 (Petrick 2003:255) 0.92 (Petrick, 2004a:33) 0.92 (Petrick, 2004b:402)
Emotional response	0.89 current study 0.93 (Petrick 2002:129) 0.96 (Petrick 2003:255) 0.96 (Petrick, 2004a:33) 0.96 (Petrick, 2004b:402)
Monetary price	0.86 current study 0.90 (Petrick 2002:129) 0.94 (Petrick 2003:255) 0.94 (Petrick, 2004a:33) 0.94 (Petrick, 2004b:402)
Behavioural price	0.82 current study 0.92 (Petrick 2002:129) 0.95 (Petrick 2003:255) 0.95 (Petrick, 2004a:33) 0.95 (Petrick, 2004b:402)

Construct	Cronbach's alpha
Reputation	0.87 current study 0.85 (Petrick 2002:129) 0.92 (Petrick 2003:255) 0.92 (Petrick, 2004a:33) 0.92 (Petrick, 2004b:402)

By comparing the Cronbach's alpha values in the current study with those obtained in previous research by Petrick, as shown in Table 6.6, it appears that the Cronbach's alpha values for the SERV-PERVAL scale of the current study are similar to those obtained in Petrick's four studies mentioned. However, in the current study, there are slightly less reliable scales, compared to that of Petrick's studies. Three of the five constructs, namely emotional response (i.e., the current study shows 0.89, compared to the lowest value of Petrick's studies, which is 0.93), monetary price and behavioural price display this tendency.

Table 6.7, below, shows the results of a reliability analysis conducted on the items measuring the *satisfaction* construct.

Table 6.7: The internal consistency reliability of the items measuring the satisfaction construct

Cronbach's alpha for scale:	0.70	
Item	**Item to total correlation**	**Cronbach's alpha if item is deleted**
I did the right thing when I purchased this meal	0.50	0.66
My choice to purchase this meal was a wise one	0.57	0.54
This experience is exactly what I needed	0.54	0.60

The Cronbach's alpha reliability coefficient for the scale measuring *satisfaction* is **0.70,** which is equal to the accepted minimum value of 0.70. None of the values listed in the third column labelled "Cronbach's alpha if item is deleted" are larger than 0.70. One can, therefore, not improve the internal consistency reliability of the scale by deleting any of the items.

The rule of thumb suggests that the value of the "item-to-total correlation" should exceed 0.50 (Hair *et al.*, 2006:137). The values mentioned under "item to total correlation" reported in column two are all above 0.50 and thus comply with the stated rule of thumb. The scale measuring *monetary price*, therefore, has an acceptable level of internal consistency reliability.

Table 6.8, below, shows the results of a reliability analysis conducted on the items measuring the *overall perceived value* construct.

Table 6.8: The internal consistency reliability of the items measuring the overall perceived value construct

Cronbach's alpha for scale:	0.83	
Item	**Item to total correlation**	**Cronbach's alpha if item is deleted**
The experience has satisfied my needs and wants	0.68	0.79
The overall value of this experience was high	0.71	0.76
Overall perceived value is positive	0.70	0.76

The Cronbach's alpha reliability coefficient for the scale measuring *overall perceived value* is **0.83,** which is greater than the accepted minimum value of 0.70. None of the values listed in the third column labelled "Cronbach's alpha if item is deleted" are larger than 0.83. As a result, one cannot improve the internal consistency reliability of the scale by deleting any of the items.

According to Hair *et al.* (2006:137), the rule of thumb suggests that the values stated under "item-to-total correlation" in the second column should exceed 0.50. The values mentioned below "item to total correlation" reported in column two, are all greater 0.50.

The scale measuring *overall perceived value*, therefore, has an acceptable level of internal consistency reliability.

The results of a reliability analysis for the *behavioural intentions* construct are shown in Table 6.9 below.

Table 6.9: The internal consistency reliability of the items measuring the behavioural intentions construct

Cronbach's alpha for scale:	0.91	
Item	**Item to total correlation**	**Cronbach's alpha if item is deleted**
If I am going to have another meal at a mid-scale restaurant, I will consider this restaurant as my first choice	0.66	0.92
I will say positive things about this restaurant to other people	0.81	0.86
I will recommend it to someone who seeks my advice	0.84	0.85
I will encourage friends and relatives to visit this restaurant	0.84	0.85

The Cronbach's alpha reliability coefficient for the scale measuring *behavioural intentions* is **0.91,** which is higher than the accepted minimum value of 0.70. Only one of the values indicated in the third column labelled "Cronbach's alpha if item is deleted" is higher than 0.91. This value is related to the first item "If I am going to have another meal at a mid-scale restaurant, I will consider this restaurant as my first choice". However, the researcher decided not to exclude this item because the exclusion will lead to a very small improvement in the scale's internal consistency reliability by increasing the Cronbach's alpha coefficient by 0.01 only.

The item to total correlations reported in column two are all above 0.50. According to Hair *et al.* (2006:137), the rule of thumb recommends that the values stated under "item-to-total correlation" should exceed 0.50. The scale measuring *behavioural intentions*, therefore, has an acceptable level of internal consistency reliability.

6.3 UNIVARIATE DESCRIPTIVE STATISTICS

6.3.1 Univariate descriptive statistics for the composite scale scores and for the individual questions in the questionnaire

The constructs investigated in this study were measured using a 5-point Likert-type summated rating scale anchored by 1 = *strongly agree* and 5 = *strongly disagree*.

Moreover, the composite (total) scores for each dimension were determined through two steps. The first step entailed calculating the mean of each respondent's answers across the items in a scale. The second step involved calculating the mean of these "mean scores" across all respondents. For example, the *monetary price* construct has six items. The mean *(M)* of these items, which was calculated from the "means score" of each respondent, are: 2.85, 2.79, 2.51, 2.50, 2.18, and 2.06. To calculate the composite score for the *monetary price* construct; the mean *(M)* of the six items are added together and divided by the number of items (14.89/6=**2.48**).

The mean (*M*) ratings of participants' perceptions are presented in Table 6.10.

Table 6.10: Participants' perceptions of the service experience at a mid-scale restaurant in Pretoria

Consumer's perception of the dining experience	*n*	*M*	*SD*
Perceived quality	266	2.27	0.72
Very dependable	266	2.36	0.86
Very reliable	266	2.26	0.85
Outstanding quality	266	2.23	0.89
Very consistent	266	2.23	0.89
Emotional response	266	2.22	0.75
It made me feel delighted	266	2.34	0.89
It made me feel happy	266	2.31	0.86
It gave me a sense of joy	266	2.28	0.89
It gave me pleasure	266	2.11	0.92
It made me feel good	266	2.10	0.92
Monetary price	265	2.48	0.76
Economical	265	2.85	1.08
Reasonably priced	265	2.79	1.04
Appears to be a good bargain	265	2.51	0.91
Fairly priced	265	2.50	1.03
Worth the money	265	2.18	1.00
A good buy	265	2.06	0.83
Behavioural price	265	2.20	0.69
Easy to shop for	265	2.28	0.94
Required little effort to buy	265	2.27	0.96

Consumer's perception of the dining experience	n	M	SD
Required little energy to purchase	265	2.24	0.99
Easily bought	265	2.20	0.88
Easy to buy	265	2.02	0.72
Reputation	265	1.92	0.65
Had status	265	2.08	0.89
Reputable	265	2.02	0.82
Well thought of	265	1.94	0.78
Well respected	265	1.80	0.73
Had good reputation	265	1.77	0.72
Satisfaction	266	2.10	0.66
This experience is exactly what I needed	266	2.41	0.97
My choice to purchase this meal was a wise one	266	2.00	0.82
I did the right thing when I purchased this meal	266	1.84	0.68
Overall perceived value	267	2.17	0.80
The overall value of this experience was high	267	2.23	0.92
Overall perceived value is positive	267	2.17	0.92
The experience has satisfied my needs and wants	267	2.12	0.93
Behavioural intentions	268	2.13	0.84
If I am going to have another meal at a mid-scale restaurant, I will consider this restaurant as my first choice	268	2.44	1.04
I will encourage friends and relatives to visit this restaurant	268	2.11	0.98
I will recommend it to someone who seeks my advice	268	1.99	0.89
I will say positive things about this restaurant to other people	268	1.98	0.89

Notes: Scales values range from 1 (Strongly agree) to 5 (Strongly disagree); the higher the mean score, the lower the level of agreement associated with the particular aspect.

M = mean, *SD* = standard deviation

Table 6.10 indicates that only one construct and its related items were rated by all the respondents. The smallest sample size (265) was encountered with the ratings of three constructs, namely monetary price, behavioural price and reputation. The total scores for all the constructs differ slightly. The highest total score (*M* = 2.48, *SD* = 0.76) is associated

with monetary price, while the lowest total score is associated with reputation (M = 1.92, SD = 0.65).

6.3.2   Correlations between the total scale scores

Two multiple regression models were investigated in this study. The first regression model had one dependent variable, *overall perceived value*, which was predicted by five independent variables, namely *perceived quality, emotional response, monetary price, behavioural price and reputation*. The second regression model had one dependent variable, *behavioural intentions*, which was predicted by two independent variables, namely *overall perceived value and satisfaction.*

Table 6.11 below shows that there is a positive correlation between the independent variables and the dependent variable of the first regression model, as well as the second regression model. Each cell in Table 6.11 represents the results of a correlation between two of the variables included in the first regression model. For the purpose of interpreting the results of a correlation analysis, it is important to define *p*-value. The *observed* level of significance is referred to as the *p*-value and it is used to make a decision in a hypothesis test. The *p*-value is "the probability of obtaining a sample result that is at least as unlikely as what is observed" (Anderson, Sweeney & Williams, 2002:346). For example, if the *p*-value is less than the level of significance (0.05), it indicates that the stated null hypothesis should be rejected.

