Establishment of Reputation Amongst Small Firms in the Restaurant Sector in Taiwan

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Summary

The term ‘business reputation’ has certainly moved into the spotlight recently. However, most studies conducted on business reputation have focused on large or multinational enterprises. Under this condition, SMEs and their reputation warrants the examination of a deep research survey. This thesis focuses on small business reputation management and adopts mix methods; both a quantitative questionnaire survey and qualitative interviews have been employed. Within a potentially very large topic, this research concentrates on the perception of the reputation of Taiwanese SMEs. The survey conducted includes university staff, students and civil servants; and the link from understanding of reputation to the choice of restaurant is examined. Quantitative analysis is undertaken to try to understand the connection between customers’ choice of restaurant and the reputation which arises from the servicescape, choice of restaurant factor, trust, service quality, and social responsibility issues. In addition, personal interviews were undertaken with owner-managers of Chinese restaurants in Taiwan. The samples of data from southern Taiwan provide broad support and knowledge for academic research.

The motivation for this thesis stems from the different notions about business reputation from both the customers’ and owner-managers’ points of view. The largest contribution of this study is that servicescape is not an important element in small Chinese restaurants in Taiwan for both customers and owner-managers. In opposition to this, “servicescape can hurt you”, because servicescape can lead to the costs of a restaurant being increased. This differs greatly from previous research which concentrated on Western cultures. Furthermore, the owner-managers tend to agree that personal contact is much more important and helpful for their business than the internet. The study then concludes that the personal trust factor cannot be easily changed by cultural behaviour.
To my parents.

A special appreciation goes to my wife, who has supported me to achieve my PhD degree in the UK. Another special appreciation goes to Professor Andrew Henley and Doctor Mark Goode for their untiring and invaluable help. Also many thanks to my fellow PhD student Richard Warr for his assistance on this thesis.
DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed…………………………………………………………………..(candidate)
Date……………………………………………………………………..

STATEMENT 1

This thesis is the result of my own investigations, except where other stated. Other sources are acknowledged by footnotes giving explicit reference. A bibliography is appended.

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Date……………………………………………………………………..

STATEMENT 2

I hereby give consent for my thesis, if accepted, to be available for photocopying and for inter-library loan, and for the title and summary to be made available to outside organisations.

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<table>
<thead>
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<th>Description</th>
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<tr>
<td>Ambience scale</td>
<td>AS</td>
</tr>
<tr>
<td>Cleaning and car parking</td>
<td>CCP</td>
</tr>
<tr>
<td>Convenient location</td>
<td>CL</td>
</tr>
<tr>
<td>Customers’ choice of restaurant which relies on customers’ own experience.</td>
<td>CCRCE</td>
</tr>
<tr>
<td>Customers’ choice of restaurant which relies on recommendations from family or friends.</td>
<td>CCRRF</td>
</tr>
<tr>
<td>Customers’ choice of restaurant which relies on recommendations from the media.</td>
<td>CCRRM</td>
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<tr>
<td>Cost of meal</td>
<td>COM</td>
</tr>
<tr>
<td>Discount factors</td>
<td>DFs</td>
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<tr>
<td>Efficient communication policies</td>
<td>ECPs</td>
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<td>Efficient process procedures</td>
<td>EPPs</td>
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<td>Layout scale</td>
<td>LS</td>
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<td>Negative recommendations</td>
<td>NRs</td>
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<td>Positive recommendations</td>
<td>PRs</td>
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<tr>
<td>Overall product and service quality</td>
<td>OPSQ</td>
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<tr>
<td>Social responsibility scale</td>
<td>SRS</td>
</tr>
<tr>
<td>Tangible Special Services</td>
<td>TSSs</td>
</tr>
<tr>
<td>Trust in institution</td>
<td>TII</td>
</tr>
<tr>
<td>Trust in process</td>
<td>TIP</td>
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Chapter One: Introduction and Aims to this Research

While small and medium sized enterprises (SMEs) and business reputation have been discussed by numerous scholars over many years, empirical studies of SMEs and their reputation are rare and largely limited to the study of one large company and its reputation (Graham & Bansal, 2007; Rojas-Méndez, et al., 2004; and O’Rourke, 2001); or how important are SMEs in a specific country, for example: Taiwan (Wu, 1999; Lin, 1998; and Hu, 1999) or the importance of reputation for a company (Barnett, Jermier & Lafferty, 2006; Balmer, 2001; Gray & Balmer, 1998; Fombrun & Van Riel, 1997; and Cramer & Ruefli, 1994). Regrettably, there is little relevant research which combines SMEs and business reputation together, as most scholars discuss SMEs and reputation separately. The unique contribution of this study is to integrate the study of small businesses and their reputation. In discussing the reputation of Chinese restaurants from both customers and owner-managers points of view, this study provides not only the ideas of reputation from customers, but also comments from owner-managers of Chinese restaurants.

Small businesses are a large part of the economy. However, the importance of research to small business is often underestimated, because they are complex and offer an immense range of topics to investigate (Curran & Blackburn, 2001 and Storey, 1994). On the other hand, small enterprise is unlikely to have a complex organisational structure and is more transparent than that of large companies (Curran and Blackburn, 2001). Nevertheless, “small does not mean simple. Smaller enterprises are actually more difficult to study than large enterprises. Where activities lack clear structures and recording procedures, measurement is much more difficult and propositions more difficult to test” (Curran and Blackburn, 2001, p.5). For example, very little previous research has concentrated on small business and its reputation.

This chapter will provide an overview of the factors which point toward the importance of a study based in the area of small business and business reputation. In particular, it will summarise the various definitions of small business or SMEs and the
importance of reputation. This will be followed by a general discussion of the significance of reputation in recent years. Next, the aim and objectives of the research will be discussed. Finally, this chapter will discuss the outline of the research project.

Introduction:
Chapter One presents the background of the study and offer some basic definitions of Small and Medium Sized Enterprises (SMEs) and reputation. The structure of this chapter is as follows:

1.1 The definitions of small and medium sized enterprises  
1.2 Non-quantitative definitions of small business  
1.3 The advantages of small and medium-sized enterprises  
1.4 Business reputation  
1.5 The aims and objectives of this research  
1.6 Overall structure of the thesis

1.1 The definitions of small and medium sized enterprises
The term small and medium sized business (SME) is really difficult to define, as “much depends on the industry in which they operate and the personalities and aspirations of those that run them” (Stokes and Wilson, 2002, p.4). For example, in an industry such as car manufacture, a firm with 100 employees would be considered very small, whereas among designers a practice of that size would be considered large. In most countries, the definitions of SMEs are administrative definitions, intended to serve as policy guidelines. Some key measurements are widely used by the government, organisations and researchers to define the term SMEs:

- Staff headcount
- Annual turnover
- Annual balance sheet total
- Assets
- Market share
- Profitability and net worth
Chapter One: Introduction and Aims to this Research

Although such definitions meet the needs of administrative convenience, they are of little use for such purpose as comparison over time or between different countries (Schive and Hu, 2000). Some scholars look at SMEs from a dichotomous point of view. For example, in an underdeveloped country, SMEs often are identified with cottage-industry, or the informal sector of the economy (Little et al., 1987). “While such definitions might help in explaining the different roles played by SMEs in the process of economic development, still they are open to criticism for being overly subjective and restrictive” (Little et al., 1987, p.205). Moreover, some scholars distinguish according to the functions, and characteristics relative to large enterprise. Definitions according to the ‘quality’ or ‘functionality’ of SMEs include: managing character of the owner, independence of decision making and interpersonal relationships, etc (Levicki, 1984). For instance, in the United Kingdom, a SME has been defined as an enterprise with a maximum of two hundred employees, with a low market share, and under personal independent management (Levicki, 1984).

The various statistical definitions of SMEs designed by the Bolton Committee in the UK and European Union definitions will be listed in sections 1.1.1 and 1.1.2. The non-quantitative definitions of SMEs will be discussed in section 1.2. Furthermore, data for this research will be gathered in Taiwan, and so the official definition of SMEs in Taiwan has to be considered. This is discussed in Chapter Two.

1.1.1 Bolton Committee definition

It is very difficult to have a definition of a small firm that is uniformly acceptable, in that it is recognised that one definition would not cover different industries, such as manufacturing and services. Thus, the Bolton Committee (1971) decided to adopt both economic and statistical definitions to define the difference between small and large businesses. The different statistical definitions distinguish a small business in different sectors of industry, as shown in Table 1.1.
Chapter One: Introduction and Aims to this Research

Table 1.1 Bolton Committee SMEs statistical definitions

<table>
<thead>
<tr>
<th>Sector</th>
<th>Statistical definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>200 employees or less</td>
</tr>
<tr>
<td>Construction</td>
<td>25 employees or less</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>25 employees or less</td>
</tr>
<tr>
<td>Retailing</td>
<td>Turnover of £50,000 or less</td>
</tr>
<tr>
<td>Miscellaneous services</td>
<td>Turnover of £50,000 or less</td>
</tr>
<tr>
<td>Motor trades</td>
<td>Turnover of £100,000 or less</td>
</tr>
<tr>
<td>Wholesale trades</td>
<td>Turnover of £200,000 or less</td>
</tr>
<tr>
<td>Road transport</td>
<td>Five vehicles or less</td>
</tr>
<tr>
<td>Catering</td>
<td>All excluding multiples and brewery-managed houses</td>
</tr>
</tbody>
</table>

Source: Bolton Committee (1971)

The Bolton Report renewed a number of different statistical definitions in 1985 (Burns, 2007, p.13). A company is defined as “small” if it satisfies at least two of the following criteria:

- A turnover of not more than £2.8 million;
- A balance sheet total of not more than £1.4 million;
- Not more than 50 employees.

A medium sized company has to satisfy at least two of the following criteria:

- A turnover of not more than £11.2 million;
- A balance sheet total of not more than £5.6 million;
- Not more than 250 employees.

The economic or (non-quantitative) definitions will be discussed in section 1.2.

1.1.2 The definition of SMEs in the EU

In 1996, the European Commission adopted a communication setting a single definition of SMEs. The Commission now applies this definition across all the European Union. In the enlarged European Union of 25 countries some 23 million SMEs provide around 75 million jobs, and represent 99% of all enterprises. The European Commission re-developed a new definition of SMEs in May 2003, in order to take into account economic developments since 1996. It entered into force on 1st January 2005 and applies to all the policies, programmes and measures that the Commission operates for SMEs (European Commission: The new SME Definition, 2003). The new threshold of SMEs as shown in Table 1.2.
Chapter One: Introduction and Aims to this Research

Table 1.2 The new threshold of SMEs of EU (2005)

<table>
<thead>
<tr>
<th>Enterprise category</th>
<th>Headcount Annual Work Unit</th>
<th>Annual Turnover</th>
<th>Annual Balance Sheet Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt;250</td>
<td>&lt; €50 million</td>
<td>or &lt; €43 million</td>
</tr>
<tr>
<td>Small</td>
<td>&lt;50</td>
<td>&lt; €10 million</td>
<td>or &lt; €10 million</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt;10</td>
<td>&lt; €2 million</td>
<td>or &lt; €2 million</td>
</tr>
</tbody>
</table>

Source: European Commission, Enterprise and Industry

1.2 Non-quantitative definitions of small business

“Being a small business is not just about size, defined by unsophisticated and simple statistical terms” (Burns, 2007, p.14). The quantitative definitions can be seen as ‘objective’ which are made with regard to and correspond to the needs of a government administrative department. On the other hand, there are some important disadvantages and limitations. The most obvious is that, as mentioned previously, the number of people employed greatly depends on the different sectors of businesses and this makes generalised comparisons across sectors difficult (Stokes & Wilson, 2002 and Curran & Blackburn, 2001). Moreover, the numbers of full-time employees has become less common and the numbers of part-time or temporary workers has increased (Curran and Blackburn, 2001). Next, there are financial difficulties, as the amounts of turnover and balance-sheet value of a business used by statistical definitions, present similar sector problems. Wholesale industry tends to have a high level of sales but operates with very low margins, and this would distort comparisons with high margin service companies with similar turnovers (Stokes and Wilson, 2002). Another serious problem is inflation or exchange rate changes and makes comparisons over time and between countries more difficult (Stokes and Wilson, 2002). Finally, Storey (1994) points out, turnover-based definitions also make international comparison difficult, for instance, size distributions or definitions may be different in different countries. In other words Purchasing Power Parity may not exist.

In order to overcome some of these difficulties, the Bolton committee proposed three essential characteristics which easy to distinguish between small and large firms.

1. relatively small market share;
2. managed in a personal way by their owner;
3. independent and not part of a large enterprise.
Chapter One: Introduction and Aims to this Research

In detail, managed in a personal way by their owner means ‘owners are autonomous, totally independent’ i.e., they have no participation in other enterprises (or less than 25% of the capital or voting right), and no enterprise has a participation in theirs (or does not have a stake of 25% or more of the capital or voting rights) which means they are not a partner or linked to another enterprise. In other words, they can decide on all decision-making without a professional manager (European Commission, The New SME Definition, 2003).

Nevertheless, several criticisms were proposed by Stokes and Wilson (2002) which include low market share, which is not always a characteristic or a ‘shortcoming’. That is because small firms can develop their highly specialised niches, or operate in a limited geographic market where they have a relatively high local share. Another problem is that independence is difficult to measure. For example, Bolton’s definition did not include franchises organised by a large company.

More recently, Wynarczyk et al. (1993) strongly influenced by Casson (1982), and therefore provide three criteria in which small firms differ from large firms; they are uncertainty, innovation and evolution (Stokes and Wilson, 2002).

1. Uncertainty is connected to small firms being price-takers, a vulnerability, and associated with small customer bases and limited resources.
2. Innovation means that small firms deliver either very new products, or marginal difference, or non-standardised varieties. This is “a key factor in the success or failure of new business start-ups” (Stokes and Wilson, 2002, p.6).
3. Evolution refers to small firms that can bear a greater range of changes than occurs in large firms.

However, these three aspects have not been widely used because this lacks clarity and obvious differentiation from large companies (Curran and Blackburn, 2001). They also play critical roles for large firms in today’s fast-changing world.

Burns (2007) listed other two characteristics that are typical of small firms and underline their different approach to management and business. The first is that small firms are typically short of cash. They generally find it difficult to obtain loans from the financial institutions and cannot raise capital in the same way that a large
Chapter One: Introduction and Aims to this Research

company can. Therefore, owner-managers of small firms prefer developing good relationships with customers and prospective customers rather than spending a lot of money in advertising or promotion campaigns. Secondly, they are likely to operate in a single market, or a limited range of markets, probably offering a limited range of products or service.

Accordingly, it is very difficult to have a single or clear definition of small firms. The samples used in the study were small Chinese restaurants in Taiwan. The reasons for the selection of small Chinese restaurants are as follows,

1. There are numerous restaurants found on the streets of Taiwan. Customers find it easy to discover different restaurants in a short time. Different restaurants provide different services; service quality; servicescape; and may have differing reputations based on customers’ views.

2. At the beginning, the author of this study was interested in exploring the different ideas of reputation building between the owner-managers of small firms and customers.

3. In order to understand the differences between owner-managers and customers, the study should focus on firms with relatively high interaction and long customer service in the service industry (Chen and Quester, 2005).

4. For the purpose of providing a favourable method of discovering the differences described above, it was deemed that “selecting one specific industry in one specific country” (Chen and Quester, 2005) is appropriate for this research.

