

Exploring the Correlations among Service Encounter, Customer Perceived Value, Purchase Intention in Hospitality Industry

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ABSTRACT Service in hospitality is a business with higher experience qualities, pursuing the final objective of consumer satisfaction with service quality. In this case, various hospitality businesses have actively provided excellent core services and favorable and complete service model to enhance the customer service quality, promote the word-of-mouth with customer satisfaction, and absorb more customers. Human factors in promoting service quality or enhancing customer satisfaction are hard to control, and most services are delivered by people that the close contact between service providers and customers is involved in the service delivery process. Such contact opportunities would affect the evaluation process and emphasis of served customers. Customers of The Grand Hotel Kaohsiung are the major research participants in this study. Total 300 copies of questionnaires are distributed, and 213 valid copies are retrieved, with the retrieval rate 71%. The research results show the significant correlations between 1.Service Encounter and Customer Perceived Value, 2.Customer Perceived Value and Purchase Intention, and 3.Service Encounter and Purchase Intention.

INTRODUCTION

The eat-out market is fiercely competitive in Taiwan that catering businesses have promoted new ideas to attract customers, which appears certain effects on the restaurant performance in five-star hotels. The interaction between customers and service staff focuses on service delivery behaviors. With the promotion of living standards, modern customers do not simply look for the richness of material life, but desire other psychological value added. For hospitality businesses, excellent core services and favorable and complete service models need to be provided. In the service delivery process, Service Encounter presents great effects on the evaluation of served customers. Service in hospitality chain stores is continuously and stably growing in Taiwan. Nevertheless, the past technology and product oriented service industry does not lead the industry anymore; instead, the customization-oriented business has become the key philosophy of a business. In the service delivery process, the close contact between service providers and customers are involved. Such contact would affect the evaluation process and emphasis of served customers (Teng 2009). The interaction between service providers and customers is the core of service delivery. Service in hospitality is a business with higher experience qualities, which is aware by the customers after

the meal or in the consumption (Bitner and Zeithaml 2003). The service encounter process reveals great effects on the service evaluation of customers. With economic growth, increasing national income, and changing social structure and family structure, the eat-out population continuously increases. Furthermore, the practice of two-day weekend system in 1999 also benefits the development of catering industry (Wang 2014). Hospitality and eat-out appear the highest proportion in the average consumption expenses of each household in Taiwan, in which the expenses for hospitality achieves 23.8 % of dominated expenses and eat-out reaches 29.3 % of hospitality expenses. Apparently, the catering market is enormous. Since the threshold of hospitality industry is comparatively low, it becomes an important challenge for hospitality businesses surviving in such a fiercely competitive market.

Literature Review

1. Service Encounter

Service Encounter is simply defined as a customer directly interacting with services in a period of time. Booms and Bitner (1982) stressed on the interaction between customers and service providers. In the interaction process, the effects of tangible entity environment on customers

evaluating Service Encounter were inspected because of the factors of design, decoration, information, or any tangible representation in the service environment (Teng 2009). From the perspective of service system operation, Lovelock and Wirtz (1996) pointed out the tangible elements and communication in the service delivery process, including service staff, service facilities and equipment, non-personal communication, and other staff; such elements consisted of the front Service Encounter (Chang 2010).

Chao (2010) classified the management elements into five elements in the research results.

- (1) Service Environment, providing the entity environment for services. In spite that services were intangible, Service Delivery required the background of a tangible entity environment so as to affect the interaction between Service Staff and the customers (Grove et al. 1998). Wakefield and Blodgett (1999) discovered that the customer response to the tangible entity environment revealed more emotion than perception.
- (2) Service Staff. Actors in a play are the service staff, also named The Contact Person, who is the first-line staff encountering customers in the beginning of services (Mattsson 1994). Since the interpersonal interaction between customers and Service Staff is the core of most service experiences (Guiry 1992), customers often regard the behaviors of Service Staff in the Service Encounter process as the evidence of success or failure.
- (3) Served Customer, the customers receiving services. Customers were the key in the service delivery process; the behaviors between customers and Service Staff and among customers were interacted that was the dynamic process contributing to the contact results (Grove et al. 1998). The role of customers therefore was critical and the behaviors would affect the service results (Parasuraman et al. 1985).
- (4) Product. In face of the promotion of living quality, consumers presented stricter definition of delicious food that catering businesses had to devote to proving delicious food and developing new dishes and menus. The favor and flavor of the dishes, the diverse menus, and the rich choices in a restaurant would affect the reputation

which further influenced customer satisfaction and repurchase intention.