The three values in the 2nd column of the 3rd row (the cell next to *emotional response* cell on the first left column), for example, show the results of a correlation between the composite score for *perceived quality* and the composite score for *emotional response*. These three values are interpreted as follows:

- The top value in this cell (0.53) is the value of Pearson's correlation coefficient, which indicates a positive correlation of 0.53 between *perceived quality* and *emotional response*. Pearson's correlation coefficient offers a numerical outline of the direction and strength of the linear relationship between two variables. It can vary from -1 to +1 (Pallant, 2005:114).

- The middle value in the cell (<.0001) indicates that the *p*-value of this correlation is smaller than 0.0001.

- The bottom value (264) indicates the sample size on which the correlation was calculated.

The values in the other cells of Table 6.11 can be interpreted in a similar manner.

Table 6.11: Correlations between the total scores of the constructs measured in the study

	Perceived quality	Emotional response	Monetary price	Behavioural price	Reputation	Satisfaction	Overall perceived value
Pearson Correlation Coefficients							
Emotional response	0.53 <.0001 264						
Monetary price	0.46 <.0001 263	0.41 <.0001 263					
Behavioural price	0.26 <.0001 263	0.19 0.0023 263	0.37 <.0001 262				
Reputation	0.44 <.0001 263	0.35 <.0001 263	0.22 0.0003 263	0.21 0.0007 262			
Satisfaction	0.59 <.0001 264	0.69 <.0001 264	0.51 <.0001 263	0.26 <.0001 263	0.35 <.0001 263		
Overall perceived value	0.60 <.0001 265	0.63 <.0001 265	0.53 <.0001 264	0.32 <.0001 264	0.35 <.0001 264	0.74 <.0001 265	
Behavioural intentions	0.66 <.0001 266	0.56 <.0001 266	0.50 <.0001 265	0.27 <.0001 265	0.35 <.0001 265	0.65 <.0001 266	0.69 <.0001 267

As shown in Table 6.11, correlations between independent variables do exist by referring to the top value, which indicates the Pearson correlation coefficients. However, there was no presence of multicollinearity among these variables. Multicollinearity occurs when independent variables are highly correlated, which is the case if Pearson correlation

coefficients = 0.9 and above (Pallant, 2005:142) (see next section for further diagnostics of multicollinearity).

The three highest correlations between the independent variables are:

- the *emotional response* construct and the *satisfaction* construct (0.69);
- the *satisfaction* construct and the *overall perceived value* construct (0.74); and
- the *overall perceived value* construct and the *behavioural intentions* construct (0.69).

The Pearson correlation coefficient values for the first and last pairs were **0.69**, while it was 0.74 for the second pair (satisfaction and perceived value). According to Hair *et al.* (2006:530), the rule of thumb is that if the Pearson correlation coefficient value is less than 0.70, then the correlation cannot explain at least 50 percent of the variation between the two variables being correlated. Therefore, the correlation value of 0.69 does not appear to be problematic, because any correlation value under 0.70, does not indicate that any of the variables, within these two *pairs* (ie. either emotional response and satisfaction or overall perceived value and behavioural intentions), serve as a predictor for the other. Thus, the value of 0.69, which is less than 0.70, suggests neither a high collinearity nor a perfect multicollinearity, between both emotional response and satisfaction, or between perceived value and behavioural intentions.

The Pearson correlation coefficient value of 0.74, on the other hand, indicates that one of the two variables (satisfaction and overall perceived value) serves as a predictor of the other. The value 0.74, which is greater than 0.70, does seem to be a problem. Therefore, this outcome suggests that the correlation of 0.74, can account for at least 50 percent of the variation between the correlated variables, satisfaction and overall perceived value (Hair *et al.,* 2006:530). This finding is in line with Green and Boshoff's (2002:14) empirical findings, which state, "Although customer satisfaction is a strong predictor of value perceptions, the opposite is also true". The authors also state that the variables representing value and customer satisfaction are measuring different constructs.

Correlations between behavioural intentions and its two predictors were relatively high. This was also found in the correlations between overall perceived value and its five predictors. There were, however, exceptions, between overall perceived value and

behavioural price (0.32), as well as overall perceived value and reputation (0.35). Consequently, the correlation between behavioural intentions and all other constructs were found to be acceptable. Once again, exceptions were found in the correlation between behavioural intentions and behavioural price (0.27), as well as behavioural intentions and reputation (0.35). The guidelines, provided by Pallant (2005:126), suggest that if the Pearson correlation coefficient value is between 0.50 and 1.0, the relationship between the two variables is termed as strong. If the value is less than 0.50 and more than 0.29, the strength of the relationship is regarded as medium, which is the case with behavioural price (0.32) and reputation (0.35). If the value is less than 0.29, then the strength of the relationship is considered small.

6.4   INFERENTIAL STATISTICS

Multiple regression analysis was used to test two regression models that are based on the hypotheses formulated in sections 4.2.2 and 4.2.3. This section provides background on multiple regression analysis and presents the results of the two regression models tested in the study.

6.4.1   An overview of multiple regression analysis

According to Hair *et al.* (2006:176), multiple regression analysis is a statistical technique that is used to analyse the relationship between a single dependent variable and several independent variables. The objective of multiple regression analysis is to predict the single dependent variable using the observed independent variables.

To ensure the best possible prediction from the set of independent variables, each independent variable is weighted by the regression analysis procedure. These weights, known as regression coefficients, denote the relative contribution of the specific independent variable to the overall prediction of the dependent variable, keeping the other independent variables constant. Moreover, these weights facilitate interpretation as to the influence of each independent variable in making the prediction (Hair *et al.*, 2006:176). The set of weighted independent variables forms the regression equation.

According to Tabachnick and Fidell (2001:111), the basic formula of the regression equation in multiple regression is:

$$Y = A + B_1 X_1 + B_2 X_2 + \ldots + B_k X_k$$

Where Y is the predicted value of the dependent variable, A is the value of Y when all the X values are zero (the Y intercept), the Xs are the independent variables, k is the number of the independent variables, and the Bs are the coefficients assigned to each of the independent variable in the regression analysis (Tabachnick & Fidell, 2001:112).

6.4.2 The decision process involved in conducting multiple regression analysis

The decision process, involved in conducting multiple regression analysis in this study, includes several steps:

- identifying the objectives of the regression analysis;

- specifying the appropriate functional form of the regression model and selecting the independent and dependent variables;

- deciding on sample size;

- estimating the regression function;

- testing the assumptions of multiple regression analysis; and

- interpreting the results of multiple regression analysis.

6.4.3 An overview of the two regression models tested in the study

Table 6.12 summarises the two regression models tested in this study. The first model uses five independent variables, namely perceived quality, monetary price, behavioural price, emotional response and reputation, to predict one dependent variable, overall perceived value. In the second regression model, two independent variables - overall perceived value and satisfaction - are used to predict one dependent variable, *behavioural intentions.*

Table 6.12: A summary of the two regression models tested in this study

Model	Independent variables	Dependent variables
Model 1	Perceived quality, monetary price, behavioural price, emotional response, reputation	Overall perceived value
Model 2	Overall perceived value, satisfaction	Behavioural intentions

The process followed in testing model 1 and the associated results will be discussed in detail in order to familiarise the reader with the terminology and decisions associated with multiple regression analysis. The results for model 2 will be presented in a more condensed form.

6.4.4   A description of the decision process and results for regression model 1

A multiple regression analysis was conducted to test model 1. In this type of regression analysis all the independent variables are entered into the equation simultaneously. In this specific model, overall perceived value was specified as the dependent variable and perceived quality, monetary price, behavioural price, emotional response and reputation as the independent variables. The analysis was performed using the SAS PROC REG procedure.

The decision-process followed in testing model 1 is described below based on the six steps outlined in section 6.4.2 above. In each sub-section, the relevant general principles are first discussed. Thereafter, these general principles are applied to the particulars of model 1.

➤ **Identifying the objectives of the regression analysis**

The purpose of the regression analysis conducted on model 1 was to estimate the magnitude and direction of the impact of each of the independent variables on the dependent variable. Furthermore, the regression analysis also aimed to determine the proportion of the variation in the dependent variable that can be explained by the independent variables as a group (Pallant, 2005:141).

- **Specifying the functional form of the regression model and selecting the dependent and independent variables**

As is shown in Table 6.12, overall perceived value was specified as the dependent variable in model 1, while perceived quality, monetary price, behavioural price, emotional response and reputation were specified as the independent variables. Each selected independent variable was used to represent a potential explanatory variable of the dependent variable (Hair *et al.*, 2006:172).

- **Deciding on sample size**

According to Tabachnick and Fidell (2001:117), the required sample size in multiple regression analysis depends on a number of issues, including the desired power, alpha level, number of predictors, and the expected effect sizes. They, however, provide two simple rules of thumb for determining sample size in multiple regression analysis:

- Sample size (N) ≥ 50 + 8m (where m is the number of independent variables) for testing the significance of the overall regression model; and

- N ≥ 104 + m for testing the significance of the individual predictors.

These two rules of thumb assume a medium-sized relationship between the independent variables and the dependent variable (Tabachnick & Fidell, 2001:117).

Since the current study is interested in testing the significance of both the overall model and that of the individual independent variables, the sample size should be $N \geq 104 + 7 =$ **111** observations.

Model 1 was tested on an effective sample size of *n*, which is substantially larger than the minimum required sample size of 111.