5. Walsh and Beatty (2007, p.130) review previous research of Fombrun (1996) and Kim & Choi (2003), and suggest that “service firms may be more likely to feel the effects of reputation than other types of firms”.

6. Not only does the restaurant industry fit in with the above three points, but this industry also has increased competition and greater expectations from customers (Lee and Hing, 1995). For example, the fundamental variables in restaurants include meal quality, the service, and the environment (Worsford and Jameson, 1991). More specifically, Kotler (1973, p58) said “restaurants provide both a physical product, foods, and the culinary services of cooking, serving, and cleaning up”. Consequently, they may have many potential
benefits that emerge from conducting both customer-based evaluation of service and reputation in the restaurant, and from the ideas of owner-managers. Consequently, this study adopted restaurants as the target samples due to not only ease of access to sample observations, but also due to the fact that restaurants are a single function activity, unlike for example hotels or shopping malls.

Thus, there is no doubt that the researcher has to make sure the target sample (restaurants) is accepted by the definitions of small business, for example, the definition of SME; Ministry of Economic Affairs, R.O.C. and the non-quantitative definitions of small business described above.

1.3 The advantages of small and medium-sized enterprises

It is widely accepted that SMEs occupy the major share of almost all the economies in the world, though their relative importance may still differ from country to country. They have been a powerful engine of economic growth and technological progress (Mulhern, 1995 and Thornburg, 1993). Beyond doubt is the importance of SMEs to economic development across the world. For example, in the UK, the majority of small firms are in the sectors of service and construction, and the service industry has expanded to over 70 percent of gross domestic product (Curran, 1997). Hence, “small firms are most active in the most dynamic sector of the economy” (Stokes and Wilson, 2002, p.16).

Furthermore, many researchers assume that larger firms tend to be better international performers (for example, Christensen, Rocha & Gertner 1987; Cavusgil & Naor, 1987; and Maleksadeh & Nahavandi, 1985). However, this proposition has not been generally supported by empirical research. For example, Calof (1994) in a study of 14,072 Canadian manufacturing firms did not discover a significant relationship between size and export performance. Bonaccorsi (1992) in a study of 8,810 Italian exporting firms had mixed findings, reporting a positive association of size with propensity to export, and a negative association of size with exporting intensity. Other studies in the past have also reported either no significant relationship
(Diamantopoulos and Inglis, 1988), or even a negative relationship (Cooper and Kleinschmidt, 1985).

“The competitiveness of small and medium-sized enterprise business is rooted in their ability to meet demand efficiently and fulfil the requirement of flexibility” (Schive and Hu, 2001, p.250). Their efficiency derives from specialization in both production and management. That includes vertical and horizontal integration among SMEs with their competitors and counterparts. The flexibility of SMEs refers to their ability to react promptly to change and internal or external conditions. The adjustment includes changes in product combination, and in production methods, scale and location (Schive and Hu, 2001). SMEs also can shift market immediately, and leave and enter markets speedily. In short, the principal existence of SMEs in an economy is their ability to consistently overcome the limit of scale efficiency and lower costs (Schive and Hu, 2001). For more details of advantages or other characteristics of small firms, see Chapter Two, Section 2.7, pages 30ff.

1.4 Business reputation
Reputation is an interesting issue and it is also very difficult to give a single definition. Although reputation is ubiquitous, it remains a relatively new research topic and is under researched (Fombrun, 1996). During the last few years business reputation has certainly moved into the spotlight. Barnett, Jermier, and Lafferty (2006, p.27) give an example of how the study of corporate reputation has become intense over the past few years:

“During the period 2001-2003 the average number of scholarly articles on corporate reputation more than doubled in frequency compared with the year 2000. And, the average number of academic articles on corporate reputation published during the period 2001 – 2003 is nearly five times as large as the average for the period 1990 – 2000. In addition, a well-established academic journal, Corporate Reputation Review, is devoted solely to the topic. The Reputation Institute and many other consulting firms are giving advice to corporations on how to manage their reputations. There are multitudes of scholarly and practitioner books
Chapter One: Introduction and Aims to this Research

*available on this topic. In short, the importance of corporate reputation is evident*.

However, there is no single definition of reputation given by previous research. In part, it is surely because reputation is seldom noticed until it is threatened (Fombrun, 1996). A series of definitions for reputation will be considered in Chapter Three.

1.5 The aims and objectives of this research

Previous researchers have studied corporate reputation within multinational companies or large-scale enterprises. Furthermore, most literature places an emphasis on the excellent performance of SMEs in Taiwan, for instance, promoting economic development, creating job opportunities, and increasing national income and so on. However, very little of research has associated the SME with its reputation. Consequently, this study is guided by the following objectives:

1. To define the kind of issues of reputation in the context of Taiwanese sites. The research will be concerned with service providers and their customers, and will then contribute to the field of reputation by integrating customer-value and owner-managers’ orientation towards that reputation.

2. To explore the relationships between reputation issues and customers’ choice of restaurant. For example, reputation arises from servicescape, choice of restaurant factors, trust, service quality, and recommendations.

3. To explore the level to which the various factors creating a reputation influence the customers’ choice of restaurant.

4. To explore the roles of moderating variables, for example: trust, and service quality influencing the customers’ choice of restaurant.

5. To discuss whether Taiwanese customers are ethical customers. (Ethical customer in this study means their choices of restaurants were affected by restaurants’ social responsibility.)

6. To compare the different perceptions of business reputation between customers and the owner-managers of restaurants.
Chapter One: Introduction and Aims to this Research

Accordingly, both qualitative and quantitative research methods will be used in this research. Chen & Qester (2005) and Narver & Slater (1990) mentioned that the term “market-orientation” is connected by “customer value” and highlighted the notion of customer value. Weinstein and Polhman (1998) follow this by stressing on market-orientation that customer value only can be defined by customers themselves.

Furthermore, personal interviews were undertaken with 30 small business owner-managers in Southern Taiwan, which include Chinese restaurants and snack bars (not luxury 4 or 5 star hotel restaurant, because they are not small). The interviewees must have a “store”; street stalls were not considered in this research, because they are not legally registered with the local government. All interviewees chosen must be legally registered with the Health Department of the City or County government.

1.6 Overall structure of the thesis

The structure of a research project should include five stages (Silverman, 1985). They are (1) introduction, (2) literature review, (3) specification of research problem, (4) conceptual framework and methodology and (5) analysis and implications. Punch (1998) also suggests that five specific basic elements are expected which are general enough to cover quantitative and most qualitative research, and are similar to Miles and Huberman’s (1994) minimum guidelines for the structure of a research report. Those five elements include:

1. the research area and the topic;
2. a statement of purpose and research questions;
3. the relevant literature review;
4. a description of research methods including design, sample, data collection and data analysis;
5. a clear statement of the findings and a consideration of what can be concluded from the findings.

Both these five suggestions are fully covered by the eight chapters of this thesis. The outline structure of this thesis from Chapter Two is as follows:
Chapter One: Introduction and Aims to this Research

Chapter Two: The integral definitions of SME in the target country, Taiwan. This contains an overview of SME development and its performance in recent years. Most of the information related to SMEs in this Chapter comes from the White Paper on Small and Medium Enterprises 2005, 2006, 2007, and 2008. The report of the Global Entrepreneurship Monitor (Chua, et al., Hong Kong GEM, 2002) was also discussed in this chapter.

Chapter Three: Literature review examining previous research on business reputation. Firstly, this chapter lists the various definitions of business reputation (Barnett et al., 2006) and discusses previous academic work on reputation which arises from social responsibility (Carroll, 1991) and financial benefits (Castro et al., 2006). Secondly, the relationships between strategy and business were also discussed in this chapter. Finally, three typologies, namely servicescape (Bitner, 1992), trust (Hess, 1995), and service quality (Parasuraman, et al., 1998 and Cronin and Taylor, 1992), were also reviewed in this chapter.

Chapter Four: A conceptual framework and hypothesis were established in this chapter. Both the methodology and description of the survey used for quantitative analysis was discussed. The questionnaire design, layout and survey piloting closely followed a nine-step procedure for developing a self-administered questionnaire which was provided by Churchill (1999). Respondents will be asked to indicate their answers to the level of questions encountered on a 5-point Likert variable scale from “Strongly agree” to “Strongly disagree”. The respondent sample included university students, university staff and civil servants in Southern Taiwan.

Chapter Five: Descriptive analysis of the survey data. The first step was to show the results of the data analysis and to present these in visual displays; for instance figures, charts, graphs. Then, the various statistical tests and interpretations of the results of the analysis were used; such as descriptive statistics, reliability, and validity. In order to identify relatively small numbers, or the distinctiveness of factors that can be used to represent relationships amongst sets of many interrelated variables, factor analysis was also employed.
Chapter One: Introduction and Aims to this Research

Chapter Six: Hypothesis testing, findings and discussion, examined in the light of preliminary tests described in Chapter Five which prepared the data for further analysis by the way of bivariate correlation analysis, linear regression, and moderated multiple regression. Furthermore, this chapter will discuss the results of the hypothesis testing and a clear statement of the findings will be provided.

Chapter Seven: Qualitative research and analysis. The in-depth personal interview will also be brought into practice in this research. Two questionnaires are designed to be used in interviews with the owner-managers of restaurants in Taiwan. Additionally, re-interviews had also been done after the quantitative analysis to define whether the owner-managers agree with the results of the quantitative research. Interestingly, in the re-interviews some opinions of the owner-managers changed from their first interview, after they had known the results from customers.

Chapter Eight: This is the final chapter, which gives the conclusion of this research. This chapter will summarize the major findings of the study and the unique contribution that these findings make to the existing body of knowledge. Additionally, the limitations of the study are fully discussed. Finally, the potential implications for future research in the area of the SME and its reputation are documented.
A preface of Chapter Two and Three

Chapters Two and Three provide the literature review. Academic experts suggest that two main reasons exist for the literature review. Firstly, a preliminary literature search helps researchers generate and refine their research ideas. Secondly, what is often referred to as the critical review is the part of research project, which gathers all information together for evaluation (Howard & Sharp, 1993; and Saunders, Lewis & Thornhill, 1997). Researchers will find reviewing the literature useful and informative, to the point that they feel that they have a good knowledge of their research area. In other words, the precise purpose of reviewing the literature is to help the researcher to identify theories and ideas which can be used and to ensure that no important variable that may have an impact on the problem is ignored. Furthermore, it is to discover and provide insights into research strategies and methodologies that may be appropriate to research questions and objectives. A final important objective is to help researchers avoid simply repeating work that has been done already (Sekaran, 2003 and Gill & Johnson, 2002).


It must be noted that no official data or government publications exist which only focus on “small business” in Taiwan. Accordingly, the data provided from the White Paper in this chapter refers to the data of SMEs.
Chapter Two: Small and Medium Sized Enterprises in Taiwan

SMEs have a strong influence on the economies of all countries, particularly in this fast-changing and increasingly competitive global market. Carrier (1994, p.43) said that “SMEs are often more fertile than larger firms in terms of innovation”. SMEs have been a power engine of economic growth and technological progress (Aharoni, 1994; Mulhern, 1995; and Thornburg, 1993) and played a vital role in promoting rapid growth during Taiwan’s economic transaction (Hannon, 1996 and Liu, Liu, & Wu, 1995). The success of SMEs in Taiwan has been well acknowledged (Hannon, 1996; Hieber, 1993; Huang, 1990; Kao & Lee 1991; and Liu, Liu, & Wu, 1995). The main points of this chapter are focusing on the role of SME in Taiwan; overview of SME development in recent year; the structure of SME sector and previous literatures on SME and entrepreneurship.

Introduction:
This chapter is going to review the definition and the development of Small and Medium Sized Enterprises in Taiwan. There are nine parts to this chapter, as follows:

2.1 The definition of SMEs in Taiwan (Republic of China)
2.2 The role of SME in Taiwan
2.3 Overview of SME development in recent years
2.4 The structure of the SME sector
2.5 Employment in the SME sector
2.6 SME sales performance
2.7 Previous research on SMEs
2.8 Global Entrepreneurship Monitor (GEM)
2.9 The behavioural characteristics of small business
2.10 Conclusions
Chapter Two: Small and Medium Sized Enterprises in Taiwan

The figures of service sector from White Paper SMEA, MOEA*1 will be the main information because this study will focus on Chinese restaurants and customers. Other industries would be ignored in this study, for example, agriculture, manufacturing and so forth.

Notes:*1 SMEA, MOEA: Small and Medium Enterprises Administration, Ministry of Economic Affairs, R.O.C

2.1 The definition of SMEs in Taiwan (Republic of China)

First of all, the term SME refers to an enterprise which has completed company registration or business registration in accordance with the requirement of the law. The official definition of an SME in Taiwan has been changed no fewer than seven times since 1967. According to the latest version of the definition of SMEs, revised in 2005, enterprises in the manufacturing, construction, and mining and quarrying sector with paid-in capital of less than NT$80 million or less than 200 regular employees are classed as SMEs. For other industries, those enterprises that had annual operating revenue of less than NT$100 million in the previous year or that have fewer than 50 regular employees are classed as SMEs (The definition of SME; Ministry of Economic Affairs. MOEA, 2005).

Table 2.1 Criteria for identifying SMEs and micro business (R.O.C Taiwan)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic</td>
</tr>
<tr>
<td>Manufacturing, construction, mining and quarrying</td>
<td>Capital</td>
</tr>
<tr>
<td></td>
<td>&lt;NTD80 million</td>
</tr>
<tr>
<td></td>
<td>*(USD2.5 million)</td>
</tr>
<tr>
<td>Commerce, service</td>
<td>Preceding year</td>
</tr>
<tr>
<td></td>
<td>Revenue</td>
</tr>
<tr>
<td></td>
<td>&lt;NTD100 million</td>
</tr>
<tr>
<td></td>
<td>*(USD3.125 million)</td>
</tr>
</tbody>
</table>

*1 USD = 32 NTD
Source: Ministry of Economic Affair. MOEA
2.2 The role of SMEs in Taiwan

SMEs in Taiwan are extremely numerous and have played important and variable roles during the process of Taiwan’s economic development. Over the past 50 years the SMEs have made an important contribution to Taiwan’s rapid economic growth and the fast industrialization process (Schive & Hu, 2001; Hu, 1999; Wu, 1999; and MOEA Website).

According to White Paper (2008) there were more than 1.23 million SMEs in Taiwan in 2007, representing a decline of around 7,500 SMEs (0.6%) compared to 2006. This accounts for 97.63% of all enterprises (Table 2.2). The total number of persons employed by SMEs in 2007 was 7.93 million, accounting for 77.12% of all employed persons. Total sales of SMEs in 2007 was more than NT$10.17 billion, accounting for 28.74% of total sales of all enterprises (Table 2.2).