- (5) Service Delivery. Grove and Fisk (1983) advocated that the provision of services was similar to a play performance. The performance was the service process, in which the interactive behaviors and actions between customers and Service Staff, entity environment, and situations were the core of Service Encounter.

2. Customer Perceived Value

Holbrook (1994) defined Customer Perceived Value as an interactive, relative, and preferable experiences. In other words, Customer Perceived Value was the evaluation (e.g. favor or disgust) of a single customer towards specific targets (such as products or purchase experiences). Customer Perceived Value is generally regarded as the difference between the effectiveness, quality, or benefits and costs when customers purchasing products or using services (Anderson and Gerbing 1988; Gale 1994). Kotler (1997) defined Customer Perceived Value that a customer delivering value was the difference between the overall Customer Perceived Value and the customer costs, while Customer Perceived Value was the benefits of a customer expecting to acquire from specific products or services. Slywotzky (1996) also indicated that creating and providing favorable Customer Perceived Value for customers would enhance the overall value of the organization, where Customer Perceived Value referred to customers considering what they wanted from their perspectives and believing in acquiring the value through purchasing and using the product. Gardial et al. (1994) and Oliver (1993) mentioned that the perceived value in the purchase would be different from the value perceived in the use or after the use. In this case, consumers should consider the distinct characteristics and results when purchasing and using products. According to the structure proposed by Holbrook (1994), Mathwick et al. (2001) classified it into Customer Return on Investment (CROI), Service Excellence, Aesthetics, and Playfulness. Customer Return on Investment contained the effective financial investment, time, and the potential rewards from behavioral and psychological resources. Consumers experienced the rewards of economic effectiveness, i.e. the

benefits acquired in the transaction process (Holbrook 1994; Zeithaml 1988), by the perceived quality (Grewal et al. 1998). Service Excellence was the performance of the correlations between commitment and tasks on a customer through the professional delivery of service providers (Zeithaml 1988). Mano and Oliver (1993) considered that Aesthetics was presented on two critical dimensions of purchase environment with significant visual elements and interesting or dramatic service performance. Holbrook (1994) found out that visual attraction was formed by design, psychological attraction, and inner grace. Playful transaction was an inner perception of a person engaging in fascinating activities, which provided people with the perception of escaping from real life (Unger and Kernan 1983).

3. Purchase Intention

In short, Purchase Intention is the degree of a consumer intending to purchase specific goods (Dodds et al. 1991). According to the definition of Schiffman and Kanuk (2000), Purchase Intention measured the possibility of a consumer purchasing certain products that the higher Purchase Intention revealed the higher probability of purchase. Engel et al. (2001) mentioned that consumer behaviors were ubiquitous, and all affairs were consumer behaviors. It presented the effects of consumer behaviors on any affairs. Global businesses apply Customer-orientation and Customer-center to win the battle in the competitive market. It is regarded as the focus of consumer behaviors. Apparently, thoroughly understanding consumer behaviors is the key in successfully mastering the consumer market (Chen and Chen 2014). Kotler (1999, translated by Fang 2000) divided the factors in consumers' purchase decisions into cultural, social, individual, and psychological dimensions. In addition to the external environment (cultural and social), consumer attributes (individual and psychological) could, to some extent, affect the purchase decisions. The individual factors contained a consumer's age, stage in a life cycle, occupation, economic ability, life style, personality, and self-concept. Based on Engel et al. (2001), the factors in consumers' decision-making procedure was divided into three dimensions.

1. Factor of Individual Difference, including demography, psychology, value, personali-

ty, consumer resource, motive, knowledge, and attitude.

2. Environmental Factor, covering culture, social stratification, family, persons, and situations.
3. Psychological Procedure, containing information processing, learning, attitude, and behavior change.