➢ Testing the assumptions of multiple regression analysis

This step involves performing diagnostic analyses to test the assumptions of multiple regression analysis. In order to perform these diagnostic analyses, one first estimates the model and then examines the residuals and other diagnostic information to determine whether the assumptions have been met. In the case of model 1, the following assumptions were tested, in the order shown below:

- Testing for outliers;

- Normality of the residuals;

- Multicollinearity; and

- Homoscedasticity.

• Testing for outliers

Outliers are observations (i.e., recorded data of consumer responses) that are inappropriate representations of the population, from which the sample was drawn. In other words, an outlier is an observation that is substantially different from the other observations obtained from a specific sample (Hair *et al.*, 2006:173; Stevens, 2002:125). Outliers should be eliminated from the analysis because (Hair *et al.*, 2006:220):

i.   Outliers are unrepresentative of the investigated population;

ii.   Outliers are counter to the objectives of the analysis; and

iii.   Outliers can seriously interfere with statistical tests.

Hair *et al.,* (2006:74) identify four types of outliers, namely:

i.   Procedural errors (such as data entry errors);

ii.   Extraordinary events (observations that are the result of an extraordinary event and are not comparable to other observations);

iii.   Extraordinary observations for which the researcher has no explanation; and

iv.   Observations that fall within the ordinary range of values on each of the variables.

These outliers are unique in their contribution of values across the independent variables in the regression model. Therefore, they could be "influential observations" that influence the analysis results.

Outliers can be identified from a standardized residual plot by detecting values of standardised residuals greater than 2 or smaller than -2, this entails the use of only 95% of the observations, to identify outliers. According to Hair *et al.* (2006:222) as well as Tabachnick and Fidell (2001:122), 99% of the observations can be used to identify outliers, if the detecting values, of the standardised residuals, are greater than (+3.3) or less than (-3.3). This study adhered to a more conservative 95% of the observations.

A residual refers to the difference between the observed and predicted values for the dependent variable. As such, it is a measure of prediction error for the regression equation (Hair *et al.*, 2006:205). It also illustrates the unexplained portion of the dependent variable. (Hair *et al.*, 2006:40). As mentioned under section 6.4.1, a regression equation is "a linear combination of variables with statistically determined weights" and it is determined in a manner that maximises the partial correlation between the independent variables and the dependent variable (Hair *et al.*, 2006:5).

Residuals are used in diagnostic procedures to identify outliers. They are also important in determining if the other underlying assumptions (i.e., normality, linearity and homoscedasticity) of multiple regression analysis have been met (Hair *et al.*, 2006:205-208).

Residuals can be displayed on a scatterplot, which is a graph illustrating data points based on two variables. This graph represents the relationship between the actual values (vertical **X**-axis) and the predicted values (horizontal **Y**-axis). Outlying observations fall outside the group of points produced by the other observations. Thus, outliers can be identified through the scatterplot based on residuals on both the X-axis as well as Y-axes. The residuals are normally distributed roundabout the predicted dependent variable scores. Figure 6.1, outlines the residuals scatterplot for model 1.

Figure 6.1: Residuals scatterplot showing outlying observations in model 1
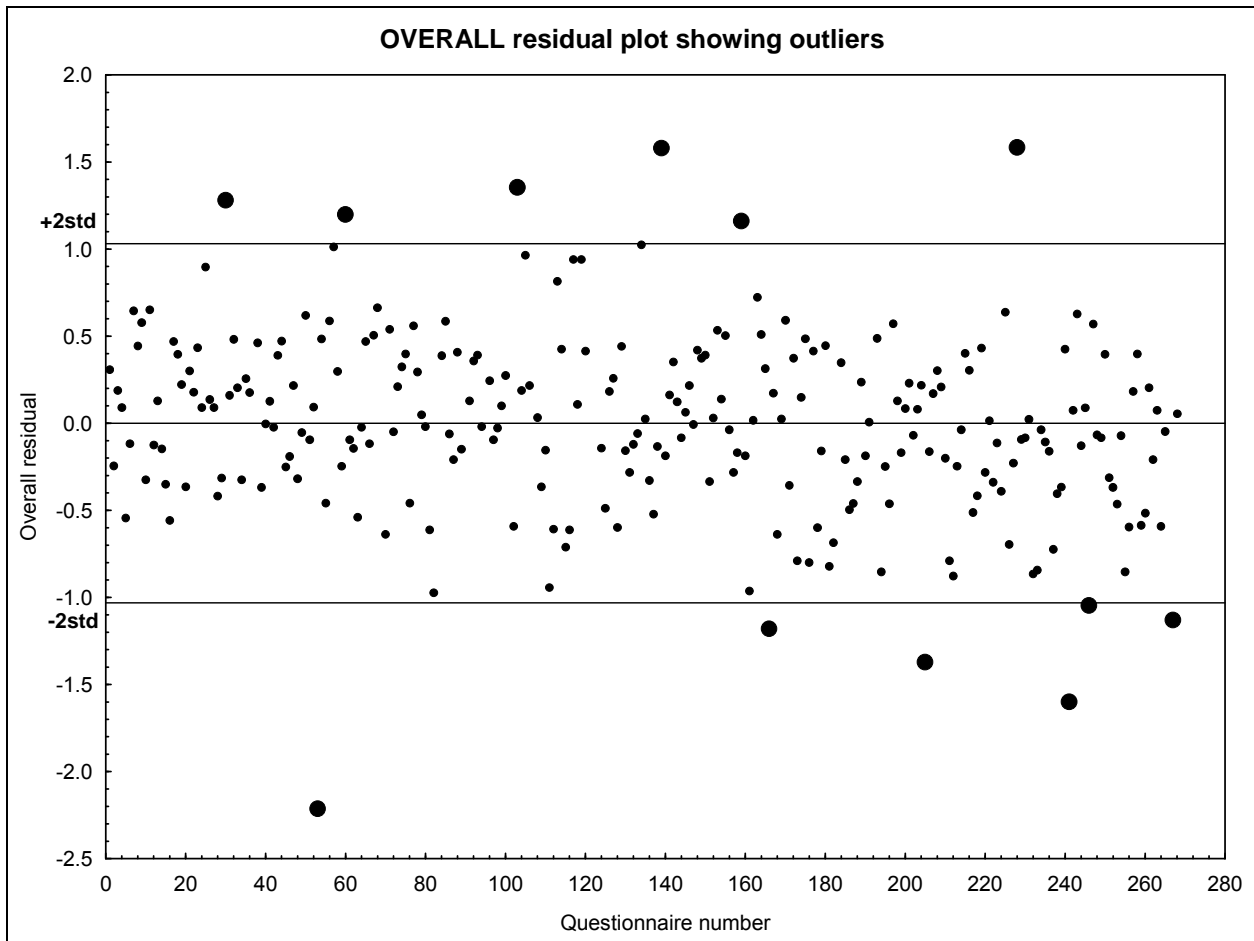
Outliers can be identified from the residual scatterplot by detecting values that are greater than 2 standard deviations above the mean (which is 0) or less than -2 standard deviations below the mean. As shown in Figure 6.1, there are three horizontal lines; the top line represents the level of critical values above the mean as 2 standard deviations; the middle line indicates the mean level; while the bottom line signifies the level of critical values below the mean as -2 standard deviations. The observations are represented by small dots, while the outlying observations are depicted through the bigger dots.

According to the scatterplot in Figure 6.1, it is evident that there were 12 outlying observations, which fall above or below the critical values mentioned above. These 12 outliers were excluded from the following analysis.

- **Testing the assumption of normality**

Normality refers to the distribution of the dependent variables as seen in the error terms (residuals). Tabachnick and Fidell (2001:119) argue that normality assumptions are met when residuals are normally distributed around the predicted dependent variable scores on a scatterplot.

The assumption of normality can be tested by using different statistical tests for normality, such as the Shapiro-Wilk, Kolmogorov-Smirnov, Cramer-Von Mises or Anderson-Darling tests. Table 6.13, below, illustrates the results of normality tests conducted for model 1.

Table 6.13: Normality test results for model 1

Type of test	*p*-value
Shapiro-Wilk	0.11
Kolmogorov-Smirnov	0.15
Cramer-Von Mises	0.25
Anderson-Darling	0.16

The Kolmogorov-Smirnov test was used to test normality of the residuals (Cooper & Schindler, 2003:534). As shown on Table 6.13, the *p*-value of the Kolmogorov-Smirnov test was 0.15. This indicates that the distribution of the residuals does **not** differ significantly from a normal distribution. The assumption of normality was therefore not violated for model 1.

- **Testing for multicollinearity**

Collinearity is defined as the linear association (correlation) between two independent variables (Hair *et al.*, 2006:186). Multicollinearity stands for the correlation among three or more independent variables. Perfect multicollinearity refers to an extreme case of collinearity/multicollinearity in which one independent variable is perfectly predicted by another independent variable (Hair *et al.*, 2006:170).

Testing for multicollinearity is important, because the impact of multicollinearity reduces the interpretation of the specific coefficient, although, the overall predictive power of the

model might be good. Therefore, when the shared prediction power, among associated independent variables, rises, the variance in the dependent variable, partially explained by each independent variable, decreases (Hair *et al.*, 2006:186).

The negative effect of multicollinearity is that it makes determining the contribution of each independent variable, in its association with the dependent variable, difficult. This happens because the effects of the independent variables are mixed and their predictive power may "overlap", as multicollinearity creates "shared" variance between variables (Hair *et al.*, 2006:228).

The objective, therefore, is to use independent variables that have low multicollinearity. At the same time, each independent variable should have a high correlation with the dependent variable (Hair *et al.*, 2006:186). Yet, in most situations, particularly situations involving consumer response data, there will be some degree of multicollinearity (Hair *et al.*, 2006:226).