For Taiwanese small and medium sized enterprises, 2005 saw positive growth in terms of the number of enterprises, number of employed persons, number of paid employees, and sales performance (Table 2.2). Sales decrease was particularly impressive between 2006 and 2007, as can be seen from Table 2.2. Here there was a significant decrease in annual growth rate from 2.41% to -0.68%. The same situation also reflected to Domestic sales from 2.33% to -1.64%. SMEs displayed especially high growth in terms of the number of employed persons and number of paid employees.
Chapter Two: Small and Medium Sized Enterprises in Taiwan

Table 2.2 Overview of SME development, 2002-2007

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of enterprises</td>
<td></td>
<td>1,104,706</td>
<td>1,147,200</td>
<td>1,176,986</td>
<td>1,226,095</td>
<td>1,244,099</td>
<td>1,236,586</td>
</tr>
<tr>
<td>Percentage, %</td>
<td>97.72</td>
<td>97.83</td>
<td>97.73</td>
<td>97.80</td>
<td>97.77</td>
<td>97.63</td>
<td></td>
</tr>
<tr>
<td>Annual growth rate, %</td>
<td>2.46</td>
<td>3.77</td>
<td>2.60</td>
<td>4.17</td>
<td>1.49</td>
<td>-0.60</td>
<td></td>
</tr>
<tr>
<td>Number of employed persons, thousand</td>
<td></td>
<td>7,361</td>
<td>7,425</td>
<td>7,553</td>
<td>7,648</td>
<td>7,751</td>
<td>7,939</td>
</tr>
<tr>
<td>Percentage, %</td>
<td>77.86</td>
<td>77.56</td>
<td>77.18</td>
<td>76.93</td>
<td>76.7</td>
<td>77.12</td>
<td></td>
</tr>
<tr>
<td>Annual growth rate, %</td>
<td>1.0</td>
<td>0.87</td>
<td>1.72</td>
<td>1.26</td>
<td>1.35</td>
<td>2.42</td>
<td></td>
</tr>
<tr>
<td>Number of paid employees, thousand</td>
<td></td>
<td>4,682</td>
<td>4,754</td>
<td>4,903</td>
<td>5,047</td>
<td>5,186</td>
<td>5,383</td>
</tr>
<tr>
<td>Percentage, %</td>
<td>69.15</td>
<td>68.92</td>
<td>68.74</td>
<td>68.80</td>
<td>69.60</td>
<td>69.60</td>
<td></td>
</tr>
<tr>
<td>Annual growth rate, %</td>
<td>0.99</td>
<td>1.54</td>
<td>3.13</td>
<td>2.94</td>
<td>2.75</td>
<td>3.81</td>
<td></td>
</tr>
<tr>
<td>Sales revenues, NTD million</td>
<td></td>
<td>7,495,287</td>
<td>8,708,904</td>
<td>9,726,721</td>
<td>10,000,220</td>
<td>10,241,215</td>
<td>10,171,750</td>
</tr>
<tr>
<td>Percentage, %</td>
<td>29.51</td>
<td>31.47</td>
<td>30.63</td>
<td>29.46</td>
<td>29.84</td>
<td>28.74</td>
<td></td>
</tr>
<tr>
<td>Annual growth rate, %</td>
<td>9.56</td>
<td>16.17</td>
<td>11.69</td>
<td>2.81</td>
<td>2.41</td>
<td>-0.68</td>
<td></td>
</tr>
<tr>
<td>Domestic sales revenue, NTD million</td>
<td></td>
<td>6,144,404</td>
<td>7,381,065</td>
<td>8,278,347</td>
<td>8,481,397</td>
<td>8,678,992</td>
<td>8,536,591</td>
</tr>
<tr>
<td>Percentage, %</td>
<td>33.42</td>
<td>36.29</td>
<td>35.59</td>
<td>33.51</td>
<td>33.91</td>
<td>32.49</td>
<td></td>
</tr>
<tr>
<td>Annual growth rate, %</td>
<td>10.88</td>
<td>20.10</td>
<td>12.16</td>
<td>2.45</td>
<td>2.33</td>
<td>-1.64</td>
<td></td>
</tr>
<tr>
<td>Direct exports, NTD million</td>
<td></td>
<td>1,350,884</td>
<td>1,327,839</td>
<td>1,448,374</td>
<td>1,518,823</td>
<td>1,562,224</td>
<td>1,635,159</td>
</tr>
<tr>
<td>Percentage, %</td>
<td>19.28</td>
<td>18.11</td>
<td>16.91</td>
<td>17.60</td>
<td>17.89</td>
<td>17.02</td>
<td></td>
</tr>
<tr>
<td>Annual growth rate, %</td>
<td>3.88</td>
<td>-1.71</td>
<td>9.08</td>
<td>4.86</td>
<td>2.86</td>
<td>4.67</td>
<td></td>
</tr>
</tbody>
</table>

2. Directorate General of Budget, Monthly Bulletin of Manpower Statistics, consecutive years  
3. Ministry of Finance Tax Data Centre, VAT data, consecutive years

For SMEs, 2007 saw a positive growth in terms of the number of employed persons, number of paid employees, and exportation performance (Table 2.2). Overall, as can be seen from Tables 2.2 it is clear that SMEs have made an important contribution towards not only promoting economic development and raising national income but also creating job opportunities. It can be argued that SMEs have played an important role in the maintenance of social stability, which indicates SMEs create valuable numbers of job opportunities in Taiwan.

On the other hand, there was a huge gap in achievement of sale revenues between SMEs and large enterprises in Taiwan. Large enterprises show much better sale revenues than SMEs (White Paper, 2006, 2007, and 2008). That is because large enterprises can enjoy advantages of economies of scale and scope to decrease the cost of production. Firms are able to achieve economies of scale or scope, which give them competitive advantage over their rivals (Griffin and Pustay, 2003). In addition, the Taiwan government provides a ‘favorable treatment’ of tax-refunds to large enterprises especially for firms in technological industries specializing in R & D (Chua et al., 2002). Nevertheless, the contribution of SMEs in maintaining social stability and promoting economic development cannot be overlooked in Taiwan.
Chapter Two: Small and Medium Sized Enterprises in Taiwan

2.3 Overview of SME development in recent years

Table 2.2 shows the performance of SMEs between 2002 and 2007. Unfortunately, the percentage of the number of paid employees can not be found in the White paper (2007) of SMEs in Taiwan.

In 2001, with the bursting of the dot-com bubble and the global impact of the September 11th terrorist attacks in the US, the overall business environment for Taiwanese SMEs was poor (White Paper, 2005). Fortunately, Taiwan joined the World Trade Organisation (WTO) in 2002 and there was an upturn in the global economy in 2002. The whole performance of Taiwanese SMEs improved and there was a positive growth for all indicators; the highest growth was in domestic sales with 10.88% (White Paper, 2006).

2.3.1. Number of enterprises

The number of SMEs in Taiwan has continued to grow with exception of 2007, and the rate of increase has in fact climbed higher. The 4.17% growth rate recorded in 2005 was the largest increase between 2002 and 2007. SMEs continue to account for more than 97% of all enterprises in Taiwan.

2.3.2. Number of employed people and number of paid employees

In 2007, the growth rates of the number of employed persons and the number of paid employees were the highest from 2002 to 2007, at 2.42% and 3.81% respectively. The SMEs share of the total number of employed persons and the total number of paid employees peaked in 2002, at 77.86% and 69.15%, respectively; since then, both percentages have fallen steadily.

2.3.3. Sales

As mentioned previously, 2001 was the worst year for SMEs’ in terms of sales performance, with both domestic sales and export sales falling dramatically compared to 2000 (White paper, 2005). More than 10% and 20% domestic sales growth was recorded in 2002 and 2003, but it slowed in 2004. Although domestic sales grew rapidly, in 2003 the SME sector experienced negative growth in export sales and then rose dramatically in 2004 by 9.08%.
Chapter Two: Small and Medium Sized Enterprises in Taiwan

The data presented in Table 2.2 reflect the dramatic changes that had taken place in Taiwan’s SMEs between 2002 and 2007. In 2001, Taiwan experienced negative economic growth; while the number of SMEs continued to increase slightly, all other indicators showed negative growth (White paper, 2005). Since 2002, all SMEs indicators have displayed positive growth, except for a 1.71% decline in export sales in 2003.

2.4 The structure of the SME sector

The following section examines the structure of SMEs in terms of sector, age of enterprise and industry. Because the research in this thesis will focus on one sector of the service industry (restaurants), this section will concentrate on the service industry.

2.4.1. Number of enterprises—by sector

Table 2.3 shows the number and percentage of the enterprises in service industry between 2004 and 2006.

<table>
<thead>
<tr>
<th>Year</th>
<th>Enterprises Size</th>
<th>All Enterprises</th>
<th>Large Enterprises</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Enterprises</td>
<td>%</td>
<td>No. of enterprises</td>
<td>%</td>
</tr>
<tr>
<td>2004</td>
<td>Total</td>
<td>1,204,343</td>
<td>100</td>
<td>27,257</td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>972,914</td>
<td>80.78</td>
<td>21,347</td>
</tr>
<tr>
<td>2005</td>
<td>Total</td>
<td>1,253,694</td>
<td>100</td>
<td>26,262</td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>1,014,547</td>
<td>80.92</td>
<td>21,656</td>
</tr>
<tr>
<td>2006</td>
<td>Total</td>
<td>1,272,508</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Only service industry was adopted in this chat, others are agriculture and Manufacturing.

According to Table 2.3, the importance of the service sector within the structure of industry in Taiwan has been increasing. There were nearly 1,015,000 service enterprises in 2005, accounting for 81% of all enterprises. The service sector of SMEs accounted for a similarly share with large enterprises; in both 2005 and 2006, 81% of small and medium sized enterprises in Taiwan were in the service sector.
Chapter Two: Small and Medium Sized Enterprises in Taiwan

2.4.2. Number of enterprises-by enterprise age

Table 2.5 shows there were significant differences between SMEs and large enterprises in terms of enterprise age in 2007. 24.19% of SMEs had been in existence for less than three years, while 7.52% had been in existence for less than one year. On the other hand, 63.44% of SMEs had been in existence for over five years, and 43.54% had been in existence for more than ten years. The lowest percentage of age distribution was located in the 4-5 years group in Tables 2.4 and 2.5, 5.63% and 5.86% respectively. Thus, this period can be seen as a turning point that shows that if companies have existed for more than five years they can be accounted successful. This result is similar to the GEM High-Expectation Entrepreneurship (2005) report that the owners of small businesses expect to achieve their first target in five years (Autio, 2005). There is also plenty of opportunity for new entrants to establish themselves and it is easy to enter this competitive sector.

Table 2.4 The Number of enterprises in 2006-by enterprise age

<table>
<thead>
<tr>
<th>Size</th>
<th>All Enterprises</th>
<th>Large Enterprises</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>No. of Enterprises</td>
<td>%</td>
<td>No. of Enterprises</td>
</tr>
<tr>
<td>Total</td>
<td>1,272,508</td>
<td>100</td>
<td>28,409</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>108,637</td>
<td>8.54</td>
<td>353</td>
</tr>
<tr>
<td>1-2 years</td>
<td>121,466</td>
<td>9.55</td>
<td>936</td>
</tr>
<tr>
<td>2-3 years</td>
<td>92,503</td>
<td>7.27</td>
<td>1,103</td>
</tr>
<tr>
<td>3-4 years</td>
<td>84,648</td>
<td>6.65</td>
<td>1,376</td>
</tr>
<tr>
<td>4-5 years</td>
<td>71,601</td>
<td>5.63</td>
<td>1,477</td>
</tr>
<tr>
<td>5-10 years</td>
<td>253,746</td>
<td>19.94</td>
<td>6,499</td>
</tr>
<tr>
<td>10-20 years</td>
<td>299,282</td>
<td>23.52</td>
<td>9,161</td>
</tr>
<tr>
<td>Over 20 years</td>
<td>240,580</td>
<td>18.91</td>
<td>7,504</td>
</tr>
</tbody>
</table>

Adopted by White Paper of SMEs in Taiwan 2008, SMEA, MOEA
Table 2.5 The Number of enterprises in 2007-by enterprise age

<table>
<thead>
<tr>
<th>Size</th>
<th>All Enterprises</th>
<th>Large Enterprises</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>No. of Enterprises</td>
<td>%</td>
<td>No. of Enterprises</td>
</tr>
<tr>
<td>Total</td>
<td>1,266,664</td>
<td>100</td>
<td>30,078</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>93,233</td>
<td>7.36</td>
<td>276</td>
</tr>
<tr>
<td>1-2 years</td>
<td>106,945</td>
<td>8.44</td>
<td>863</td>
</tr>
<tr>
<td>2-3 years</td>
<td>101,216</td>
<td>7.99</td>
<td>1,159</td>
</tr>
<tr>
<td>3-4 years</td>
<td>79,252</td>
<td>6.26</td>
<td>1,182</td>
</tr>
<tr>
<td>4-5 years</td>
<td>73,889</td>
<td>5.83</td>
<td>1,415</td>
</tr>
<tr>
<td>5-10 years</td>
<td>255,435</td>
<td>20.17</td>
<td>6,892</td>
</tr>
<tr>
<td>10-20 years</td>
<td>306,246</td>
<td>24.18</td>
<td>10,083</td>
</tr>
<tr>
<td>Over 20 years</td>
<td>250,448</td>
<td>19.77</td>
<td>8,208</td>
</tr>
</tbody>
</table>


2.4.3. Number of enterprises-by industry

The three individual industries that accounted for the largest shares of the total number of enterprises were: wholesaling and retailing, manufacturing, and the hotel and restaurant industry. These account to 53.13%, 10.94% and 8.33% respectively of the total. It is interesting that the Hotel and Restaurant industry shows the most significant annual growth rate of 11.02% between 2004 and 2005. Very similar proportions of each industry for 2006 have been shown in Table 2.6.

Table 2.6 The Number of SMEs between 2004 and 2006-by industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry</th>
<th>2004 (A)</th>
<th>2005 (B)</th>
<th>%</th>
<th>(B)-(A)</th>
<th>Annual Growth Rate</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>1,176,986</td>
<td>1,226,095</td>
<td>100</td>
<td>49,109</td>
<td>4.17</td>
<td>1,244,099 (100%)</td>
</tr>
<tr>
<td></td>
<td>Wholesaling and retailing</td>
<td>626,724</td>
<td>651,590</td>
<td>53.13</td>
<td>24,866</td>
<td>3.97</td>
<td>52.86%</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>133,107</td>
<td>134,172</td>
<td>10.94</td>
<td>1,065</td>
<td>0.80</td>
<td>10.64%</td>
</tr>
<tr>
<td></td>
<td>Hotel and Restaurant</td>
<td>91,959</td>
<td>102,096</td>
<td>8.33</td>
<td>10,137</td>
<td>11.02</td>
<td>8.62%</td>
</tr>
</tbody>
</table>


Coincidently, there was an interesting research survey in 2005 which reviewed that most Taiwanese people want to be a person in charge of a small “store” or “B&B”,
particularly if those people have recently lost a job or feel tired of the current occupation (National Youth Commission, NYC 2006). There are some reasons which can explain the trade, especially for the B&B and Restaurant industry. For example it is the most ‘easy entry’ and ‘low entry-threshold’ possibility. Firstly, the owner of a restaurant or a B&B does not need to achieve professional knowledge or a high academic educated level. Secondly, if someone starts a new venture from scratch to entry, this industry does not need enormous funding. Finally, according to the GEM 2002 National Report, Taiwan government provides sufficient equity funding or debt funding for new firms in the economy (Chua et al., 2002). These points could explain why the Hotel and Restaurant industry enjoys a significant annual growth rate.
2.5 Employment in the SME sector

This part will discuss trends in the number of employees by size of enterprises, by industry, and by sector.

2.5.1. Number of employed people-by size enterprises

According to White Paper (2008), the average number of employed people in Taiwan was 10,294,000, recording a slight increase with 1.81% over 2007. As many as 7,939,000 employed persons were working in SMEs; they accounted for 77.12% of all employed people. Surprisingly, as shown from Figure 2.1, the population of employed persons in SMEs has been falling from 77.9% in 2002 to 76.7% in 2006.