4. Deduction of Research Hypothesis

Bojanic (1996) explained the relations between Customer Perceived Value and price, quality, and satisfaction and indicated that price and quality determined Customer Perceived Value, and Customer Perceived Value appeared positive effects on Purchase Intention. Sweeney et al. (1997) found out the positive correlations between Customer Perceived Value and Purchase Intention. Oh (1999) discovered the significant correlations between Customer Perceived Value and Consumer Purchase Intention. Parker and Harris (1999) pointed out the effects of Service Encounter on the final Purchase Intention of a customer. Huang and Yo (2009) proved that Service Encounter of assistance and learning behaviors as well as appraisal and learning behaviors among visitors would enhance Customer Perceived Value. Wu and Liang (2009) pointed out the positive effects of Service Encounter interaction among customers on the perceived value. Parker and Ward (2000) mentioned the mutual effects between customers and Service Staff and among customers in the service encounter process; and, either positive or negative customer interaction would affect the customer evaluation and satisfaction with the service experiences and determine the purchase intention and repurchase intention. Lam et al. (2004) indicated the remarkably positive effects of Customer Perceived Value on Customer Purchase Intention.

5. Research Hypothesis

From the above literature review, the following hypotheses are deducted in this study.

- H1: Service Encounter presents significant correlations with Customer Perceived Value.
- H2: Customer Perceived Value shows remarkable correlations with Purchase Intention.
- H3: Service Encounter reveals notable correlations with Purchase Intention

DESIGN OF RESEARCH METHOD

I. Operational Definition and Measurement of Variable

1. Service Encounter

Service Encounter is classified into Service Environment, Service Staff, Customer Service, Product, and Service Delivery. Referring to Chao's (2010) scale, Likert's 7-point scale is applied, in which the number 1 stand for Extremely Disagree and the number 7 for Extremely Agree. The overall reliability coefficient of Service Environment appears 0.83, of Service Staff 0.87, of Customer Service 0.84, of Product 0.80, and of Service Delivery 0.88.

2. Customer Perceived Value

Customer Perceived Value is divided into Customer Return on Investment, Service Excellence, Aesthetics, and Playfulness. Referring to Mathwick, Malhotra and Rigdon's (2001) scale, Likert's 7-point scale is applied, in which the number 1 stands for Extremely Disagree and the number 7 for Extremely Agree. The overall reliability of Customer Return on Investment reveals 0.89, of Service Excellence 0.81, of Aesthetics 0.83, and of Playfulness 0.82.

4. Purchase Intention

Referring to Engel et al. (2001), Likert's 7-point scale is applied to the Purchase Intention scale, where the number 1 stands for Extremely Disagree and the number 7 for Extremely Agree. The overall reliability of Factor of Individual Difference presents 0.87, of Environmental Factor 0.85, and of Psychological Procedure 0.84.

II. Research Subject

The Grand Hotel Kaohsiung is researched in this study, and the customers are selected as the research participants. Kaohsiung, as a key city

in southern Taiwan, plays a critical role in economy and tourism. The Grand Hotel next to Chengcing Lake is a five-star hotel with the architecture of a traditional Chinese temple. Distanced about 30 min drive from Kaohsiung International Airport and about 20 min drive from Taiwan Railways Kaohsiung Station and Taiwan High Speed Rail Zuoying Station, it is a five-star hotel suitable for recreational holidays and parties. The Grand Hotel is the combination of the majesty of western architecture and the classics of eastern architecture. The colorful beams and red columns reveal the traditional art of Chinese. The bright and red wooden furniture in the rooms presents the ancient emotion. It used to be the place for the banquets of nobles and the hostel for diplomatic nations with numerous memories. Total 300 copies of questionnaires are distributed, and 213 valid copies are retrieved, with the retrieval rate 71%.

III. Confirmation of Reliability and Validity Analysis

The reliability of the research dimensions achieves above 0.7, showing the high reliability; and, the construct validity of scales is analyzed with Confirmatory Factor Analysis. Table 1 shows the favorable convergent validity and construct validity.