The two diagnostic measures that can be used to assess multicollinearity are the **v**ariance **i**nflation **f**actor (VIF) and its inverse, the tolerance value. These two measures indicate the degree to which each independent variable is explained by the other independent variables, meaning that an independent variable becomes a dependent variable against the remaining independent variables (Hair *et al.*, 2006:227). The VIF was used to assess multicollinearity in model 1.

To understand the meaning of the VIF, it is necessary to provide both a definition of the "correlation coefficient (*r*)" and the "coefficient of determination (R^2)". Both *(r)* and (R^2) is used in the calculation of the VIF.

The relationship between two variables is described by *r*. If changes in one variable are associated with changes in the other variable, they are regarded as correlated and this association is represented by *(r)* (Hair *et al.,* 2006:179). To calculate the regression coefficient *(b),* which indicates the independent variables, *r* values are used, because *b* represents the amount of change in the dependent variable that is caused by the independent variable (Hair *et al.,* 2006:180).

To write the estimated regression equation, *b* is used. The suitability for the estimated regression equation is measured by R^2 (Anderson *et al.*, 2002:580).

R^2 measures the proportion of the variance of the dependent variable that is explained by the independent variables. The coefficient can vary between **0** and **1**" (Hair *et al.*, 2006:170). This means that the higher the value of R^2, the greater the explanatory power of the regression equation and therefore the better the prediction of the dependent variable (Hair *et al.*, 2006:185).

The VIF is used as a measure of multicollinearity. The VIF of a variable (i) equals: [$VIF_i = 1 / (1 - R^{2*}i)$]. Collinearity increases as the VIF of an independent variable approaches 10 (Hair *et al.*, 2006:227). A high multicollinearity means that an independent variable is highly predicted by other independent variables. For example, if independent variable (i) $R^2 = 0.90$, then VIF = 1/(1-0.90*i) = 10. As a result, there is evidence of multicollinearity in this example as VIF=10.

Table 6.14 below presents the results of collinearity diagnostics for model 1. The VIF value relating to each independent variable is shown in Table 6.14, below.

Table 6.14: VIF values that apply to model 1

Independent variable	VIF value	Evidence of collinearity or multicollinearity?
Perceived quality	1.75	No evidence because VIF < 10
Monetary price	1.47	No evidence because VIF < 10
Behaviour price	1.20	No evidence because VIF < 10
Emotional response	1.47	No evidence because VIF < 10
Reputation	1.33	No evidence because VIF < 10

The VIF values in Table 6.14 incorporate the independent variables of model 1 as illustrated in the first column. All VIF values were significantly smaller than 10. The findings of collinearity and multicollinearity diagnostics are that there was no evidence found of multicollinearity or perfect multicollinearity among the independent variables included in model 1 (Cooper & Schindler, 2006:578; Pallant, 2005:150). According to Gujarati (2003:362), the rule of thumb regarding the benchmark of VIF value is that if the VIF value

of a variable does not exceed 10, there is no reason for concern. Consequently, if the VIF value exceeds 10, the variable is said to be highly collinear.

- **Testing the assumption of homoscedasticity**

Data is considered as homoscedastic when the "variance of the residuals about predicted dependent variable scores stays constant for all predicted scores" (Tabachnick & Fidell, 2001:119). Thus, the assumption of homoscedasticity is confirmed when the variance of residuals over a range of values of an independent variable appears constant or when there is an equality of variance of residuals (Hair *et al.*, 2006:171). Moreover, Hair *et al.* (2006:207) argue that homoscedasticity is related to the assumption of normality, because when the assumption of normality is met, the relationships between the independent variables are also homoscedastic.

The assumption of homoscadasticity can be tested through simple statistical tests or with residuals' scatterplots. If the variance between the residuals and the dependent variable values do not appear constant over a range of predicted variables, the data is said to be heteroscedastic (the opposite of homoscedastic), which refers to the presence of unequal variance (Hair *et al.*, 2006:83).

For model 1, the assumption of homoscedasticity was evaluated by modelling the square residuals as a function of the independent variables. A significant relationship between any of the independent variables and the squared residuals, indicate that the residual variance is changing with the values of the independent variable. The model is heteroscedastic if the residual variance is changing with values of the independent variables.

The results of modelling the square residuals as a function of the independent variables are shown on Table 6.15. To meet the assumption of homoscedasticity, the *p*-values in Table 6.15 should **not** indicate significance.

Table 6.15: The *p*-value of the squared residuals for each predictor variable in model 1

Independent variable	*p*-value
Perceived quality	0.54
Monetary price	0.10
Behavioural price	0.22
Emotional response	0.65
Reputation	0.47

All p-values in Table 6.15 indicate non-significance ($p > 0.05$); therefore, the residual values are not significantly influenced by any of the independent variables. Thus, the assumption of homoscedasticity was satisfied for model 1.

Once the assumptions of multiple regression analysis have been investigated, one can move on to the next step, namely interpreting the results of the analysis. This involves two issues, namely 1) interpreting the statistical significance and explanatory power of the overall regression model, and 2) interpreting the significance of the individual regression coefficients. Both these issues are discussed in the next section.

➢ **Interpreting the results of the regression analysis**

Petrick's (2002:130) study was used as a guide in choosing an estimation technique and evaluating the regression model. This step includes two subsections: the first one deals with the significance of the overall model, while the second deals with the significance of the individual regression coefficients.

• **Interpreting the statistical significance of the overall regression model**

The first step in interpreting a regression model is to ensure that the overall model is statistically significant.

Statistical significance testing provides an empirical assessment on whether a regression model is generalisable to other samples drawn from the same population (Hair *et al.*, 2006:219). The empirical assessment is based on rejecting or not rejecting a null hypothesis. The null hypothesis incorporated in this regression model states that there is no linear relationship between the dependent variable and the five independent variables.

As mentioned earlier, the level of significance used in this study is 0.05. Tabachnick and Fidell (2001:142) state, "The overall inferential test in multiple regression is whether the sample of scores is drawn from a population in which multiple R is zero. This is equivalent to the null hypothesis that all correlations between the dependent variable and the independent variables and all regression coefficients are zero".

The aforementioned null hypothesis is mathematically represented as:

H_0: $\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0$

If the null hypothesis is not rejected, then none of the independent variables in the model is linearly related to the independent variable and the model is useless as a predictor of the independent variable, because there is no sufficient evidence to conclude a significant relationship (Anderson *et al.*, 2002:662).

According to Norusis (2005:530), the F test is an appropriate statistical test used in multiple regression analysis to examine how successfully the regression model fits the data. In addition, Anderson *et al.* (2002:661) refer to the F test as the test for overall significance. They state, "The F test is used to determine whether a significant relationship exists between the dependent variable and the set of all the independent variables". Therefore, the F test examines whether the independent variables in the regression model predict the dependent variable or not (Siegel, 2000:479).

The results generated by the SAS computer program indicate that the F value of model 1 = 67.27 and the associated p-value of the F test < 0.0001, which is less than the significance level of 0.05. Therefore, the overall model is statistically significant and the null hypothesis, which refers to "the overall dependent variable as *not* a function of the independent variables", is rejected. One can, therefore, conclude that the independent variables, as a group, contribute significantly towards explaining the dependent variable.

The overall explanatory power of a regression model can be determined by interpreting R^2, which is a ratio that measures the variance of the dependent variable that is explained by the independent variables. Thus, the higher the value of R^2 the larger the explanatory power of the regression model (Hair *et* al., 2006:170).

According to the results generated by the SAS computer program, the coefficient of determination of model 1 is 68.98. This means that 69% of the dependent variable (perceived value) is explained by the five independent variables (Norusis, 2005:529). See table 6.16, below.

Table 6.16: The coefficient of determination value of regression model 1

Regression model 1	R^2	0.6898

According to the information provided in Table 6.16 and the fact that the F test value is significant, it is possible to conclude that a significant relationship is present between the dependent variable (overall perceived value) and the five independent variables. Thus, the null hypothesis is rejected. Moreover, the R^2 percentage of 69%, is similar to the 63.5% in Petrick's (2002:130) study, and therefore considered acceptable In fact, the coefficient of determination of model 1 is somewhat larger in the current study than that of Petrick (2002:130).

Now that the significance of the overall model and the acceptability for model 1 have been established, another question comes to mind, "What is the significance of each of the components of this model?"   This can be determined by interpreting the regression equation and considering the significance of each of the individual regression coefficients.

- **The significance of the individual regression coefficients**

This section aims to examine the role played by each independent variable in the prediction of the dependent variable. The t test is used to perform this examination. Anderson *et al*. (2002:661) state, "The t test is used to determine whether each of the individual independent variables is significant".

According to Anderson *et al*. (2002:664), the null and alternative hypotheses tested by the *t*-test, can mathematically be expressed as:

H_o: $\beta_i = 0$

H_1: $\beta_i \neq 0$

Hair *et al.* (2006:174), are of the opinion that *b* is "a numerical value of the parameter estimate directly associated with an independent variable". For example, in a multiple regression model $Y = b_0 + b_1 X_1$, the value b_1 is the regression coefficient for the variable X_1.

Table 6.17, below, includes the regression coefficients and their associated *p*-values for each independent variable in the first regression model. These regression coefficients represent the results of the *t* test.