In order to reduce the production and human costs, or qualify for duty-free to a target market in most Taiwanese businesses, especially those involved in manufacturing industry, tech and electronics firms, the owners prefer to move the factory to China or to other Southeast Asian countries (Chen, 2003). This situation is commonly known as order receipt by Taiwan, overseas operation; and this allows a company to invest in factories overseas, and for order receipts to be sent to these new installations from a head office in Taiwan. This is one of the main reasons that the number of those employed has been falling for three consecutive years, the factories move out of Taiwan. According to White Paper (2004) the results of a survey (Marketing Methods for Main Overseas Operations) undertaken by the Ministry of Economic Affairs...
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(2004), approximately 60% of Taiwanese enterprises have invested in overseas markets and export their products to other markets directly through their overseas operation. This ratio has been rising steadily, climbing from 58.4% in 2000 to 61.9% in 2003 (White Paper, 2004).

The reasons for Taiwanese SMEs investing in Southeast Asia or Mainland China in past decade include the following factors: low labour cost, the opportunity to strengthen product sales and the need to develop new markets. Therefore, this would explain another issue: why are Taiwanese businesses export-decreasing or only slowly export-increasing? Even though the Taiwanese government has been trying to reform this situation, this is a controversial or complex political issue beyond the scope of this research.

2.5.2. Number of employed people-by industry

As can be seen from Table 2.7, a comparison of the number of employed people working in SMEs in different industries in from 2004 to 2006, shows that the Hotel and Restaurant industry had increased in size by 9.1% between 2004 and 2006.

Table 2.7 The number of employed people working in SMEs between 2004 and 2006-by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Year</th>
<th>2004 (A)</th>
<th>2005 (B)</th>
<th>2006 (C)</th>
<th>%</th>
<th>(C)-(B)</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>7,553</td>
<td>7,648</td>
<td>7,751</td>
<td>100</td>
<td>103</td>
<td>1.35</td>
</tr>
<tr>
<td>Wholesaling and retailing</td>
<td></td>
<td>1,621</td>
<td>1,618</td>
<td>1,648</td>
<td>21.16</td>
<td>30</td>
<td>1.85</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td>2,095</td>
<td>2,099</td>
<td>2,105</td>
<td>27.45</td>
<td>6</td>
<td>0.29</td>
</tr>
<tr>
<td>Hotel and Restaurant</td>
<td></td>
<td>578</td>
<td>604</td>
<td>631</td>
<td>7.90</td>
<td>27</td>
<td>4.47</td>
</tr>
</tbody>
</table>

Adopted by White Paper of SMEs in Taiwan 2006 and 2007 SMEA, MOEA
2.5.3. Change in the number of employed people working in SMEs in Taiwan in the last ten years- by sector

An examination of the changes in the share of all employed people in Taiwan held by each sector over the period from 1995 to 2005 shows that, by 1995, the service sector already accounted for more than half of employed people in Taiwan at 50.7% of the total, and showed a steady increase to 58.3% in 2005. Manufacturing industry declined by about 38.7% to 35.8% in 2005. This is shown on Figures 2.2 and 2.3.

Figure 2.2 Individual sectors’ share of the total number of employed people in Taiwan, 1995-2005

Adopted by White Paper of SMEs in Taiwan 2006, SMEA, MOEA

Figure 2.3 Individual sectors’ share of the total number of employed people in Taiwan working in SMEs, 1995-2005

Adopted by White Paper of SMEs in Taiwan 2006, SMEA, MOEA
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In 1995 the service sector accounted for 44.8% of all employed people working for SMEs, while the manufacturing sector accounted for 42.1%. The disparity between the two sectors was only 2.7%. However, since 2005, the share of service sector has risen to 54.80%, while the rate for the manufacturing sector has fallen to 37.60%, a difference of 17% (Figure 2.3). In 2007, the share of the service sector has slightly increased to 55%, and the manufacturing sector has slightly climbed to 38.30% (White Paper, 2008).

2.5.4. Number of paid employees

Table 2.2 (page. 18) shows there were over 5.3 million paid employees working in SMEs in 2007. The percentage of all paid employees rose slightly, from 68.8% to 69.6% between 2005 and 2007. The manufacturing sector accounted for the largest percentage of Taiwan’s paid employees in 2007 with 2.8 million paid employees, almost exactly are third of the total (White Paper, 2008).

2.6. SME sales performance

This section will focus on the services industry. With sales totalling near to NT$5.2 trillion, this sector accounted for 51.65% of Taiwanese SMEs’ total sales in 2005. The service industry accounted for more than 50% of total sales in both 2004 and 2005 in Taiwan (Table 2.8).

2.6.1. SME sales performance-by sector

In comparison with 2004, the share of service sector of total sales and domestic sales for all SMEs rose by 3.47% and 4.12% respectively, but the share of export sales fell by 2.72% (Table: 2.8). This suggests that the role of small service industry in domestic market is becoming more important.

In 2007, there were 993,949 SMEs in the service sector. This accounts for 80.38% of all SMEs in Taiwan. The service sector also accounted for the largest share (51.33%) of total sales (White Paper, 2008).
Table 2.8 SME sales performance in 2004 and 2005-by sector

<table>
<thead>
<tr>
<th>Year/Sector</th>
<th>Indicator</th>
<th>Total Sales Value</th>
<th>%</th>
<th>Domestic Sales Value</th>
<th>%</th>
<th>Export Sales Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004 Services</td>
<td>Total</td>
<td>9,726,721</td>
<td>100</td>
<td>8,278,347</td>
<td>100</td>
<td>1,448,374</td>
<td>100</td>
</tr>
<tr>
<td>2005 Services</td>
<td>Total</td>
<td>10,000,020</td>
<td>100</td>
<td>8,481,397</td>
<td>100</td>
<td>1,518,823</td>
<td>100</td>
</tr>
<tr>
<td>Comparison between 2005 and 2004</td>
<td>Annual growth rate</td>
<td>% point change</td>
<td>Annual growth rate</td>
<td>% point change</td>
<td>Annual growth rate</td>
<td>% point change</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>3.47</td>
<td>0.33</td>
<td>4.12</td>
<td>0.89</td>
<td>-2.72</td>
<td>-2.36</td>
<td></td>
</tr>
</tbody>
</table>


2.6.2. SMEs’ total sales

SMEs posted total sales of NT$10 trillion in 2005, representing an increase of NT$273.5 billion (2.81%) over 2004.

Table 2.9 SMEs’ total sales in 2004 and 2005-by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Year</th>
<th>2004 (A)</th>
<th>2005 (B)</th>
<th>%</th>
<th>(B)-(A)</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>9,726,721</td>
<td>10,000,220</td>
<td>100</td>
<td>273,498</td>
<td>2.81</td>
</tr>
<tr>
<td>Wholesaling and retailing</td>
<td></td>
<td>3,641,139</td>
<td>3,795,076</td>
<td>37.97</td>
<td>153,937</td>
<td>4.23</td>
</tr>
<tr>
<td>Hotel and restaurant industry</td>
<td></td>
<td>195,217</td>
<td>206,783</td>
<td>2.07</td>
<td>11,566</td>
<td>5.93</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td>3,622,241</td>
<td>3,675,142</td>
<td>36.75</td>
<td>52,901</td>
<td>1.46</td>
</tr>
</tbody>
</table>


As shown in Table 2.9, the total sales of SMEs grew by 2.81% in 2005. By industry, wholesaling and retailing occupied the largest percentage of total sales with NT$3,795 billion accounted for 38% of the total and this figure represented an increase of 4.2% compared to 2004. At the same time, the hotel and restaurant industry had the largest percentage; nearly 6% increase during the period. The data of total sales by industry for the years 2006 and 2007 could not be found from the White Papers (2007 and 2008). The data in Table 2.9 is the latest data from government publications to date.
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2.6.3. Domestic sales of SMEs

As can be seen from Table 2.10, SMEs in Taiwan, posted total sales of NT$10,241 billion (84.75% of total domestic sales) in 2006, recording an increase of NT$241 billion (2.40%).

Table 2.10 Total sales, domestic sales and export sales between 2004 and 2006-by size

<table>
<thead>
<tr>
<th>Year/Size</th>
<th>Item</th>
<th>Total Value</th>
<th>Total</th>
<th>Domestic Sales Share</th>
<th>Export Sales Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>All Enterprises</td>
<td>31,755,313</td>
<td>100</td>
<td>73.25</td>
<td>26.75</td>
</tr>
<tr>
<td></td>
<td>Large Enterprises</td>
<td>22,028,592</td>
<td>100</td>
<td>68.02</td>
<td>31.98</td>
</tr>
<tr>
<td></td>
<td>SMEs</td>
<td>9,726,721</td>
<td>100</td>
<td>85.11</td>
<td>14.89</td>
</tr>
<tr>
<td>2005</td>
<td>All Enterprises</td>
<td>33,941,857</td>
<td>100</td>
<td>74.57</td>
<td>25.43</td>
</tr>
<tr>
<td></td>
<td>Large Enterprises</td>
<td>23,941,637</td>
<td>100</td>
<td>70.29</td>
<td>29.71</td>
</tr>
<tr>
<td></td>
<td>SMEs</td>
<td>10,000,220</td>
<td>100</td>
<td>84.81</td>
<td>15.19</td>
</tr>
<tr>
<td>2006</td>
<td>All Enterprises</td>
<td>34,326,070</td>
<td>100</td>
<td>74.56</td>
<td>25.44</td>
</tr>
<tr>
<td></td>
<td>Large Enterprises</td>
<td>24,084,855</td>
<td>100</td>
<td>70.23</td>
<td>29.77</td>
</tr>
<tr>
<td></td>
<td>SMEs</td>
<td>10,241,215</td>
<td>100</td>
<td>84.75</td>
<td>15.25</td>
</tr>
</tbody>
</table>

Increase in 2006 compared to 2004

<table>
<thead>
<tr>
<th>Item</th>
<th>Growth Rate</th>
<th>Change in percentage Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Enterprises</td>
<td>7.49</td>
<td>1.31</td>
</tr>
<tr>
<td>Large Enterprises</td>
<td>8.53</td>
<td>2.21</td>
</tr>
<tr>
<td>SMEs</td>
<td>5.02</td>
<td>-0.36</td>
</tr>
</tbody>
</table>

Adopted by White Paper of SMEs in Taiwan 2006, SMEA, MOEA

To summarize of total sales of SMEs, according to White Paper of SMEs in Taiwan 2007, domestic sales accounted for 84.75% of Taiwanese SMEs’ total sales, while export sales accounted for 15.25%. There was thus a 69.5% gap between domestic sales and export sales. It is quite clear that small firms play a very important role in the Taiwan domestic market, through Tables 2.8 and 2.10. Table 2.9 shows that the retailing and wholesaling industry is the biggest contribution to SMEs’ total sales.
2.7 Previous research on small firms

There is extensive previous research on the growth and development of SMEs. This study focuses on small Chinese restaurants, thus this section will not only concentrate on previous research on SMEs, but also focus on small firms. There are several models or prior researches in this discussion, which will be helpful for this research topic. The aim of section 2.7 is to understand the background of owner-managers of small businesses. This is connected to the qualitative research in Chapter Seven, to the interviews with owner-managers and aims to collect some useful information about the small business management. The research can then make a comparison between previous research which focuses on Western cultures and small business management (Chinese restaurant) in Taiwan.

2.7.1 Entrepreneurship and small firms

This section discusses the definitions of entrepreneurship and the characteristics of small firm. Hence, this study will clarify the relationships between entrepreneurship and small firms.

2.7.1.1 Entrepreneurship

What is entrepreneurship? Management guru Peter Drucker once said that: “innovation is the specific instrument of entrepreneurship …the act that endows resources with a new capacity to create wealth” (Chua et al., 2002, p.7). Thomas et al. (2007, p.1) state that “entrepreneurship is important both in new and existing enterprises. It is an attitude that predisposes a person to action and search for potential value creation and organises businesses to create value”.

Shane, Locke and Collins (2003) adopt Shane and Venkataraman's (2000, p.218) definition of entrepreneurship as the process by which “opportunities to create future goods and services are discovered, evaluated, and exploited”. They believe that the study of the entrepreneurial process is important for several reasons. Firstly, entrepreneurship drives innovation and technical change, and therefore generates economic growth (Schumpeter, 1934). Moreover, innovation is the main characteristic of the entrepreneurship (Schumpeter, 1934). Secondly, entrepreneurship is an important process by which new knowledge is converted into products and services.
(Shane and Venkataraman, 2000). Both of these two definitions suggest that entrepreneurship is a creative process. In a word, “the entrepreneurial process is an action-oriented way of thinking and behaving which determines the way in which individuals approach their jobs and responsibilities, how they acquire resources, manage people, market their enterprise or produce products” (Carson et al., 1995, p. 54). Carland et al. (1984) also indicate that “the entrepreneur is characterized by a performance for creating activity, manifested by some innovation combination of resource for profit”. Thirdly, “entrepreneurship has become an important vocation and we need to understand its role in the development of human and intellectual capital” (Zahra and Dess, 2001, p.8).

According to the above definitions of entrepreneurship, it can be argued that it plays an important role and a means of positive thinking for entrepreneurs and economic growth. “When the concept ‘entrepreneurship’ is used for social reality, topics like self-employment, small business management, stages-of development models, and family business issues become aspects of entrepreneurship. In short, entrepreneurship is anything that concerns independently owned (and often small) firms and their owner-managers” (Davidsson, 2005, p.4). Stokes and Wilson (2002) also indicate that entrepreneurship is most commonly linked to small business management.

### 2.7.1.2 The characteristics of small business

As addressed above, entrepreneurship study always connects to small business; this study therefore lists few characteristics of small business in this section.

- **Mixed educational background, possibly no HE (higher education), limited access to exec development activity. Further discussion, see section 2.7.3.**
- **Struggle to raise finance (Burns, 2007).** This is because information on small businesses is much less readily available to financial markets than from large firms (Berger and Udell, 1998). For more detail see section 2.7.4. Nooteboom (1994) also indicates that it would be expected that in the start-up stage, most entrepreneurs acquire capital they need from banks or private resources of the entrepreneur himself or friends or family.
- **Small firms rely on local markets or small geographic markets (Stokes and Wilson, 2002).** Their customer base is limited. Further discussion, see section 2.7.5.
Small businesses are owner-managed. They make decisions individually. Sometimes they are too confident of success (Stokes and Wilson, 2002). On the other hands, they desire to grow business, but confidence and self-efficacy is restricted (Stokes and Wilson, 2002).

As they are owner-managed, for the concept of small business marketing, “the most important characteristic of small business is its diversity” (Nooteboom, 1994, p.327). However, the diversity may also cause much confusion and misunderstanding.

Stokes and Wilson (2002) also indicate there are several critical problems for small business management, such as:

- The majority of small business owners lack innovative and creative spirit. They do not necessarily attempt to innovate or explore changes. Many small firms concentrate their business on local markets or limited geographic markets. “There seems to be a natural tendency to play safe, staying with known business areas, when considering a new business” (Stokes and Wilsons, 2002, p.34).

- Once established, they lack innovation. Innovation is one of the most important strategies of competition for companies (Kaufmann and Todtling, 2002). The innovation can also yield new products into the market (Nootieboom, 1994 and Kaufmann & Todtling, 2002), and cost reduction (Kaufmann and Todtling, 2002). However, a small firm is managed by its owner-manager in a personalised way. Owner-managers have to deal with various day-to-day problems. They may pay less attention to the opportunities or the need for change and innovation. In these circumstances, “the owner-manager has to adapt and react, rather than direct and create” (Stokes and Wilsons, 2002, p.34).