RESULTS AND DISCUSSION

I. Correlation Analysis

From Table 2, there were significant correlations among Customer Perceived Value, Service Encounter, Purchase Intention, showing the possibility of multicollinearity among the dimensions. It was therefore suggested to solve such problems with Nest Model analysis. The remarkable correlations among the dimensions also revealed the consistency with the research hypotheses.

Table 1: Confirmatory factor

Research dimension	Overall fit	Analysis
Customer Perceived Value	X ² =0(P<0.001);DF=0γGFI=1.00;CFI=1.00	Favorable overall fit
Service Encounter	X ² =0(P<0.001);DF=0γGFI=1.00;CFI=1.00	Favorable overall fit
Purchase Intention	X ² =0(P<0.001);DF=0γGFI=1.00;CFI=1.00	Favorable overall fit

Table 2: Correlation Analysis

Research dimension	α	Service encounter	Customer perceived value	Purchase intention
Service Encounter	0.84			
Customer Perceived Value	0.80	0.43**		
Purchase Intention	0.86	0.37**	0.39**	

II. Discussion of Theoretical Model

The overall presentation of the research results is shown as below, in which the path coefficient achieving the significance was presented with a solid line and the one not achieving the significance was presented with a dotted line. The path coefficients of the variables therefore could be clearly viewed. All path coefficients achieved the significance, revealing that they all reached the convergent validity, conforming to

the basic requirement of the analysis model (Fig. 1). The fitness of the theoretical model, GFI=0.941, AGFI=0.922, RMSEA=0.05, and CFI=0.976, further confirmed the fit that the model conformed to the theory and was valid.

III. Discussion of Research Hypothesis

Chi-square test in Nest Model was utilized for the research hypotheses. Each Nest Model appeared one degree of freedom difference that the division between the Chi-square in Nest Model and the Chi square in the theoretical model achieved the significance, presenting the path coefficient which was set 0 being significant. The research results showed the model reaching the significance. The Nest Model analysis is shown in Table 3, and the hypothesis confirmation is shown in Table 4.

CONCLUSION

The research results reveal the positive effects of Service Encounter on Customer Per-

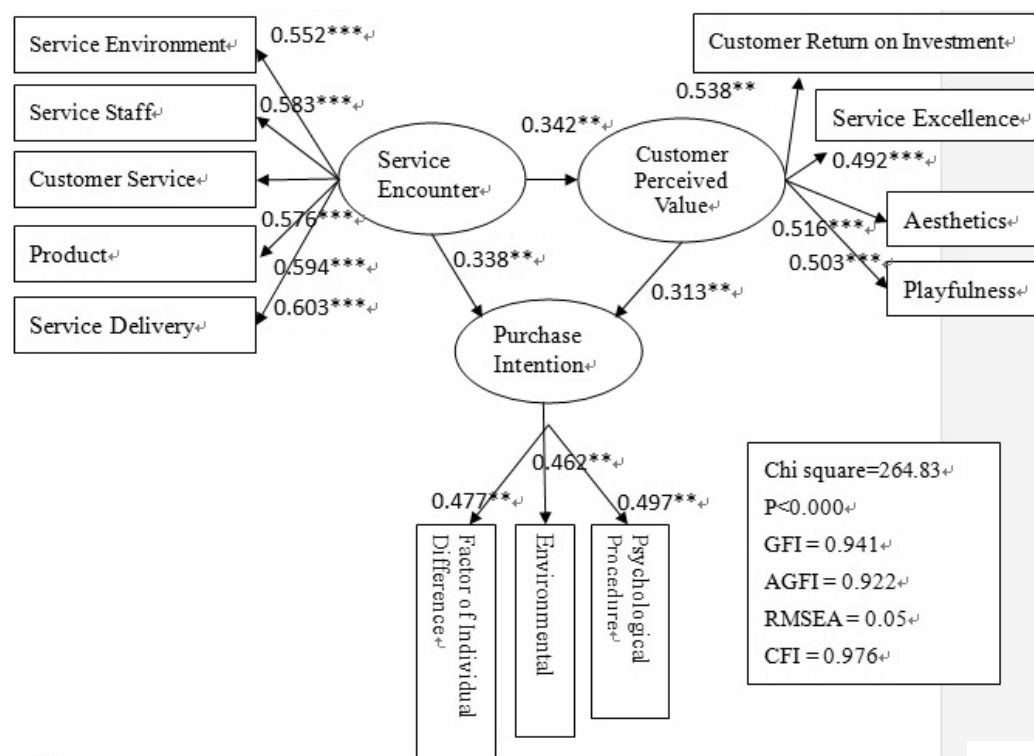
**Fig. 1. The path coefficients of the variables**