Table 6.17: The regression coefficients and their associate p-values for each independent variable in regression model 1

Independent variable	Regression coefficient	*p*-value
Perceived quality	0.30	0.0001
Monetary price	0.24	0.0001
Behavioural price	0.10	0.1757
Emotional response	0.46	0.0001
Reputation	0.10	0.0842

The regression coefficients shown in Table 6.17 are also called unstandardised regression coefficients (Pallant, 2005:153). Estimated regression coefficients reflect the magnitude of change in the dependent variable for a one-unit change in the independent variable (Hair *et al.*, 2006:174). The *b* coefficients are used to write the estimated regression equation.

The regression coefficients provide two kinds of information: firstly, the strength of the relationship between the independent variables and the dependent variable in the regression equation, and secondly, the type of relationship (positive or negative). The sign of the coefficient states whether the relationship between an independent variable and the dependent variable is positive or negative, whereas the value of the coefficient reveals the change in the dependent variable when the independent variable changes by one unit (Hair *et al.*, 2006:223).

The first regression model was formed as follows:

Overall perceived value = -0.41 + (0.30 X perceived quality) + (0.24 X monetary price) + (0.10 X behavioural price) + (0.46 X emotional response) + (0.10 X reputation)

This equation indicates that the overall perceived value would change by 0.30 units when the perceived quality changes by one unit and the values of the other independent variables remain unchanged (Norusis, 2005:530). Consequently, perceived quality is a positive predictor of overall perceived value, because when perceived quality increases with one unit, overall perceived value would change positively by 0.30 units.

A review of the *regression coefficients*, of the independent variables, indicates that among the five independent variables, emotional response (0.46) is the best predictor of overall perceived value.

However, there is an important indicator, which is the *p*-value of the regression coefficients. If the *p*-value of the regression coefficient of an independent variable is greater than the significance level ($r > 0.05$), then, as a rule, this particular independent variable is not a significant predictor of the dependent variable.

The *p*-value of the regression coefficient for *behavioural price* was 0.1757 and for *reputation,* 0.0842. Both *p*-values are larger than the significance level ($0.1757 > 0.05$ and $0.0842 > 0.05$). Therefore, each of the two independent variables, namely behavioural price and reputation, is not a significant predictor of the dependent variable (overall perceived value).

On the other hand, the *p*-values of the other three independent variables were smaller than the significance level (*p*-value < 0.0001). This confirms that three of the five independent variables, namely perceived quality, monetary price and emotional response, contributed significantly to the prediction of overall perceived value.

Since multicollinearity is not a problem, the above findings can be directly related to the alternative hypotheses stated in the current study. Each alternative hypothesis stated below is followed by a concise conclusion on whether the particular hypothesis was accepted or not:

H_1: Perceived quality is a positive predictor of overall perceived value.

In reference to the *p*-value of the regression coefficient, perceived quality is a positive predictor of overall perceived value. Therefore, the alternative hypothesis **H₁ is accepted**.

H₂: Perceived monetary price is a positive predictor of overall perceived value.
As stated in Table 6.17, perceived monetary price is a positive significant predictor of overall perceived value. Thus, the alternative hypothesis **H₂ is accepted**.

H₃: Perceived behavioural price is a positive predictor of overall perceived value.

According to the *p*-value of the regression coefficient of perceived behavioural price stated in Table 6.17, it is concluded that this variable is not a significant predictor of overall perceived value. Therefore, the alternative hypothesis **H₃ is not accepted**.

H₄: Emotional response is a positive predictor of overall perceived value.

The *p*-value of the regression coefficient of emotional response is significant. Therefore, the alternative hypothesis **H₄ is accepted** because emotional response is a positive predictor of overall perceived value.

H₅: Reputation is a positive predictor of overall perceived value.

Reputation is not a significant predictor of overall perceived value, because the *p*-value of the regression coefficient of *reputation* is not significant (0.0842 > 0.05). Thus, the alternative hypothesis **H₅ is not accepted**.

According to these results, the model of the antecedents of overall perceived value, that was developed by Patrick (2002) and applied in the current study, holds an overall significance. The independent variables perceived quality, monetary price and emotional response are all positive predictors of the dependent variable. However, two independent variables, namely behavioural price and reputation, did not significantly predict the independent variable, overall perceived value.

The finding that *reputation* was not a significant predictor of overall perceived value was expected because three previous studies by Petrick (2003:256, 2004a:35, 2004b:405),

which applied SERV-PERVAL scale within the leisure context, have stated, "reputation was not a good predictor of perceived value".

The fact that *behavioural price* was not a significant predictor of overall perceived value is more surprising, because only one of Petrick's (2004a:35) studies, which also applied the SERV-PERVAL scale, revealed a similar finding. The aforementioned study concluded that both reputation and behavioural price were damaging to the overall model and the *p*-value of the regression coefficients of both independent variables were not significant ($p > 0.05$). Similarly, Table 6.11, indicated that Pearson's correlations coefficients between the total scores of the constructs, overall perceived value and behavioural price, measured in the current study, came to 0.32; and between overall perceived value and reputation, to 0.35. (See section 7.5 for further details.)

6.4.5   The results for regression model 2

As stated earlier, the results for model 2 will be presented in a more condensed format than those of model 1. In model 2, *behavioural intentions* was specified as the dependent variable and overall perceived value and satisfaction as the independent variables (see Table 6.12 on p. 131).

The decision-process involved in conducting multiple regression analysis for model 2 is the same as the one for model 1. The analysis was performed using the SAS PROC REG procedure. The decision process followed in testing model 2 is described below.

➢ **Identifying the objectives of the regression analysis**

The purpose of the regression analysis conducted on model 2 was to estimate the magnitude and direction of the impact of each of the independent variables (overall perceived value and satisfaction) on the dependent variable (behavioural intentions). The regression analysis is also aimed at determining the proportion of the variation in the dependent variable that can be explained by the independent variables as a group (Pallant, 2005:141).

➢ **Specifying the appropriate functional form of the regression model and selecting the independent and dependent variables**

As was shown previously in Table 6.12, *behavioural intentions* is the dependent variable in model 2, while overall perceived value and satisfaction are the independent variables. Each selected independent variable was used to represent a potential predictor of the dependent variable (Hair *et al.*, 2006:172).

➢ **Deciding on sample size**

The same sample that was used for the analysis of regression model 1 was also used for the analysis of regression model 2 (see the discussion on p. 132).

➢ **Estimating the regression function and testing the assumptions of multiple regression analysis**

After estimating the model and examining the residuals, diagnostic analyses were formulated, to determine whether the assumptions of the multiple regression analysis were met. In the case of model 2, the following assumptions were tested, in the order shown below:

- Testing for outliers;

- Normality of the errors;

- Multicollinearity; and

- Homoscedasticity.

- **Testing for outliers**

Outliers were identified from a standardised residual scatterplot by detecting values of standardised residuals greater than 2 or smaller than -2. Figure 6.2, below, illustrates the residuals scatterplot for model 2.

Figure 6.2: Residuals scatterplot showing outlying observations in model 2
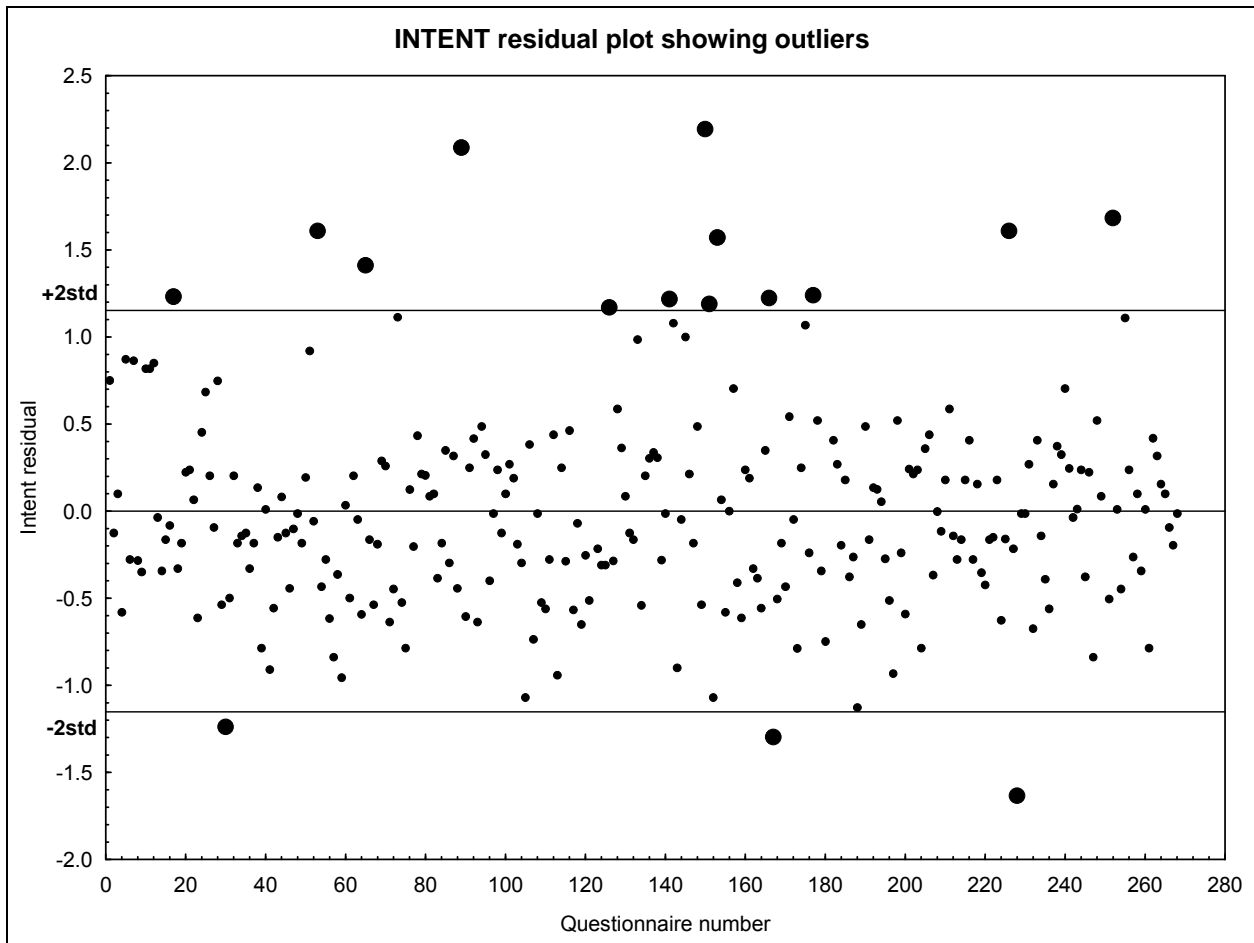
As mentioned previously, outlying observations fall outside the group of points produced by the other observations. These outliers, which appear as large dots, fall above or below the critical values, which are represented by 2 standard deviations or -2 standard deviations. As shown in Figure 6.2, there were 16 outlying observations identified after estimating regression model 2. Thus, these 16 outliers were excluded from the subsequent analysis applied to model 2.