- Georgelli, Joyce, and Woods (2000) also described the core competencies for entrepreneurship are a capacity for changing business processes, the willingness to take risks, innovation, the launching of new products and service, and a planning capacity. On the other hand, it has been noted that not all small businesses are equipped with those capacities.
2.7.1.3 The relationship between entrepreneurship and small business

Entrepreneurship is commonly linked to small business management (Stokes & Wilson, 2002; and Carland et al., 1984). According to previous studies and discussion, it has been found that there is considerable overlap between entrepreneurship and small business management. However, according to sections 2.7.1.1 and 2.7.1.2 there are some important contradictions between entrepreneurship and small business management. They are not the same. For example, not all new entrepreneurs intentionally started their ventures (Carland et al., 1984). Moreover, other characteristics of entrepreneurs or entrepreneurship are risk-taking (McClelland, 1961) and risk measurement (Palmer, 1971). However, there is argument over the differing levels of risk taken by an entrepreneur and an owner-manager (Stokes and Wilsons, 2002). Also, “there is likely to be both more and less risk aversion in small business” (Nooteboom, 1994, p.330). Brockhaus (1980) and Schumpeter (1934) also claimed that risk-taking propensity cannot be used as a distinguishing characteristic of entrepreneurship. The levels of risk-taking not only depends on entrepreneurs’ individual characteristics, but also on individuals’ personal backgrounds. For example; a young, single and unemployed person would tend to take less risk in starting a new business than an older person who has a family and is in a secure job. It should be noted that risk is not the same as uncertainty; people with high levels of risk-taking have a decision-making orientation, therefore they can accept a greater potential loss in order to receive a greater potential reward (Stokes and Wilsons, 2002).

Furthermore, although entrepreneurs may be short of cash at the point in time at which a business is ventured, they are characterized by an action-oriented way of thinking and behaving. Owner-managers of small firms believe they will succeed and create potential value for their businesses in the future. However, once established, due to cost concerns and the limitations in the management capacity, they may lack innovative and creative spirit. They concentrate their business on local or small geographic markets. They desire to grow their business, but confidence of success is restricted. In addition, small firms are managed in a personal way by their owner-managers. They make decisions individually. They are overly concerned with minutiae and complicated everyday operational problems and may therefore neglect the opportunities for change and launching innovations. Overall, according to the
above discussion, we can conclude that “entrepreneurship has been found to extend beyond small business” (Carland et al., 1984, p.355).

The studies of entrepreneurship and small business are complicated in recent modern economic and social life. Consequently, this can extend to a variety of interesting subjects for further research. For example, a part of this study will investigate the relationship between reputation building and owner-managers’ behaviours. In addition, customers and owner-managers may have different points of view about reputation building in the restaurant industry.

2.7.2 Company age
Westhead (1995) indicates that the human capital of an enterprise and the internal resource of a firm may influence the competitive strategies. Furthermore, according to Manolova et al. (2002) and Davis & Harvelston (2000) there is no significant relationship between the age of a company and performance. Performance may not be solely related to business age.

Growth in the number of SMEs can be an index of “overall health of an economy” as well. The number of new enterprises being established and the number of enterprises going out of business are important indicators of the overall dynamism of an economy. It can be argued, if the number of new enterprises being set up is significantly larger than the number of enterprises going out of business, this indicates that the economy is growing strongly. Although many new small firms are created every year, a large number also close. According to previous studies on small firms: less than one third of small firm start-ups survive for five years, and only around 50% may last two or three years, 20% percent close in a year and 10% stay less than six months (Storey, 1998). However, a closed business is not the same as a failed business (Stokes and Blackburn, 2001).

A study carried out by Kingston University 2001, UK, found that there are many reasons why firms to discontinue, such as:

1. 20% of small firms have failed financially;
2. 30% of them do not meet their owners’ objectives;
3. 15% of them closed then re-opened in a different form, for example, from a sole trader to a limited company;
4. 35% of them sold out.

As can be seen previously from Table 2.5, in Taiwan 24.2% of SMEs have been in existence for less than three years, and 7.5% had been in existence for less than one year. On the other hand, more than 60% of SMEs have been in existence for over five years until 2007, and 43.54% had been in existence for more than ten years. Although many Taiwanese SMEs have been able to remain in business for many years, there is also plenty of opportunity for new entrants to establish themselves and it is easy to enter this competitive market.

2.7.3 Management know-how
Firms with diverse management know-how may be able to not only introduce better human resource practices, but also undertake more promising competitive strategies, and create more market opportunities (Westhead, Wright and Ucbasaran, 2001). Management know-how is a form of social capital representing the noneconomic knowledge that has a direct impact on individual behaviour (Greene and Brown, 1997).

In the studies reviewed, the related family background (Parker & van Praag, 2006; Westhead, Wright & Ucbasaran, 2001; and Duchesneau & Gartner, 1998), educational level (Parker & van Praag, 2006 and Cooper et al., 1994), and past experience (Westhead, Wright & Ucbasaran, 2001 and Parker & van Praag, 2006) will influence the owner-manager’s ideas, notions, and the ways of thinking about doing business.

The first factor is background: management know-how can be accumulated by the principal founder drawn from a background where their parents had owned a business (Duchesneau and Gartner, 1988). Westhead, Wright and Ucbasaran (2001) also found that principal founders drawn from business-owning backgrounds may be better prepared to face market opportunities in domestic and international markets. They also agreed that principal founders with considerable management know-how are
significantly more likely to be exporters. On the other hand, very interestingly, they do not find support for the proportion that exporting firms had better performance than nonexporting firms.

Parker and van Praag (2006) also divided entrepreneurs into two groups; whether the entrepreneur was born to a family business (f-type) or comes from a non-family business (g-type). The main difference between the two types is that f types have less education on average than g types do; however, f types have had more business experience before operating the current venture. On the other hand, people wanting to run a business are more likely to take over an existing firm than to start up a new one and both f-types and g-types with more education have higher intent to create a venture. Their result can also be connected to the research of Westhead (1995) that the human capital or internal resources are more important for owners to consider when managing a business.

The second factor is education. Cooper et al. (1994) suggests that education is related to knowledge, skills, problem-solving ability, discipline, motivation, and self-confidence. According to their research, firms owned by principal founders who have been awarded a university degree generally have had their expectations raised. Further, more highly educated entrepreneurs may have enhanced problem-solving skills, due to wider social and business networks, and they may be more aware of business opportunities in the market.

The third factor is working experience. Previous experience can allow the accumulation of a principal founder’s industry-specific know-how with specific customers, suppliers, or shareholders (Westhead, Wright and Ucbasaran, 2001). In addition, entrepreneurs with pre-ownership experience in the same industry as their current firm could provide them with detailed knowledge of the target environment. Chandler (1996) found that industry-specific experience allowed entrepreneurs to acquaint with a customer base locally, nationally, and internationally and to develop more market niches. A positive relationship between entrepreneurs’ prior experience in the industry with new firm success has been identified by Cooper and Bruno (1977). Parker and van Praag (2006) also conclude that an entrepreneur in a family business or non-family business with more education has a higher intention to create a new
business. Overall, Miesenbock (1988, p.56) had asserted “that the key variable in small business performance is the decision maker in a firm”.

Overall, “the lower middle-classes have provided more small business owners than other social backgrounds” (Stokes and Wilson, 2002, p.40). This judgment is supported by the Bolton Report (1971) as well, which discovered that on average the academic achievement of owner-managers of small businesses were lower than the average in the overall population. For small firms, an aptitude for practical activities or working experience is more necessary than educational qualifications. Recent research has painted a more complex picture. A great numbers of new small firms are knowledge-based enterprises in the service sectors (for example: service consultant and marketing and design sectors) or high tech industries (for example: computer service) (Stokes and Wilson, 2002).

In Taiwan, according to Siu (2002) both traditional and internet-based owner-managers concentrate management know-how on maintaining good relationship with customers. However, traditional owner-managers put more emphasis on quality control whereas on the other hand, their internet-based counterparts concentrate more on product schedules and sales forecasts. Thus, Siu (2002) states that traditional small firms can be classified as quality conscious, while internet-based small firms appear to be more sales-oriented.

2.7.4 Berger and Udell’s Financial Growth Cycle Model
Typically short of cash is one of the characteristics of small enterprises (Burns, 2007). In Figure 2.4, the financial growth cycle (Berger and Udell, 1998), shows that small businesses rely on private capital markets, while larger firms are more likely to be financed through public markets. This is because information on small businesses is much less readily available to financial markets than from large firms.

The lack of information available on the quality of small firm’s operations forces lenders to protect their investment by demanding a higher return. In an attempt to avoid higher costs of capital, smaller firms are then forced to use more short-term debt, which bears lower costs but rises the firm’s risk (Chittenden, Hall, and Hutchinson, 1996).
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**Figure 2.4 Financial Growth Cycle**

<table>
<thead>
<tr>
<th>Firm Size</th>
<th>Firm Age</th>
<th>Information Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very small firms, Possibly with no collateral and no track record</td>
<td>Medium-sized firms. Some track record. Collateral available, if necessary</td>
<td>Large firms of Known risk and track record</td>
</tr>
</tbody>
</table>

Initial Insider Finance | Venture Capital | Public Equity
Angel Finance | Medium-Term Financial Institutions | Long-Term Financial Institutions


Older firms, by definition, have had more opportunity to accumulate retained earnings than younger companies. Thus more funds are available to finance operational growth. They would be less likely to use as many external sources as younger firms, Berger and Udell (1998) conclude that younger or smaller firms are heavily financed by internal debt, personal collateral or guarantee.

Lee-Ross and Lashley (2009, p.137) conclude that the finance source of small business includes:
- personal savings/assets;
- loan from family; friends, banks or similar institutions;
- business ‘angels’ and venture capitalists.

Very little prior research is available which concentrates on these topics in Taiwan. For example, Chen (1996) discussed the relationship between company age and performance in Taiwan, but for multinational companies. Alternatively, government publications, White Paper, Small and Medium Enterprise Administration (SMEA),
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Minister of Economic Affairs (MOEA), and GEM National Report provide much helpful information for these topics in Taiwan. Thus, this study reviews those reports and then examines the relationship between the different backgrounds of the owner-managers and their notions of business reputation.

2.7.5 Small business marketing

“Marketing can be viewed as an internal part of entrepreneurial activity” (Carson et al., 1995, p. 9). Moreover, it plays an essential role for small or young firms in the development in the long term (Stokes and Wilson, 2002). The competitiveness of small and medium sized enterprises is rooted in their ability to meet the demand efficiently and fulfill the requirement of flexibility. This can help them identify changes in marketing trends and respond to consumer demand quickly (Carson et al., 1995).

“SMEs entrepreneurs indeed are noted for their propensity to seek new opportunities” (Carson et al., 1995, p. 83). The entrepreneurs always have to think creatively about their marketing issue (Carson et al., 1995) and the customer demand is the fundamental catalyst for firms to achieve their market competence (Chaston, Curtis & Smith, 2004; and Gupta, Raj & Wilemon, 1986). They can decide their marketing strategies speedily, due to the independence of their decision making. However, as we have stated earlier, some inherent characteristics of small businesses might influence them to have distinctive marketing strategies or problems, such as:

- Small firms rely on local markets or small geographic markets (Stokes and Wilson, 2002), especially for restaurant industry (Lee-Ross and Lashley, 2009). Consequently, their customer base is limited (Stokes and Wilson, 2002). The managers prefer to build personal contact relationships with small groups of customers (Stokes & Wilson, 2002, and Carson et al., 1995).
- Small firms are typically short of cash. Financial constraints restrict their ability to employ marketing specialists. This leads Carson (1990) to conclude that “the marketing constraints on small firms take the form of limited resources, limited specialist expertise and limited impact” (in Stokes and Wilson, 2002, p. 356).
Another marketing characteristic of small firms to emerge from the above constraint is a personalized management style. It can be argued that “SMEs are owner-managed, their marketing activities must be shaped and influenced to a large degree by the lead entrepreneur” (Carson et al., 1995, p. 83).

Next, owner-managers of small firms make decisions individually, sometimes, they are too confident of success. “Risk may be taken in a circumstance of over-confidence when the entrepreneur has been convinced that the circumstance will lead to success and for this reason any perceived risks have been rationalized to a minimum” (Carson et al., 1995, p. 84). Thus, there lies a failure in understanding key marketing issues.

Small firms always lack sufficient managerial attention and formalised plans for marketing. They may not understand the formal procedures in making a decision, and instead make decisions in reaction to market activities (Stokes and Wilson, 2002).

In summation it is clear that the entrepreneurship of small firms is influenced by their marketing activities. The advantages of these activities for small firms are in terms of flexibility, efficiency, and speed reaction. On the other hand, these firms are also risk-takers, and sometimes the owner-managers may be too over-confident to have a correct strategy.
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2.8 Global Entrepreneurship Monitor (GEM)

The Global Entrepreneurship Monitor (GEM) is an international project aimed at annual measurement of entrepreneurial activity. Only Japan, Russia, France, Belgium, Hong Kong are ranked lower than Taiwan in terms of total entrepreneurial activity among the 37 economies studied in GEM (see appendix I, p.327). Taiwan is one of the least entrepreneurial countries according to the TEA index*. Taiwan’s (Chinese Taipei) entrepreneurship prevalence rate, as measured by the total TEA index, is 4.3% of the adult population.

“Although TEA is, to our knowledge, the only internationally accepted and implemented measure of entrepreneurship available to date; it is nevertheless a limited measure. Entrepreneurship is an attitude that predisposes a person to action. A person with an entrepreneurial attitude ceaselessly searches for potential value creation” (Chua et al., 2002, p.20). Despite its limitations, TEA is an indicator of the percent of the population who have actually been involved in setting up a new business over the past 42 months (Chua et al., 2002).

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**Total Entrepreneurial Activity (TEA) index** is a survey which produced a measure of entrepreneurial activities and had been done in 2002 in Hong Kong. The three main sources of data of TEA are

1. Adult Population Survey: in each of 37 GEM countries selected randomly from 1,000 to 1,500 adults whose responses to up to 40 questions each were used to measure the entrepreneurial behaviour and attitudes of the population.
2. Expert Interview: was provided by wide-ranging personal interview conducted by scholars with from 20 to 70 experts in each GEM economy.
3. Standardized economic data from external sources: national economic data were collected from sources which included the World Bank, the United Nations, the World Competitive Index and the International Monetary Fund.

*TEA index*: Total Entrepreneurial Activity (TEA) index

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This research aims to analyse an important aspect of entrepreneurship among small firms’ own-managers in Taiwan. Entrepreneurship in small firms has been discussed in many academic papers in recent years. For Taiwan, Li (1989), and Lin (1998) conclude that the factor of entrepreneurship is essential to the success of SMEs. Also, Wade (1990), and Levy (1991) find that Taiwanese SMEs are nimble and always
ready for facing new competition. For more information about entrepreneurship, the TEA results and SMEs policies, and government measures in Taiwan will be discussed in the following section.

2.8.1 Government programs

Figures 2.5 and 2.6 show that the experts in Taiwan gave the Taiwan government the highest score for the priority of SME policies in comparison to expert reviews in other GEM countries.