Table 3: Nest Model Analysis

<i>Model</i>	χ^2	$\Delta\chi^2$	<i>GFI</i>	<i>CFI</i>	<i>RMSEA</i>
Theoretical model	264.83		0.941	0.976	0.05
Model 1: Hypothesis confirmation	269.16	4.33*	0.941	0.976	0.05
Model 2: Hypothesis confirmation	275.88	6.72*	0.941	0.976	0.05
Model 3: Hypothesis confirmation	283.92	8.04*	0.941	0.976	0.05

Table 4: Hypothesis confirmation

<i>Research hypothesis</i>	<i>Correlation</i>	<i>Empirical result</i>	<i>P</i>	<i>Result</i>
Hypothesis 1	+	0.342	0.00	Supported
Hypothesis 2	+	0.338	0.00	Supported
Hypothesis 3	+	0.313	0.00	Supported

ceived Value, with the effect degree 0.342. Hypothesis 1 therefore is supported that Service Encounter could affect Customer Perceived Value. As Service Encounter refers to entity environment, Service Staff acceptance, served customers, food provided by the restaurant, and service performance, the customers perceiving stronger the environmental conditions (e.g. temperature, air quality, and music), space (e.g. allocation, decoration, and equipment), and Service Staff performance (e.g. clothing, behaviors and attitudes, actions, professional skills, and commitment to customers of Service Staff) would appear higher Customer Perceived Value. Hypothesis 2 shows the effects of Customer Perceived Value on Customer Purchase Intention. As Customer Perceived Value refers to customers consuming in a hotel, the higher perceived value of Customer Return on Investment, Service Excellence, Aesthetics, and Playfulness would directly affect a customer's Purchase Intention. Hypothesis 3 reveals the effects of Service Encounter on Customer Perceived Value. Customer Perceived Value refers to a customer's experiences in the consumption in a hotel that the perceived value of return on investment, Service Excellence, Aesthetics, and Playfulness of customers would directly affect Purchase Intention, enhance Repurchase Intention, and present word-of-mouth or pleasure recommending others to the hotel.

RECOMMEDATIONS

From the research results, Service Encounter appears remarkable correlations with Customer Perceived Value. The results and findings are

concluded in this chapter, and the following suggestions for hospitality businesses are proposed.

1. Product and Service Environment

Customers extremely emphasize the food hygiene provided by a restaurant. After all, a restaurant is a place for meals; a restaurant without hygienic food would lose the core function. The reinforcement of food hygiene is therefore the prior emphasis. The overall allocation and decoration in a hotel could deeply affect Customer Perceived Value; the visual aesthetic stimulation allows the customers keeping away from the real environment in the dinning process, getting rid of worries and pressure, and enjoying the excellent services in the restaurant. The customers with special perceived value therefore would perceive the service exceeding the value and present high satisfaction to recommend to the family and friends and enhance the Purchase Intention.

2. Behavior and attitude of Service Staff

The greeting and welcome attitudes of Service Staff are primarily emphasized by customers, as they feel being respected, and the behaviors and attitudes of Service Staff are also stressed. Service Staff therefore should be reinforced the training so that they are definitely aware of the standards interacting and dealing with customers. Besides, the discrimination between work attitudes and individual emotion of Service Staff should be established so that they would not mutually affect each other. The managers could also establish a system effectively

recording the work attitudes of Service Staff and giving feedback so that they could realize the performance for continuous improvement.

3. Interaction between Service Staff and customers

In regard to the clothing and the response of Service Staff, the professional knowledge of Service Staff requires reinforcement. Training the professional abilities of Service Staff, actively providing customer services, reinforcing the interaction and communication among customers, establishing the relationship among customers and increase the interaction and communication by holding activities allow customers perceiving the professional and friendly services of Service Staff with good impression.

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