- **Testing the assumption of normality**

The assumption of normality was tested by using Kolmogorov-Smirnov statistical test for normality. The result of the normality test revealed that the *p*-value of the Kolmogorov-Smirnov test was 0.12, which is smaller than 0.05 (the significance level). This indicates

that the distribution of the residuals does not differ significantly from a normal distribution. Thus, the assumption of normality was not violated for model 2.

- **Testing for multicollinearity**

The **v**ariance **i**nflation **f**actor (VIF) test was used again as a measure of multicollinearity. The VIF value relating to each independent variable is shown in Table 6.18 below.

Table 6.18: The VIF values that apply to model 2

Independent variable	VIF value	Evidence of collinearity or multicollinearity?
Overall perceived value	2.20	No evidence of multicollinearity because VIF < 10
Satisfaction	2.20	No evidence of multicollinearity because VIF < 10

The VIF values of both independent variables were significantly smaller than 10. As a result, no evidence of multicollinearity was found among the independent variables included in model 2 (Cooper & Schindler, 2006:578; Pallant, 2005:150).

- **Testing the assumption of homoscedasticity**

The assumption of homoscedasticity was evaluated for model 2 by modelling the square residuals to identify the unexplained portion of the dependent variable (Hair *et al.*, 2006:5). As mentioned earlier, a significant relationship between any of the independent variables and the squared residuals indicate that the residual variance is changing with the values of the independent variable; therefore, the model is heteroscedastic.

The results of modelling the square residuals against the independent variables are shown in Table 6.19.

Table 6.19: The *p*-value of squared residuals for each predictor variable in model 2

Independent variable	*p*-value
Overall perceived value	0.15
Satisfaction	0.88

All the p-values in Table 6.19 indicate non-significance ($p > 0.05$); therefore, the residual values are not significantly influenced by any of the two independent variables. Thus, the assumption of homoscedasticity was satisfied for model 2.

Once the assumptions of multiple regression analysis have been investigated, one can move on to the next step, namely interpreting the results of the analysis.

➢ **Interpreting the results of multiple regression analysis**

As stated previously, this step involves two issues, namely 1) interpreting the statistical significance and explanatory power of the overall regression model, and 2) interpreting the significance of the individual regression coefficients.

• **Interpreting the statistical significance of the overall regression model**

The first step in interpreting a regression model is to ensure that the overall model is statistically significant. Anderson *et al.* (2002:661) mention that the *F* test is used to determine whether a significant relationship exists between the dependent variable and the set of all the independent variables.

The results generated by the SAS computer program indicate that the *F* value of model 2 = 105.39 and the associated *p*-value of the *F* test > 0.0001, which is less than the significance level 0.05. Therefore, the overall model is statistically significant. Thus, it is possible to reject the null hypothesis, which states, "The overall dependent variable is *not* a function of the independent variables". It can be concluded that the independent variables, as a group, contribute significantly in predicting the dependent variable.

According to the results generated by the SAS computer program, the coefficient of determination of model 2 is 58.16 (see table 6.20 below). This means that 58.16% of the variance in the dependent variable (*behavioural intentions*) is explained by the two independent variables (Norusis, 2005:529).

Table 6.20: The coefficient of determination value of regression model 2

Regression model 2	R^2	0.5816

Based on the information provided in Table 6.20 and the fact that the *F* test value is 105.39, the associated p-value of the F test < 0.0001, which was less than the significance level 0.05; the overall model was found statistically significant, and model 2 represented acceptable data. It is possible to conclude that a significant relationship exists between the dependent variable (*behavioural intentions*) and the two independent variables.

The next issue is to investigate the significance of each of the components of this model. This is determined by interpreting the regression equation and taking into consideration the significance of each of the individual regression coefficients.

- **The significance of the individual regression coefficients**

This section examines the role played by each independent variable in the prediction of the dependent variable. The *t* test is used to perform this examination, which investigates the regression coefficients (*b*) of the independent variables.

Table 6.21, below, includes the regression coefficients and their associated *p*-values for each independent variable in the second regression model.

Table 6.21: The regression coefficients and their associate *p*-values for each independent variable in regression model 2

Independent variable	Regression (b) coefficient	*p*-value
Overall perceived value	0.52	0.0001
Satisfaction	0.26	0.0001

The *b* coefficients, shown in Table 6.21, are used to write the estimated regression equation of model 2. As was mentioned earlier, the sign of the coefficient states whether the relationship between an independent variable and the dependent variable is positive or negative. Simultaneously, the value of the coefficient reveals the change in the dependent variable, when the independent variable changes by one unit and the values of the other independent variables do not change (Hair *et al.*, 2006:223; Norusis, 2005:530).

The second regression model was thus formed:

Behavioural intentions = 0.39 + (0.52 X overall perceived value) + (0.26 X satisfaction)

Before interpreting the regression equation, it is important to assess the *p*-values associated with the regression coefficients. The *p*-values of both independent variables in model 2 were smaller than the significance level (*p*-value < 0.05), which confirms that overall perceived value and satisfaction contributed significantly to the prediction of *behavioural intentions*.

The equation indicates that overall perceived value is a positive predictor of *behavioural intentions*, because when a change occurs on overall perceived value by one unit and the values of the other independent variables do not change, the *behavioural intentions* would change positively by 0.52 units (Norusis, 2005:530). A review of the *regression coefficients* of the independent variables indicates that overall perceived value ($b = 0.52$) is a better predictor of *behavioural intentions* than satisfaction ($b = 0.26$).

Since multicollinearity is not a problem, the above findings can be directly related to the alternative hypotheses stated in the current study. Each alternative hypothesis stated below is followed by a concise conclusion on whether the particular hypothesis was accepted or not:

H_6: Overall perceived value is a positive predictor of behavioural intentions.
The *p*-value of the regression coefficient of overall perceived value is significant. Therefore, the alternative hypothesis **H_6 is accepted,** because overall perceived value is a positive predictor of *behavioural intentions*.

H_7: Satisfaction is a positive predictor of behavioural intentions.
With reference to the *p*-value of the regression coefficient, satisfaction is a positive predictor of *behavioural intentions*. Therefore, the alternative hypothesis **H_7 is accepted**.

According to these results, the overall second regression model of the current study is significant. The independent variables, (overall perceived value and satisfaction) have a positive influence in predicting the dependent variable.

The next chapter discusses the implications of the current study findings and compares these findings to previous studies.

7 CHAPTER SEVEN: CONCLUSIONS AND RECOMMENDATIONS OF THE STUDY

7.1 INTRODUCTION

This final chapter starts off by restating the main purpose of the current study. Then the importance of the study is highlighted. Following on, the empirical findings of the study are summarised and compared with the findings of previous research. The chapter also discusses the managerial implication of the findings. Thereafter, the limitations of the study are highlighted. The chapter concludes with suggestions for future research.

7.2 THE MAIN PURPOSE OF THE STUDY

This study aimed to investigate the relationship between overall perceived value and the five dimensions of value identified by Petrick (2002:123), namely perceived quality, emotional response, monetary price, behavioural price and reputation. More specifically, Petrick's (2002:119) SERV-PERVAL multidimensional scale was used to measure South African consumers' perceptions of value in mid-scale restaurants, in order to determine the usefulness of the SERV-PERVAL scale in a South African context.

This study also aimed to assess the relationship between overall perceived value and satisfaction as predictors of consumers' *behavioural intentions*.

7.3 THE IMPORTANCE OF THE STUDY

Conceptually, this study is important for two reasons: First, it highlights the strategic importance of the perceived value construct for marketing. Second, it also discusses the relationship between several leisure constructs, including recreation, play, hospitality and catering.

Empirically, this study is important for three reasons: First, it contributes to the limited body of empirical knowledge on the perceived value construct in a South African context.

Second, it contributes to the efforts made to assess the relationships that exist between *behavioural intentions*, overall perceived value and the antecedents of overall perceived value identified by Petrick (2002:128). Third, it builds on previous research findings by validating the application and relevance of the SERV-PERVAL scale as a measure of the perceived value construct.

Perceived value has become a focal point in marketing strategies, because it is increasingly acknowledged as a source of competitive advantage (Tam, 2004:897; Woodruff, 1997:139). It has been argued that the findings of studies on perceived value can be translated into marketing strategies, promotional strategies and market segmentation approaches (William & Soutar, 2001:1419).