Figure 2.5 GEM-government programs (1)

The above figure shows ratings by Experts of the statement. Ratings above 3 indicate agreement. Ratings below 3 indicate disagreement. Adopted from Chua et al. (2002), Hong Kong GEM 2002 National Report
Moreover, the Taiwan government has recently sought to strengthen SMEs’ competitiveness ability via a range of policies including:

- A wide range of government assistance through a single agency;
- Science parks and business incubators for new and growing firms;
- Adequate government programs.

The key issue to consider is what the Taiwanese government has done to help SMEs improve their competitiveness in the past few years. Much of the content of this section refers to the White Paper SMEA R.O.C. In order to build Taiwan into an ideal environment for SME operation and growth, the Small and Medium Enterprise Administration (SMEA) of the Ministry of Economic Affairs has been focusing on five key areas in its policy formulation: creating a first-rate environment for SME development; building up SME start-up and incubation platforms; improving the SMEs’ IT capabilities; strengthening the overall SME management guidance function; and integrating SME finance and financing mechanisms (White Paper, 2006).
2.8.1.1 Creating a first-rate environment

To prevent a situation where SMEs were forced to be rivals in a disadvantageous legal and regulatory environment, the Taiwanese government introduced the SME Development Statute in 1991, and in 2000 an additional clause was added to the Statute. A series of seminars and lectures have been held throughout Taiwan by government at which experts on legal affairs have been available to answer questions from business owners’ which they are dealing with at that time or were faced before.

For supporting SMEs’ future needs, the SMEA undertook policy research relating to SMEs. There are five topics, which are related to the service industry, and have been indicated as of more immediate importance.

1. Research on the establishment of joint branding for SMEs;
2. Research on how to use high technology to foster the development of local industries;
3. Research on strategies for strengthening SMEs’ innovation capabilities;
4. Research on the feasibility of establishing incubation mechanisms for SMEs in the service sector;
5. Analysis of the impact of Avian Influenza on Taiwan’s SMEs, and on possible response strategies.

2.8.1.2 Establishment of SME start-up and incubation platforms

To strengthen the provision for encouraging innovation and R&D, and to assist with the establishment and development of new enterprises, in 1996 the SMEA began working with other government agencies, research institutes, universities and the private sector to develop strategies for SME incubation. There were 91 incubator centres in Taiwan in 2005, of which 73 were receiving government subsidies. The main purpose in establishing an incubator centre is to provide start-ups with the technology, funding, management, marketing resources that they need to reduce the level of expenditure and risk during the process of new business establishment and when undertaking innovation, thereby speeding up the rate at which the results of R&D can be commercialized.
2.8.1.3 Upgrading SMEs’ e-enablement and quality management capabilities

In order to help SMEs to improve their competitiveness the government created a five-year plan to promote e-enablement among SMEs in 2002, followed in 2003 by a policy to upgrade SME Quality Management. This is to help SMEs to establish effective quality management systems and comply with the requirements of new environmental protection.

In 2005, the SMEA worked with 10 industry associations and invited 100 companies from each industry to participate in the project by inputting information of their respective companies and products into the databases. Overall, over 1,000 items of information were entered into the databases. SMEA also did some research to help SMEs to upgrade the ability of e-business development. The aim of this is to investigate the problems proposed by SMEs when they were setting up e-business environment. Otherwise, quality management is supported through special clinics provided by SMEA, which helps SMEs upgrade the various systems contributing to overall operational quality and environmental protection.

2.8.1.4 Strengthening the SME management guidance function

In order to build a solid foundation for global competitive in the future, the SMEA has been implementing the plan to assist SMEs in upgrading their technology capabilities. The aim of this is to promote and increase the success rate in technology matching, thereby helping SMEs in Taiwan to upgrade and transform themselves into technology-based companies. Furthermore, SMEA organised a number of awards to encourage SMEs to improve themselves. An overview of each award is given below: (1) National Award for Small and Medium Enterprises, (2) Small and Medium Enterprise Innovation Research Awards, (3) Little Giant Awards. The purpose of this last award is to honour those small firms which have achieved particularly excellent export performance, and contributed to Taiwan’s economic development. (4) Outstanding SME Guidance and Service Personnel Awards and (5) Golden Book Awards. To encourage SME owners and employees to read more and helping SMEs to meet the new challenges of the future, Golden Book Awards have been set up to encourage the writing, translation and publication of more books that are of practical use to SMEs (White Paper, 2006).
2.8.1.5 Integration of SME financing mechanisms

In order to strengthen SMEs’ financial structure and facilitate the securing of financing, the SMEA has planned a range of financing guidance services for SMEs to ensure that SMEs have the ability to access the working capital they need. These include: (1) a scheme to help SMEs obtain secure loans and solve their financing problems; (2) short-term financing diagnostics and guidance service, provided to 110 SMEs, and long-term financing diagnostics and guidance service provided to 11 SMEs. These have the aim of helping SMEs to strengthen their financial structure and their financial and accounting management abilities, and improve the financing channels available to SMEs, thereby making it easier for SMEs to secure loans (White Paper, 2006).

Berger and Udell’s Financial Growth Cycle Model (1998) suggests that small and younger firms are not likely to obtain external or financial sources. Under this situation, Taiwanese government is able to provide this kind of demand for younger and new small firms. According to the findings in GEM, experts agree that there is sufficient funding for new and growing firms in Taiwan.
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2.8.2 Financial support

Figure 2.7 compares the acknowledgements of the experts in those Asian GEM economies and the US regarding the availability of equity funding. Taiwan plays a lead role in availability of equity funding among Asian GEM countries and achieves approximately the same level as Singapore. The majority of experts in Taiwan agree there is sufficient equity funding for new or growing firms in the economy.

Figure 2.7 GEM-government programs (3)

![Equity Funding Bar Chart](image)

Ratings above 3 indicate agreement. Ratings below 3 indicate disagreement. Adopted from Chua et al. (2002), Hong Kong GEM 2002 National Report

Figure 2.8 shows that slightly more experts (value 3.2) in Taiwan agree that there is sufficient debt funding for firms. The score is higher than in most other Asian countries, and is approximately the same as in India.

Figure 2.8 GEM-government programs (4)

![Debt Funding Bar Chart](image)

The above figure shows ratings by Experts of the statement. Ratings above 3 indicate agreement. Ratings below 3 indicate disagreement. Adopted from Chua et al. (2002), Hong Kong GEM 2002 National Report
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For this topic, different experts would have different opinions. Chua et al. (2002) give an impartial comment for the situation in Hong Kong which would explain the situation in Taiwan as well. They indicate that some experts stated that debt funding was not available for start-ups and that venture capital funding was not available for early stages. Others stated that banks tended to lend to start-ups only if the entrepreneurs were able to pledge real estate as collateral (Chua et al., 200

2.8.3 Government policies

Turning to Figures 2.9 and 2.10, these show those government policies in Taiwan that are outstanding compared to the rest of the GEM economies. Taiwanese government policies are ranked number one both in consistently favouring new firms, even though the score is still lower than 3; and because support for new and growing firms is a priority.

Figure 2.9 GEM-government policies (1)

The above figure shows ratings by Experts of the statement. Ratings above 3 indicate agreement. Ratings below 3 indicate disagreement. Adopted from Chua et al. (2002), Hong Kong GEM 2002 National Report
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Figure 2.10 GEM-government policies (2)

The above figure shows ratings by Experts of the statement. Ratings above 3 indicate agreement. Ratings below 3 indicate disagreement. Adopted from Chua et al. (2002), Hong Kong GEM 2002 National Report.

Generally speaking, during recent years, the Taiwan government has set up a series of well-known various policies, such as tax incentives, low interest loans, special programs and the establishment of Science Parks to assist and encourage the development of the IT industry. Surprisingly, according to GEM’s research, most Taiwanese respondents do not capture these advantages provided by government. One suggestion is that the Taiwan government does its best to assist IT industry, but on the other hand, overlooks other industries.

2.8.4 Education and training

Cooper et al. (1994) state that Taiwan has great strength in its well-educated population having a good knowledge of business practice. However, education and training are the main weaknesses of the educational system in Taiwan. Chua et al. (2002) conclude that the education system in Hong Kong can also explain the situation in Taiwan. Although Taiwan has an educated workforce, the education system has not prepared it for a knowledge-based economy. Young people in Taiwan lack independent thinking and creativity (Mok, 2002). The main target for students in this educational system is to pass examinations rather than develop wider skills. Besides, poor language skills in English render young people ill-prepared for work in a global economy. Experts often suggest that the nurturing of the spirit of entrepreneurship and building basic enterprise skills should begin at school and acknowledge that it was good that the government has taken steps to reform the
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education system (Chua et al., 2002). The examination-oriented education requires the student to learn by rote and memorization which is nearly impossible for developing basic skills and attitudes for being entrepreneurial (Chua et al., 2002). These skill include,

- Independent thinking and self-reliance;
- Critical thinking in identifying and understanding problems;
- Creativity in solving problems.

Not only the government but also education experts have wanted to reform those weaknesses. For example, Chen, Lin and Lee (2004) suggest that establishing a good vocational educational system can offer well-trained human resources to enterprises. Mok (2002) indicates that the education system has to be changed from the current government policy. However, it can be argued that this is quite difficult to change, because according to Hofstede’s (1994) analysis of culture, the Taiwanese culture exhibits high power distance, strong uncertainty avoidance and collectivism (Griffin and Pustay, 2003).

2.8.5 Marketing strategy of small firms in Taiwan

Siu, Fang and Lin, (2004, p.162) indicate that “although Taiwan has operated for 50 years under a system that bears much resemblance to capitalistic Western societies (Fuller and Peterson, 1992), researchers (Chang, 1985; Yeh, 1991; and Redding, 1993) observed that there are significant differences between Taiwan and Western companies with respect to business strategy, management style and organisational culture”. Taiwanese business culture is deeply embedded in Chinese culture, which means that the individual should behave according to their place in the social hierarchy; and also assume the associated obligations.

Some researchers (Silin, 1972; Yau, 1988; Wong, 1988, 1991; Numazaki, 1997; and Liu & Brookfield, 2000) have found that owner-managers believe that success will not be solely influenced by marketing strategy, but by doing favours for others, trust, creditworthiness and establishing social networks. Overall, Siu, Fang and Lin (2004, p.165) summarise some research about marketing strategy in Taiwan. For example, “Chinese firms adopt a long-term orientation in doing business (Redding, 1982 and Luo (1997). However, Numazaki (1997) and Liu & Brookfield (2000) observe that
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Taiwanese SMEs owner-managers are engaged in many short-term profit-seeking activities”. Furthermore, Wilson & Pusey (1982) and Redding & Wong (1986) found “Chinese owner-managers tend to set conservative rather than offensive or aggressive corporate objectives” (Siu, Fang and Lin, 2004, p.165).

Siu, Fang and Lin (2004, p.165) accept opinions from Haley and Tan (1996) and Haley (1997) that “Chinese owner-managers have adopted defensive strategies by using personal contact networks as a competitive advantage against foreign multinational companies, local non-network firms and new entrants or competitors without established community experience and connections”. Siu (2002), and Siu, Fang and Lin (2004, p.170) also indicate that “the higher performing Taiwanese SMEs set long-term defensive profit objectives than the lower performing Taiwanese SMEs”

Defensive profit is a type of strategy designed to create income, profit and meet financial goals by carelessness and short vision. (Hanser and Shugan, 1983)

Nevertheless, Chen (1999) and Huang (2001) conclude that as high production costs have eroded competitiveness, maintaining the quality of products and developing new products have become important strategic decisions for Taiwanese owner-managers nowadays.

Finally, as mentioned previously, because of the educational system, the way in which this is related to management and strategy is not sufficient in Taiwan. Management training is an important determinant of market orientation (Horng and Chen, 1998). Hence, it is worthwhile for SMEs to put more effort and budget into marketing training for its managers, because the most important marketing issue facing Taiwanese traditional industries is a lack of professional and talented marketing managers (Horng and Chen, 1998).

Internet marketing is another issue related to market strategy. According to the research by Stuart and Jones (2004, p.84) “some companies are hailing the internet as an outstanding way to enhance their business activities, particularly those that are small and want to compete global”. Watson et al. (2000) also indicate that companies
should deploy the internet. One common reason for setting up a website, apart from competitive pressures, is as a market penetration strategy, that is introducing products and services to a wide range of marketplace.

In spite of that, an example of small business that felt the internet was more distraction was given by Raisian (2001), who reported on a trading and distribution company in South East Asia. Despite cost saving, Raisian (2001) also outlines two problems. One issue raised the need for a personal touch; she doubted that a website, without the personal contact, could win more business for firms, customers refused to negotiate over the internet. On the other hand, she also mentioned the need for constant upgrades of costly software, and the vulnerability of computer databases to attack by computer viruses.

Overall, every company needs to examine the advantages and disadvantages of applying the business to the internet. The advantages and disadvantages of a website were researched by Leong, Huang and Stanners (1998, p.48). The advantages listed by the authors included: “the corporate website is an excellent way to convey text information and detail, it is a rational medium where stakeholders can obtain detailed information on products and services, it is effective for short and long-term promotions, and it complements other media used by the company”. One of the main disadvantages detected by the research is that “which directly relates to the corporate brand, is that the website is not effective in stimulating emotions” (Leong, Huang and Stanners, 1998, p.48).

2.9 The behavioural characteristics of small business

Previous research on small business and entrepreneurship had been addressed in sections 2.7.1 to 2.7.5. This section draws out the key behavioural characteristics of small firms from the above sections.

1. The struggle to raise finance. At the point of launching a new venture an entrepreneur is typically short of cash. The owner-managers of small firms rely on private capital markets; but it is often difficult to receive funds from banks. Section 2.8 presented the view that the majority of experts in Taiwan agree there
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is sufficient equity funding for new or growing firms in the economy. However finance sources for small business may typically include personal savings; or loans from family or friends, or business angel finance, and perceptions of the ease with which banks will lend to small businesses, particularly in the early stages, may be mixed.

2. Owner-managers of small firms typically rely on local markets or the markets that they know. They prefer to establish good personal relationships with small groups of customers. Accordingly, their customer base may be limited. In addition, using the internet is another issue deserving of mention for small business. There are advantages in using the internet as a good way to improve small firms’ business, create more opportunities, and decrease costs (Burns, 2007 and Raisian, 2001). However, the owner-managers of small firms may also doubt, particularly in Asian culture, that internet can improve business for small firms without personal contact (Raisian, 2001).

3. The owner-managers of small firms may not understand the formal procedures for marketing their businesses due to the generally lower academic achievement. In order to improve strategies for marketing their businesses, an appropriate suggestion might be the employment of marketing specialists. However, financial constraints restrict this possibility.

4. The isolation and loneliness of the small owner-manager. As discussed already, SMEs are typically managed in a personal way. Owner managers may make decisions by themselves, and struggle to delegate to other staff effectively. This may lead owner-managers of small firms to think that ‘other people do not understand me; they do not understand the reasons why I made these decisions’.

5. Although owner-managers of small firms may desire to grow their businesses, they may lack competencies or capacity for changing processes, willingness to take risks, and ability to launch new products and services. Their confidence of success and sense of self-efficacy are restricted.
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Overall, according to the foregoing discussion in this chapter, this study here presents some of the characteristics, and the strengths and weaknesses of small business compared with large companies as concluded by Nooteboom (1994) and shown in Figure 2.11.