Recent studies (cf. Babin *et al.*, 2005:133; Gallarza & Saura, 2006:438; Iglesias & Guillen, 2004:375; Lin *et al.*, 2005:333) argue that the perceived value construct can help clarify consumers' *behavioural intentions*. Consequently, perceived value should be seen as a central concept in leisure marketers' efforts to better understand the behaviour of their customers (Oh, 2000:66). A thorough understanding and assessment of consumers' value perceptions could provide direct input for the development of leisure services in general and restaurant services in particular.

However, as Green and Boshoff (2002:2) point out, we still have an incomplete understanding of how perceived value influences the decisions made by consumers of leisure services.

The current study aimed to provide a better understanding of the value perceptions of South African consumers in mid-scale restaurants. More specifically, the current study empirically validated the relationship between perceived value and its antecedents (i.e., perceived quality, emotional response, monetary price, behavioural price and reputation), as well as between perceived value and two of its important consequences (i.e., customer satisfaction and behavioural intentions) in a South African leisure service context. To the researcher's knowledge, this is the first South African study in which perceived value was measured in a leisure service using a multidimensional scale.

Even though a great deal of research has been carried out to define perceived value and to determine its relationship with other constructs (cf. Al-Sabbahy *et al.*, 2004a:226; Lin *et al.*, 2005:318; Zeithaml, 1988:14), researchers have still not reached consensus on a unanimous and clear definition of the construct, its dimensions or how it relates to other constructs. Moreover, the measurement of the perceived value construct has received minimal attention in South Africa. This incomplete conceptual understanding of the meaning and relationships between the perceived value construct and other related constructs, justify additional research in this regard (Zeithaml, 1988:4).

7.4   A SUMMARY OF THE FINDINGS OF THE CURRENT STUDY

This section summarises the findings of the current study with reference to the hypotheses that were tested.

As previously stated, this study tested seven hypotheses, using two multiple regression models. The first five hypotheses (H_1, H_2, H_3, H_4 and H_5) were tested through multiple regression **model 1**, while hypotheses H_6 and H_7 were tested through multiple regression **model 2**. The results of these tests are summarised below.

- **The results of regression model 1**

The results of the first five hypotheses tested through regression model 1 are summarised in Table 7.1 below.

Table 7.1: The results of the five hypotheses tested through regression model 1

Wording of the alternative hypothesis	Summary of result
H_1: Perceived quality is a positive predictor of overall perceived value.	H_1 was accepted
H_2: Perceived monetary price is a positive predictor of overall perceived value.	H_2 was accepted
H_3: Perceived behavioural price is a positive predictor of overall perceived value.	H_3 was not accepted
H_4: Emotional response is a positive predictor of overall perceived value.	H_4 was accepted
H_5: Reputation is a positive predictor of overall perceived value.	H_5 was not accepted

According to these results, Petrick's (2002) model of the antecedents of overall perceived value holds in terms of its overall significance. The independent variables perceived quality, monetary price and emotional response are all positive predictors of the dependent variable, with emotional response having the biggest influence on overall perceived value. However, two independent variables, namely behavioural price and reputation, were not significant predictors of the independent variable, overall perceived value.

The finding that **reputation** was not a significant predictor of overall perceived value was expected, because in three previous studies, which applied the SERV-PERVAL scale within a leisure context, Petrick (2003:256, 2004a:35, 2004b:405) found that "reputation was not a good predictor of overall perceived value". The author contributed the insignificance of reputation as a predictor of overall perceived value, to the fact that respondents felt that leisure service providers under evaluation all had a good reputation. Thus, he states, "items that do not differ between respondents (i.e., the items measuring reputation construct) should not be used in prediction" (Petrick, 2004b:402). The same explanation may also apply to the current study.

The fact that **behavioural price** was not a significant predictor of overall perceived value is somewhat surprising, because such a conclusion appeared only once in previous research conducted by Petrick. In particular, the Petrick (2004a:35) study found that both reputation and behavioural price were not significant predictors of overall perceived value for <u>repeat visitors</u> to a cruise liner. However, behavioural price was a significant predictor of overall perceived value for <u>first time visitors</u>. This finding suggests that behavioural price may be a significant predictor of overall perceived value for some type of customers in some service contexts. The reason for this finding remains unclear and deserves further investigation.

As is indicated in Table 6.11 (on p.127), overall perceived value and behavioural price had a Pearson's product moment correlation of 0.32, while overall perceived value and reputation had a Pearson's product moment correlation of 0.35. These two correlation coefficients were the lowest among the correlation coefficients reported between overall perceived value and its five predictors.

The low correlations, between overall perceived value and behavioural price as well as between overall perceived value and reputation, indicate that these two independent variables (behavioural price and reputation), do not explain much of the variance in overall perceived value. According to the guidelines provided by Pallant (2005:126), the strength of the relationship between behavioural price and overall perceived value, as well as the one between reputation and overall perceived value, is medium. The author classifies a correlation of less than 0.50, and more than 0.29 as a correlation with a medium strength.

- **The results of regression model 2**

The second regression model tested the relationships between *behavioural intentions* and two of its predictors, namely customer satisfaction and overall perceived value. The results of the two hypotheses tested through regression model 2 are summarised in Table 7.2 below.

Table 7.2: The results of the two hypotheses tested through regression model 2

Wording of the alternative hypothesis	Summary of result
H_6: Overall perceived value is a positive predictor of behavioural intentions.	H_6 was accepted.
H_7: Satisfaction is a positive predictor of behavioural intentions.	H_7 was accepted.

These results indicate that both the independent variables, namely overall perceived value and satisfaction, are positive predictors of *behavioural intentions*. Overall perceived value was the strongest predictor of *behavioural intentions*.

7.5 RELATING THE FINDINGS TO THE LITERATURE AND POSSIBLE EXPLANATIONS FOR UNEXPECTED NON-SIGNIFICANT RESULTS

This section compares the suitability of the two regression models, tested in the current study, with that of comparable models tested in previous studies. This section also compares the significance of the predictors used in the current study with the significance of the same predictors used in previous studies. Finally, the section concludes with a

comparison of the relative importance of the predictors tested in the current study with that of the same predictors tested in previous studies.

Regarding regression model 1, the results indicated that the coefficient of determination (R^2) of model 1 was 0.6898. This means that 69% of the variance in the dependent variable (perceived value) is explained by the variance in the five independent variables (Norusis, 2005:529). The coefficient of determination R^2 percentage of 69% is somewhat larger than the one of 63.5% reported by Petrick (2002:130; 2003:256).

In the case of regression model 2, the coefficient of determination (R^2) of model 2 was 0.5816. This means that 58.16% of the variance in the dependent variable (behavioural intentions) is explained by the two independent variables, namely overall perceived value and satisfaction (Norusis, 2005:529). It was not possible to relate this finding directly to previous studies, since previous studies (cf. Petrick, 2004b:402) used structural equation modelling, instead of multiple regression analysis. Moreover, a review of the *regression coefficients* of these two independent variables indicates that overall perceived value (*b* = 0.52) is a better predictor of *behavioural intentions* than satisfaction (*b* = 0.26).

Table 7.3: A comparison of the significance and relative importance of the predictors of overall perceived value in the current and previous studies

Predictors	Current study	Petrick (2003:256)
Perceived quality	Sign. / 3	Sign. / 2
Perceived monetary price	Sign. / 2	Sign. / 1
Perceived behavioural price	Not sign.	Sign. / 4
Emotional response	Sign. / 1	Sign. / 3
Reputation	Not sign	Not sign

Note: Sign. = significant predictor, not sign. = not a significant predictor

The numbers 1, 2, 3 etc. indicate the relative importance of each predictor in predicting overall perceived value with 1 being the most important predictor.

The current study found that emotional response was the strongest predictor of overall perceived value in model 1. This finding was unexpected, because previous findings by Petrick (2004a:36) state that monetary price was the best predictor of perceived value.

Reasons responsible for the different findings between the two studies, are, as yet, unknown; but this finding might prove to be of relative importance. More interestingly, Petrick (2004a:36) mentions that his finding is incongruent with earlier findings made by other researchers, who suggested that perceived quality is the best predictor of perceived value for services. The difference between the current study and that of Petrick, might either be ascribed to the difference in culture (South Africa versus United States), or to the leisure services investigated in the studies by Petrick (2002:127; 2004a:37), which were a well-known fast-food restaurant and cruise liner, respectively; as opposed to this study's use of mid-scale restaurants as its leisure service provider. Therefore, respondents in the current study might not be as price conscious as those in Petrick's (2002:127; 2004a:37) previous research. These differences deserve further investigation.

7.6   MANAGERIAL IMPLICATIONS OF THE STUDY

This section highlights the importance of focussing managerial attention on consumers' value perceptions, in order to ensure favourable behaviour intentions. This is in accordance with the empirical findings of the current study.

The analysis of consumer behaviour is important for marketing leisure, because it explains how and why customers make decisions to spend their available resources (i.e., time, money and effort) on finding, purchasing and consuming leisure services. A better understanding of consumer behaviour (e.g., consumers' perception of value) could be reflected in effective marketing strategies and communication.

Both models investigated in the current study outlines several strategies for adding value to mid-scale restaurants. The ultimate aim is to strengthen the favourable *behavioural intentions* of consumers.

To strengthen the favourable *behavioural intentions* of consumers, mid-scale restaurant managers should acknowledge the expectations that consumers hold, because consumers will compare their expectations with the benefits they have received, minus the sacrifices they have made when judging value. This means that managers should ensure that their consumers are satisfied. More importantly, consumers' perceived value is a stronger

influencer of consumers' favourable *behavioural intentions* than satisfaction. Therefore, precedence should be given to the enhancement of consumers' perceptions of value, prior to making certain that they are satisfied.

The findings of the current study indicate that consumers' emotional response is the best predictor of their overall perception of value. Thus, mid-scale restaurant managers should enhance the pleasurable attributes of the service experience (e.g., background music; interior decoration and lighting; air-conditioning and fragrance) in order to enhance the consumers' dining experience. For example, in a family restaurant, consumers may prefer to have special chairs for their offspring, or in buffet style restaurants, consumers may prefer air-conditioned venues to enjoy lunch during a hot working day in December (summer season in South Africa). Furthermore, Indian restaurants, offering dimmed lighting and Indian music playing in the background, may be more appealing to couples interested in special dining experiences.

After addressing the emotional responses to mid-scale restaurants' services, managers need to enhance the quality of their services and ensure that such services are reliable and consistent. Thereafter, managers should ensure that the services are reasonably priced and appear to be good bargains from the consumers' point of view. Quality and monetary price of services contribute to consumers' perceptions of value. It is also important to maintain the level of the services' behavioural price and reputation perceived by consumers. However, managers need to identify the attributes that add pleasure to their targeted customers and understand how to employ these attributes effectively.

7.7   LIMITATIONS OF THE STUDY

The current study had some limitations. These limitations are outlined below:

- The sample was limited to undergraduate and honours students at one tertiary institution. The findings can, therefore, not be generalised to all South African consumers. Moreover, a non-probability convenience sampling approach was used in the current study, which is considered to be the simplest form of non-probability sampling (Cooper & Schindler, 2006:423). This also negatively influences the generalisability of the findings.

- The current study was limited to one leisure service, namely mid-scale restaurants. The results do not necessarily apply to other service contexts.

- Although, the relevance of the SERV-PERVAL scale was established in a South African context, the current study was limited by the fact that two independent variables of the overall perceived value model (i.e., behavioural price and reputation) were found to be insignificant predictors of the dependent variable, overall perceived value.

The sample was limited to undergraduate and honours students at one tertiary institution. The findings can, therefore, not be generalised to all South African consumers. Moreover, a non-probability convenience sampling approach was used in the current study, which is considered to be the simplest form of non-probability sampling (Cooper & Schindler, 2006:423). This also negatively influences the generalisability of the findings.

7.8   RECOMMENDATIONS FOR FUTURE RESEARCH

Within the leisure service's context, there are differences in value perceptions between American consumers and South African consumers, as was indicated by the current study's findings. These differences can be better understood through replication studies. Therefore, it is suggested that the SERV-PERVAL scale be applied to other cultures, simultaneously utilising better sampling methods, while investigating other leisure services.

Moreover, the current study found that behavioural price was not a significant predictor of perceived value for all customers. Furthermore, it is not clear why the study by Petrick (2004a:36) found that behavioural price was a significant predictor for first time visitors, but not for repeat visitors. This issue deserves further research attention.

The current study also revealed that among South African consumers, emotional response proved to be the strongest predictor of perceived value. Contrary to this finding, Petrick's (2004a:36) findings indicate that monetary price was the best predictor of perceived value among American customers. The basis for this discrepancy between the two findings is not evident, thus further research is needed.

To conceptualise perceived value in a South African context; further research is required. Such research could facilitate a better understanding of the relationship between perceived value and other attributes; and ultimately reveal how it would influence consumers' *behavioural intentions.*

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APPENDIX A
- Single/multiple-item for measuring the perceived value construct -

Cronin *et* al. (2000:212) used a two-item, uni-dimensional scale to measure overall perceived value

- One item states: "Overall, the value of this facility's services to me is…"
- The other item states "Compared to what I had to give up, the overall ability of this facility to satisfy my wants and needs is…"

A 9-point scale anchored by *very low* **and** *very high* was used.

Tam (2004:916): a two-item, uni-dimensional scale to measure overall perceived value

- One item refers to "price paid". This item states "… based on the service you received (including food, service and environment) how did you perceive the price you paid?"
- The other item refers to "time spent" and states "… based on the service you received (including food, service and environment) how did you perceive the time you spent waiting to be served?"

A 7-point semantic differential scale anchored by *not worthwhile at all* **and** *very worthwhile* was used.

Oh (2000:62) used a four-item, uni-dimensional scale to measure overall perceived value

- The first item states: "Compared to the price, XYZ's product and service was…"
- The second item states: "I feel I got my money's worth at XYZ…"
- The third item states: "XYZ offered good value for the price"
- The fourth item states: "The value XYZ offered for its price was…"

A 7-point Likert-type scale anchored by *low* **and** *high* was used.

APPENDIX B
- Petrick's (2002) 25-item SERV-PERVAL scale -

The 25-item SERV-PERVAL scale which Petrick (2002:128) developed to measure the perceived value construct is as follows:

Perceived quality (4 items):

The meal was of outstanding quality.

The meal and the service were very reliable.

Very dependable.

Very consistent.

Emotional response (5 items):

Made me feel good.

Gave me pleasure.

Gave me a sense of joy.

Made me feel delighted.

Gave me happiness.

Monetary price (6 items):

Was a good buy.

Was worth the money.

Was fairly priced.

Was reasonably priced.

Was economical.

Appeared to be a good bargain.

Behavioural price: (5 items):

Was easy to buy.

Required little energy to purchase.

Was easy to shop for.

Required little effort to buy.

Was easily bought.

Reputation (5 items):

Had good reputation.

Was well respected.

Was well thought of.

Had status.

Was reputable.

APPENDIX C
- Questionnaire -

Questionnaire

Respondent number				
For office use only	V1	1	2	3	4

- Perceptions of service value survey -

Dear respondent

Thank you for your willingness to complete this survey. The purpose of the survey is to determine your perceptions in a mid-scale restaurant. The survey should not take more than 10 minutes to complete. This is an anonymous and confidential survey. You cannot be identified and the answers you provide will be used for research purposes only.

Feel free to call Husam Ali on 073 465 3678 if you have any questions about the study.

Please answer all the questions. There are no right or wrong answers. We are interested in understanding your perceptions of service value in restaurants.

Q1.   Have you had a meal in a mid-scale restaurant during the last three months?

Yes, I did	1
No, I did not	2

For office use only
V2 [ ] 5

If your answer is No, please do not continue answering the questionnaire

Q2.   In reference to the meal you had in a mid-scale restaurant, did you pay for the meal yourself or did someone else pay on your behalf?

Yes, I paid for the meal myself	1
No, someone else paid on my behalf	2

For office use only
V3 [ ] 6

If you answered YES to questions 1 and 2, please continue to answer the rest of the questionnaire.

If you answered No to either question 1 or question 2, please do not continue answering the questionnaire. Thank you.

Q3.   People differ in their experiences after consuming a meal in a mid-scale restaurant. A number of statements below describe different **experiences** that you may have encountered after consuming and paying for a meal at a particular mid-scale restaurant during the past *three months*. Please read each statement **carefully** and then **circle** your chosen number to indicate the extent to which you agree or disagree with each statement.

I refer to my dining experience as…	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	For office use only	
I did the right thing when I purchased this meal	1	2	3	4	5	V4 [ ]	7
Easy to buy	1	2	3	4	5	V5	8
Outstanding quality	1	2	3	4	5	V6	9

I refer to my dining experience as…	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	For office use only		
Very reliable	1	2	3	4	5	V7		10
Very dependable	1	2	3	4	5	V8		11
Very consistent	1	2	3	4	5	V9		12
It made me feel good	1	2	3	4	5	V10		13
It gave me pleasure	1	2	3	4	5	V11		14
It gave me a sense of joy	1	2	3	4	5	V12		15
It made me feel delighted	1	2	3	4	5	V13		16
It gave me happiness	1	2	3	4	5	V14		17
A good buy	1	2	3	4	5	V15		18
Worth the money	1	2	3	4	5	V16		19
Fairly priced	1	2	3	4	5	V17		20
Economical	1	2	3	4	5	V18		21
Appears to be a good bargain	1	2	3	4	5	V19		22
Required little energy to purchase	1	2	3	4	5	V20		23
Easy to shop for	1	2	3	4	5	V21		24
Required little effort to buy	1	2	3	4	5	V22		25
Easily bought	1	2	3	4	5	V23		26
Had good reputation	1	2	3	4	5	V24		27
Well respected	1	2	3	4	5	V25		28
Well thought of	1	2	3	4	5	V26		29
Had status	1	2	3	4	5	V27		30
Reputable	1	2	3	4	5	V28		31
My choice to purchase this meal was a wise one	1	2	3	4	5	V29		32
Reasonably priced	1	2	3	4	5	V30		33
This experience is exactly what I needed	1	2	3	4	5	V31		34
The experience has satisfied my needs and wants	1	2	3	4	5	V32		35
The overall value of this experience was high	1	2	3	4	5	V33		36
Comparing what I gave up and what I received, the overall perceived value is positive	1	2	3	4	5	V34		37
If I am going to have another meal at a mid-scale restaurant, I will consider this restaurant as my first choice	1	2	3	4	5	V35		38
I will say positive things about this restaurant to other people	1	2	3	4	5	V36		39

I refer to my dining experience as…	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	For office use only	
I will recommend it to someone who seeks my advice	1	2	3	4	5	V37	40
I will encourage friends and relatives to visit the restaurant	1	2	3	4	5	V38	41

Q4.   Please indicate your gender

Male	1
Female	2

For office use only
V39   42

Q5.   How old are you?

	years

For office use only
V40   43

Thank you for completing the survey.
We appreciate your assistance.