Figure 2.11 The characteristics, the strengths and weaknesses of small business

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) intertwined ownership and management</td>
<td>motivated management</td>
</tr>
<tr>
<td>(2) variation and improvidence</td>
<td>motivated labour</td>
</tr>
<tr>
<td>(3) short communication line (owner-managed)</td>
<td>internal flexibility</td>
</tr>
<tr>
<td>(4) few and simple procedures; personal, oral internal communication</td>
<td>low cost and little distortion of internal communication</td>
</tr>
<tr>
<td>(5) personal and close relationship with customers</td>
<td>capacity for customisation</td>
</tr>
<tr>
<td>(6) tacitness of knowledge</td>
<td>appropriability</td>
</tr>
<tr>
<td>(7) tacit knowledge</td>
<td>limited capacity for absorption of new knowledge</td>
</tr>
<tr>
<td></td>
<td>lack of information</td>
</tr>
<tr>
<td>(8) few markets (focus in local market)</td>
<td>little spread of risk</td>
</tr>
<tr>
<td>(9) no staff functionaries</td>
<td>lack of functional expertise</td>
</tr>
<tr>
<td>(10) lack of managerial time</td>
<td>ad hoc management, short term perspective</td>
</tr>
<tr>
<td>(11) possible lack of finance</td>
<td>lack of means for growth</td>
</tr>
</tbody>
</table>

Weaknesses

2.10 Conclusions

Chapter Two set out to review the definition of SMEs and the development of SMEs in the past few years in Taiwan. The role, the structure and the performance of SMEs were described in this chapter. Therefore, the knowledge of SMEs in Taiwan that was necessary for this research was charted. Moreover, much previous research on SMEs was also reviewed and showed much useful information for the research. The presentations of entrepreneurship in Taiwan provided by the TEA index were discussed as well. All of that useful knowledge and the empirical results provide contributions to strengthen the framework of the research.

Some critical findings that come from Chapter Two cover not only the general background of SMEs in Taiwan but also the perception of entrepreneurship in SMEs and the treatment of SMEs under government policy. It can be seen that owner-managers in Taiwan score high for entrepreneurship, while the government is able to support the sector in various ways.
Chapter Three: Customer Value and Business Reputation

The term “corporate reputation” has certainly moved into the spotlight recently. As mentioned in Chapter One, Barnett et al., (2006) present some examples of how the study of corporate reputation has become intensive over the past few years.

Fombrun (1996) and Fombrun & Shanley (1990) reveal that reputation emerges from many elements, these elements are: (i) managerial quality; (ii) financial strength; (iii) product and service quality; (iv) innovation; (v) use of corporate assets/efficiency; (vi) capability to gather, develop and retain talented people; (vii) social responsibility among the community; and (viii) value of long term investment. It may be argued, because of those many origins, that no single definition of reputation has been defined and this will be discussed in Section 3.1.

Stakeholder theory indicates that companies should be operated for the benefit of all ‘stakeholders’, not just for ‘shareholders’ (Freeman, 1984). While the term ‘stakeholder’ was first recorded in the 1960s, the theory was developed by Freeman (1984) in the 1980s. His original definition (1984, p.46) is perhaps the most widely used: “A stakeholder in an organisation is …… any group or individual who can affect, or is affected by, the achievement of the organisation’s objectives”. Stark (1994) also mentions that the stakeholder theory of the firm is probably the most popular and influential theory in business ethics. The stakeholders of a company can be an individual or a group which can influence a company or be influenced by company’s practices and which generally includes suppliers, consumers, employees, shareholders, financial community, government and media (Stark, 1994).

Corporations which behave ethically and are governed in a good manner could build good reputational capital, which in turn is a competitive advantage for corporations. According to Fombrun (2001) a positive reputation enhances profitability because it attracts customers to products, investors to securities and employees to its jobs. A
company’s reputation is an intangible asset and wealth that gives a company a competitive advantage because this kind of a company will be attractive as reliable, trustworthy and responsible for customers, employees, shareholders and financial institutions. This can be seen as an outcome of managers’ efforts to prove their success and excellence.

Furthermore, a good business reputation is one of the main business assets and a resource leading to competitive advantage (Barney, 1991; Hall, 1992; Dierickx & Cool, 1989; and Roberts & Dowling, 2002). Reputation management is rising in importance in the past few years. O’Rourke (2004, p.14) indicates: “one of the most valuable assets that any company has is its reputation”.

While all companies would need a better reputation, many are not sure whether a good reputation leads to good profit and others are not sure whether profit is the cause or effect of a good reputation (Dowling, 2006). Feri (2004) indicates that individual reputations of corporations may be a key route to a satisfactory explanation. He indicates that different firms may succeed with different degrees of reputation, and each firm can develop their own good quality or strengths first. Smith (2003, p.28) reveals from a survey from the Association of Insurance and Risk that managers of the top 250 UK companies in 2000 state that “damage to reputation was the biggest business risk they faced”.

Developing a plan to protect reputation is a necessary step for all companies but there is no definitive way to go about doing this. Each company will handle the progress differently. For some it may take a change in corporate culture in order to recognize the value of reputation while others may simply be able to make it a part of their existing crisis management plan (O’Rourke, 2004). Some companies spend hundreds of thousands of money to create an image, brand name or marketplace reputation, and that takes years to establish (O’Rourke, 2004 and Ochenkowski, 2004). Thus, Ochenkowski (2004, p.15) states: “risk management is not complete if it does not include reputational risk”.

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Introduction:
A firm’s or product’s reputation may need several years to be shaped. However, it can be destroyed in a short time or as a result of one incident. A very good example emerged in January 2010, as Toyota recalled 2.3 million vehicles in America and then suspended sales and productions of eight models with potentially faulty accelerator pedals. This has produced shockwaves throughout the industry. Until recently, Toyota’s safety problems and record recalls damaged their reputation and incurred greater debts. “Not only is Toyota’s brief reign as the world’s largest carmaker threatened but, more important, so too is its reputation for matchless quality and management” (The Economist, February 6th-12th 2010, p.67). This makes clear that reputation is one of the most difficult resources to accumulate. Deephouse (2000) points out that reputation is developed through time, through a complex social process.

Different models related to the definition of reputation will be described in this chapter. The structure of Chapter Three is in the following sections.

3.1 The definitions of reputation
3.2 Does reputation come from public media?
3.3 The relationship between business strategy and business reputation
3.4 Financial situation and social reputation
3.5 Three typologies: servicescape, trust and service quality.
3.6 Conclusions
Chapter Three: Customer Value and Corporate Reputation

3.1 The definitions of reputation

Today, there is much research that has certainly moved corporate reputation into the spotlight (Barnett et al., 2006). Even though corporate reputation is seen as important, there is no doubt that previous research cannot provide a single definition for reputation. Although corporate reputation is ubiquitous as an issue, it remains relatively understudied. That is because corporate reputation tends not to be noticed until it is threatened (Fombrun, 1996).

What is corporate reputation? It can be widely accepted that there is no united approach to the concept. Barnett et al. (2006) suggest that, while many scholars have gathered under the same impressive effort of Fombrun and Van Riel (1997), it is still important for further research to devote some serious attention to establishing a ‘vocabulary’. In order to have a definitional and other theoretically-oriented study of the term ‘corporate reputation’, some scholars (Gotsi & Wilson, 2001; Davies et al., 2001; Lewellyn, 2002; Mahon, 2002; and Wartick, 2002) have recently reissued opinions provided by Fombrun and Van Riel (1997). For example, Gotsi and Wilson (2001) begin their review with the various definitions in this area, even some contradictory definitions for the term ‘corporate reputation’. Lewellyn (2002, p.454) states that the purpose of her study is to “focus the conceptual mess – the zeitgeist of the reputation literature…”, but she does agree that the subject of reputation is one which still needs more research to be done in the future. Mahon, (2002, p.415) maintains that reputation is still an idea that is “not as clear as it might initially seem to a casual observer”. Wartick (2002) states that the definition of corporate reputation perhaps is the most comprehensive issue. He states: “… definitions and data are found to be lacking, and … many deficiencies in definition and data can be attributed to the fact that theory development related to corporate reputation has been insufficient” (Wartick, 2002, p.371)

Barnett et al., (2006) indicate while the power engine of doing research on the concept of corporate reputation has started over the past years, a precise and common agreement on definitions is still lacking. They review many definitions of corporate reputation presented recently and categorize the definitions based on their similarities and differences. Section 3.1.1 will discuss those definitions.
Chapter Three: Customer Value and Corporate Reputation

3.1.1 Fombrun and Van Reil model

The model provided by Fombrun and Van Reil (1997) is reviewed first. Barnett et al., (2006) based on Fombrun and Van Reil (1997); identify three distinct clusters of meaning in the definitional statements: reputation as a state of asset, reputation as an assessment and reputation as awareness. These are explained in Tables 3.1, 3.2 and 3.3. Those definitions listed in Table 3.1 indicate that reputation is a kind of asset, (for instance, Abratt & Mofokeng, 2001; Nguyen & Leblanc, 2001; Raj, 1985; and Balmer, 2001 & 1995) and considered as something of value and significance to the firm. Goldberg et al., (2003), Drobis (2000) and Miles & Covin (2000) agree that it is an ‘intangible resource’ and ‘intangible asset’. Fombrun (2001) provides another opinion, namely ‘economic asset’. Other statements include for example: ‘outcome of competitiveness’ (Spence, 1974), ‘important asset’ (Riahi-Belkaoui and Pavlik, 1992) and, ‘corporate assets’ (Fombrun et al., 1999). They all believe that a firm’s reputation has ‘real value’ instead of “just defining the word”.

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Citation</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset</td>
<td>Goldberg et al. (2003)</td>
<td>An intangible resource</td>
</tr>
<tr>
<td></td>
<td>Mahon (2002)</td>
<td>A resource for the firm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>An asset</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial soundness</td>
</tr>
<tr>
<td></td>
<td>Miles and Covin (2002)</td>
<td>A valuable but fragile intangible asset</td>
</tr>
<tr>
<td></td>
<td>Abratt and Mofokeng (2001)</td>
<td>An asset</td>
</tr>
<tr>
<td></td>
<td>Fombrun (2001)</td>
<td>Economic asset</td>
</tr>
<tr>
<td></td>
<td>Nguyen and Leblanc (2001)</td>
<td>An asset</td>
</tr>
<tr>
<td></td>
<td>Drobis (2000)</td>
<td>Intangible asset</td>
</tr>
<tr>
<td></td>
<td>Miles and Covin (2000)</td>
<td>Intangible asset</td>
</tr>
<tr>
<td></td>
<td>Yoon et al. (1993)</td>
<td>An asset</td>
</tr>
<tr>
<td></td>
<td>Fortune AMAC: Fombrun et al.</td>
<td>Wise use of corporate assets</td>
</tr>
<tr>
<td></td>
<td>1999)</td>
<td>Quality of Management:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quality of products or services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Innovativeness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Long-term investment value</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial soundness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ability to attract, develop and keep talented</td>
</tr>
<tr>
<td></td>
<td></td>
<td>people</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Responsibility to the community and the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>environment</td>
</tr>
<tr>
<td></td>
<td>Riahi-Belkaoui and Pavlik</td>
<td>Important asset</td>
</tr>
<tr>
<td></td>
<td>(1992)</td>
<td></td>
</tr>
</tbody>
</table>
In Table 3.2, reputation is viewed as assessment (for instance, Bailey, 2005). The question is assessment for what? Those definitions involve an assessment of the status of a firm by observers and stakeholders and define corporate reputation as a judgment, an estimate, an evaluation or a gauge. The four terms are synonymous in meaning (Barnett et al., 2006). In addition, the terms of ‘opinions’, ‘beliefs’, ‘evaluation’ and ‘comparison’ are also well adopted into this cluster because assessment may be defined as an ‘aggregation’ of judgmental definitions (Barnett et al., 2006).

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Citation</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment</td>
<td>Bailey (2005)</td>
<td>Stakeholders’ overall assessment over time</td>
</tr>
<tr>
<td></td>
<td>Larkin (2003)</td>
<td>A value judgement</td>
</tr>
<tr>
<td></td>
<td>Lewellyn (2002)</td>
<td>Stakeholders’ evaluation of their knowledge of a firm</td>
</tr>
<tr>
<td></td>
<td>Mahon (2002)</td>
<td>An estimation of a person or thing</td>
</tr>
<tr>
<td></td>
<td>Bennett and Gabriel (2001)</td>
<td>Distribution of opinions</td>
</tr>
<tr>
<td></td>
<td>Fombrun (2001)</td>
<td>Subjective, collective assessment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Judgement of firms’ effectiveness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aggregate judgements</td>
</tr>
<tr>
<td></td>
<td>Fombrun and Rindova (2001)</td>
<td>Gauge of the firm’s relative standing</td>
</tr>
<tr>
<td></td>
<td>Gotsi and Wilson (2001)</td>
<td>Overall evaluation of a company over time</td>
</tr>
<tr>
<td></td>
<td>Bennett and Kottasz (2000)</td>
<td>Opinions of an organisation developed over time</td>
</tr>
<tr>
<td></td>
<td>Cable and Graham (2000)</td>
<td>Affective evaluation</td>
</tr>
<tr>
<td></td>
<td>Deephouse (2000)</td>
<td>Evaluation a firm</td>
</tr>
<tr>
<td></td>
<td>Dukerich and Carter (2000)</td>
<td>Assessment based on perceptions</td>
</tr>
<tr>
<td></td>
<td>Fombrun and Rindova (2000)</td>
<td>General esteem</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regard in which the firm is held</td>
</tr>
<tr>
<td></td>
<td>Gioia et al. (2000)</td>
<td>Lasting, cumulative, global assessment</td>
</tr>
<tr>
<td></td>
<td>Schweizer and Wijnberg (1999)</td>
<td>A shorthand evaluation about the stock of information about the firm</td>
</tr>
<tr>
<td></td>
<td>Fombrun (1998)</td>
<td>Describes the firm’s overall attractiveness</td>
</tr>
<tr>
<td></td>
<td>Gray and Balmer (1998)</td>
<td>A value judgement about a company’s attributes</td>
</tr>
<tr>
<td></td>
<td>Raindova and Fombrun (1998)</td>
<td>Aggregate assessment of constituents of an organisation</td>
</tr>
</tbody>
</table>
Chapter Three: Customer Value and Corporate Reputation

<table>
<thead>
<tr>
<th>Author(s) and Year</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dutton et al. (1994)</td>
<td>Beliefs about what distinguishes a firm.</td>
</tr>
<tr>
<td>Fombrun and Shanley (1990)</td>
<td>Public’s cumulative judgments.</td>
</tr>
</tbody>
</table>


The third cluster, which has been labeled awareness, shows those definitions which refer to a ‘sentence’ that observers or stakeholders have a general perception of a firm but do not make judgments. In this cluster, corporate reputations are referred to “as an aggregation of perceptions, latent perceptions, net perceptions, global perceptions, perceptual representations and collective representations of knowledge or emotions, since these indicate an awareness of the firm” (Barnett et al., 2006, p.32). Table 3.3 gives details of these definitions.

**Table 3.3 Reputation as a state of awareness**

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Citation</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness</td>
<td>Larkin (2003)</td>
<td>Reflection of a (firm’s) name</td>
</tr>
<tr>
<td></td>
<td>Alessandra (2001)</td>
<td>It is formed over time by repeated impression of the corporate image.</td>
</tr>
</tbody>
</table>
To summarize three clusters, reputation is the perception of a firm in customers’ minds and it is not easily duplicated and imitated. When a firm has a positive business reputation, this can not only lead to tangible or intangible competitive advantage but also attract stakeholders.
Chapter Three: Customer Value and Corporate Reputation

3.1.2 Barnett, Jermier and Lafferty model

Barnett et al., (2006) distinguish corporate reputation from identity, image and reputational capital, as presented in Figure 3.1. They indicate that the definition of corporate reputation encompasses many aspects. For instance, a comprehensive definition of corporate reputation as stated by Fombrun (2001) is employed as a guide in an economic asset (reputation capital), a representation (image) and a judgment (reputation), rather than blends these aspects into a general definition of corporate reputation.

Barnett et al., (2006) also adopt the opinion, suggested by Melewar and Jenkins (2002) that not identifying a firm’s image via an inside stakeholder, but rather, as the underlying “core” or “basic characteristic” of the firm. If a firm has rooted a good ‘core’ or ‘characteristic’ deeply in customers’ mind, then it creates a good image of which customers are aware of it. A positive judgment comes from a good image. Next, a good corporate reputation is produced, and following from this comes an asset for the firm. This can be an intangible or an economic asset, but one which is a very important.

![Figure 3.1 Disaggregating corporate reputation](image)

- Corporate identity means *Collection of symbols.*

The foundation of the corporate identity concept was established by Albert and Whetten (1985) and has been developed in the field of reputation studies by Fombrun and Van Riel (2004), who state that it consists of “(a) features that employees consider central to the company, (b) features that make the company distinctive from other companies (in the eyes of employees), and (c) features that are enduring or continuing, linking the present, and the past to the future” (Barnett et al., 2006, p.33).
Chapter Three: Customer Value and Corporate Reputation

- Corporate image means *Impressions of the firm* = Awareness
  Gray and Balmer (1998, p.696) give a definition of image as “what comes to mind when one hears the name or sees the logo of a particular firm”. It is formed over time by repeated impression of the corporate image (Alessandri, 2001). Otherwise, “the image can be shaped but not controlled by an organisation because factors such as media coverage, governmental regulations and surveillance, industry dynamics, and other external forces also influence impressions of the firm” (Barnett et al., 2006, p.34).

- Corporate reputation means *Judgments by observers* = Assessment
  Whether the observer is internal or external to the firm, the impression of a corporation would be judged via distinct collection of symbols or logos (e.g. Gray and Balmer, 1998) or financial performance (e.g. Barnett et al., 2006; Mahon, 2002; and Fombrun, et al., 1999) or news from the media (e.g. Deephouse, 2000; Palmgreen & Clark, 1997; and Stempel, 1991) or any other resources and so on.

- Corporate reputation capital means *Economic asset* = Asset
  This means corporate reputation is a kind of intangible, economic asset which would contribute to a business which has a good image that comes from customer value. Barnett et al., (2006, p.34) emphasizes that “judgment may be rooted in perceptions of the firm’s identity and impression of its image, but often occurs as a consequences of unexpected events”. Unexpected events may arise from visible actions or mistakes or various external incidents, for instance: treating employees badly or not disposing of rubbish correctly and so on (Barnett et al., 2006). Once “good” judgments of a firm accumulate over a period of time, and then reputational capital will be developed. This kind of capital can be seen as an economic and intangible asset.

Overall, the study of corporate reputation is increasing rapidly. In spite of that, there is no single definition to define this important concept. Barnett et al., (2006) then have tried to discuss the precise nature of reputation as well as providing a conceptual definition of the corporate reputation. Thus, they offer the conceptual approaches shown in Figure 3.1 and summarized in the following definition:
“Concept Reputation: Observers’ collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time” (Barnett et al., 2006, p.34).

3.1.3 MacMillan et al. business relationship model
The conceptualization used by MacMillan et al. (2005) is similar to other academic research (Freeman, 2004; Davies et al., 2003; Waddock, 2002; and Fombrun, 1996), that defines reputation as a perception. As shown in Figure 3.2, perceptions come from experiences and business behaviours faced by stakeholders, which then creates trust (a future-oriented construct related to stakeholder expectation) and commitment (positive emotions towards a business). Finally, reputation establishes creative cooperation and stakeholder loyalty (Davies et al., 2003).

The results of their research indicate that “the better these experiences the more likely the stakeholders will trust the organisation and have positive emotions towards it. The stronger these feelings, the more likely stakeholders will behave in supportive ways to the organisation in the future” (MacMillan et al., 2005, p.229).
3.1.4 Lewellyn conception

Lewellyn (2002) suggests that future research needs to face and answer three very basic questions:

1. **Reputation for what?**
Companies may have different kinds of characteristics creating their reputation, for example, a good financial position (Barnett et al., 2006; Mahon, 2002; Fombrun et al., 1999; and Badenhausen, 1998), an excellence performance in innovation or R&D, or high quality products or services (Castro et al., 2006).

2. **Reputation to whom?**
“In principle, all people with a perception of a business should be taken into account” (MacMillan et al., 2005, p.218). Van Riel (1997) is especially interested in employees; Davies et al. (2003) concentrate on both customers and employees; while Badenhausen (1998) focuses on the views of financial position but also considers other opinions from other companies. In short, all these opinions are based on those points which they think particularly important to reputation.

3. **Reputation for what purpose?**
A good reputation like a highly regarded company or a popular brand with premium pricing, or one that may involve lower marketing costs, attracts better employees (Fombrun & Gardberg, 2000; and Fombrun et al., 2000). Moreover, it can help retain employees and attract customer loyalty in the market. Gaines-Ross (1998) agrees with similar benefits. He affirms these outcomes would bring with them better long-term financial performance and shareholder value.
3.1.5 The reputational landscape

There has been a lack of systematic attention to corporate reputation, which can be traced in the relevant academic literatures (Fombrun and Rindo\-va, 1996). Then, Fombrun and Van Riel (1997) provide six distinct points that are important but relatively neglected features of companies.

1. *The economic view*

“Economists view reputation as either traits or signals and both acknowledge that reputations are actually perceptions of firms held by external observers” (Fombrun and Van Riel, 1997, p.5). Consumers rely on a company’s reputation because they have much less information about the products than managers do, for example features of products, such as quality or reliability (Grossman & Stiglitz, 1980 and Stiglitz, 1989). Thus, to trust the reputation of the company would be the only way to follow when the consumer needs to make a choice.

A positive reputation also allows managers to create a perception of reliability and predictability in external observers (Myers & Majluf, 1984 and Ross, 1977). That is because the reputation can be seen as a kind of symbol that increases external observers’ confidence in the firm’s products and services and investors’ confidence in investment (Fombrun and Van Riel, 1997).

2. *The strategic view*

For this view, Caves and Porter (1977) look at reputation as both an asset and a mobility barrier. As discussed in section 3.1.1, an established reputation is an intangible asset; it is not something that can easily be demonstrated (Dutton & Dukerich, 1991 and Freeman, 1984) and reputations are valuable and intangible assets because they are unique and inertial features of firms (Cramer and Ruefli, 1994). It takes time to root in the observer’s mind (Wartick, 1992) and is difficult to duplicate and imitate (Fombrun and Van Riel, 1997).

3. *The marketing view*

For marketing research, a reputation is often labeled by a ‘brand image’ and focuses on the nature of information as a procession of ‘pictures in the head’ (Lippmann, 1992 and Fombrun & Van Riel, 1997). To build a familiar brand name requires a favorable,
Chapter Three: Customer Value and Corporate Reputation

strong, and unique association (Keller, 1993). However, this study does not explore the relationship between the brand name and the customer’s value. Hence, the discussion of brand names will end here.

4. **The organisation view**

For the organisation view, a company’s reputation is established in the sense-making experience of employees. A company’s culture and characteristics shape a firm’s business practice, and are also related to its reputation (Fombrun and Van Riel, 1997). A company’s culture influences the managers’ perceptions and motivation (Dutton & Dukerich, 1991 and Barney, 1986). A company’s characteristics affect the managers’ attitudes when dealing with environmental circumstances (Meyer, 1982 and Dutton & Dukerish, 1991). For employees, a company with a positive reputation is more easily able to attract and hold better employees (Larsen, 2000; Fombrun & Gardberg, 2000; and Fombrun et al., 2000).

5. **The sociological view**

The sociologist looks at reputation not only with regard to structural factors like company size and economic performance, but also with a view to social responsibility (Ashforth & Gibbs, 1990 and Shrum & Wuthnow, 1988). For more details of social responsibility and social reputation refer to section 3.4.

6. **The accounting view**

Current accounting practice may not truly reflect the real value of intangible assets (Deng and Lev, 1997). The valuation of R&D, training, branding and so forth which can establish a positive reputation for companies are typically listed in the cost items in financial statements. However, the contributions or reputations created by those practices are not presently recorded in the financial statement. From the strategist’s viewpoint, reputation is a form of very important and irreplaceable intangible asset; it would be a challenge for accounting research to develop a measure of how to make an evaluation of reputation (Rindova and Fombrun, 1998).
3.1.6 Other research related to reputation

Some other previous research also discusses reputation in the following ways.

- “Reputation is defined as the evaluation of a firm by its stakeholders in terms of their esteem and knowledge” (The American Heritage College Dictionary). This definition is similar to the previous definition that reputation is an assessment.

- “Reputation is used in a number of disciplines, such as sociology and game theory, and each discipline has its own conceptual definition” (Deephouse, 2000, p.1093).

- Reputation is an asset that belongs to the firm (Hall, 1992, 1993). “A firm’s reputation is produced by the interactions of the firm with its stakeholders and by information about the firm and its action circulated among stakeholders, including specialized information intermediaries” (Deephouse, 2000, p.1093). This refers to reputation as a kind of asset, an intangible asset (for example, Daellenbach, Sharma, & Vredenburg, 1998; and Logsdon & Wartick, 1995).

- Limitation of corporate reputation. A positive corporate reputation may not be equate to superior financial performance, stronger market share position or good social responsibility (Ou and Abratt, 2007; Ou, Abratt & Dion, 2006; Porritt, 2005; and Roman, Hayibor & Agle, 1999).

A firm sets up its reputation not just by ‘words’ but also, perhaps more importantly, by ‘behaviour’ (Caudron, 1997 and Fom burn, & Shanley, 1990). As described previously, reputation can be seen as an intangible asset and this can lead a business into sustained competitive advantage. Pruzan (2001) believed that corporate reputation is the sense of corporate image, and according to his idea the groups of constituencies which include customers, shareholders, employees, local communities, financial institutions, competitors, regulating bodies, and the media are increasingly interested in the ways that a corporation behaves (Pruzan, 2001).

Pruzan (2001) also looks at corporate reputation from the perspective of the public media. This part can be divided into two sections examining the ethical consumer and the ethical investor.
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1. The ethical consumer:
In every part of the world, the media keep a circumspect eye on corporate behaviour and zoom in sharply on suspected corporate misdeeds (Pruzan, 2001). Crane and Matten, 2004, p.12) indicate that “even firms themselves appear to be increasingly recognizing that being ethical (or at the very least being seen to be ethical) may actually be good for business”. This has increased the desire of companies to build their image carefully. It can be argued that, for example, particularly matters concerned with environmental protection, social/human rights, fair wages and the use of child labour in developing countries are becoming important recently. Such matters ‘always or often’ influence consumers purchasing behaviour. Pruzan (2001) reviews Larsen and Sørensen (2001) and concludes that, while shareholders are principally concentrated on corporate profitability, financial performance, and the primary source of corporate income, now shareholders are increasingly concerned with the environmental, social, and the ethical responsibility of business. Ethical consumerism has been emphasized in recent years and means that purchasing decision-making can be made on ethical grounds. Ethical consumers act positively or negatively in their consuming behaviour through what they consider to the ethical or unethical behaviour of business (Pruzan, 2001). Thus, Pruzan (2001) confirms that an ethical consumer will consider whether or not the company behaved ethically and this will influence their purchasing decision-making.

The role of reputation discussed here is from the perspective of a customer making purchasing decisions. When an ethical consumer makes a decision, they ‘always’ or ‘have to’ consider whether the firm’s reputation is positive or negative (Pruzan, 2001).

2. The ethical investor:
According to Social Investment Forum News, November 4th 1999, there is much evidence demonstrating that financial groups are tending to concentrate not only on corporate track record on, for example, profitability and share price, but also on the ethical profile and the risks which might stain corporate reputation. The report also provides some examples of this point. For example, in the U.S. roughly 13% of professional fund management (pension funds, mutual funds, credit unions, venture capital funds) is for ‘social’ or ‘ethical’ investment (Pruzan, 2001). Similar results can be seen in the UK as well; for instance, from 1995 to 1999 there were roughly
£3bn invested in socially/ethically responsible funds (Pruzan, 2001). Furthermore, doing business with ethical behaviour could attract and retain good quality employees. In other words, in unethical companies where the employees are not proud of their employer, there may be a lack of trust, confidence, enthusiasm, and willingness to offer one’s best. This statement has also been confirmed by a Larsen’s (2000) survey which concluded that more than 80% of Danish corporations are looking forward to increasing their ethical concern in the coming years.

3.2 Does reputation come from public media?

According to Deephouse (2000, p.1106), “media reputation was valuable, rare, non-substitutable, and imperfectly imitable”. Thus, media reputation may be useful in reputation research and the resource-based view of the firm. Deephouse (2000) bases this on the fact that positive reputation is an intangible resource leading to competitive advantages to discuss the relationship between reputation and public media.

Past research has tested media reputation by using Fortune ratings (Fortune 500 means the 500 largest companies in the United States; Fortune 1000 is a reference to a list maintained by the American business magazine Fortune) and with the rating that comes from public media. Although past research found the Fortune ratings had a positive effect on stock market and operational performance (Vergin, & Qoronfleh, 1998; Roberts & Dowling, 1997; McMillan & Joshi, 1997; and Srivastava, et al., 1997), however, these ratings are theoretically weak. Deephouse (2000) identifies three limitations due to weaknesses existing in the Fortune rating. First, the Fortune ratings majorly correspond to financial performance (e.g. Fryxell, & Wang 1994 and Fombrun and Shanley, 1990), and then may have little association with social performance (Brown and Perry, 1994). Second, the stakeholders considered only focus on companies’ executives, directors, and internal stakeholders (Fombrun, 1996; Wood, 1995; and Fryxell, & Wang, 1994). Nevertheless, stakeholders should include customers, suppliers, government agencies; special interest group, employees, and so forth (Fombrun, 1996; Clarksin, 1995; and Freeman, 1984) but these are not included. Third, the real purpose of the Fortune ratings was not a scientific study of reputation or social performance but to sell magazines (Sodeman, 1995).
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The content of articles in the media is produced through a complicated interaction of an individual media reviewer, the organisations they work for, external influences, and ideology (Shoemaker and Reese, 1991). Moreover, “media reputation is a collective concept connecting the firm, media workers, stakeholder sources of news about firms, and the readers” (Deephouse, 2000, p.1099). Furthermore, media reputation develops over time through a complex social process. This makes it quite difficult to devise a replacement. Thus the chance of imitability is reduced (Fombrun & Shanley, 1990; Hall, 1992 and Dierickx, & Cool, 1989). In summation, the complex and social nature of media reputation means that reputation may be hard to imitate and there is a lack of an open market for reputation, except for the acquisition by the firm itself. According to those descriptions, Deephouse (2000) suggests that firms do not ignore the conception of a business in the public media.

Deephouse (2000) reaches the conclusion that public media have played an important role in determining reputation. He confirms the result provided by Palmgreen & Clarke (1997) and Stempel (1991) that people acquire news via local newspapers, television, and radio, and recalls that this information related to firms may influence purchasing decision-making. Deephouse (2000) also states that newspapers would be the best media source of public knowledge and opinions about firms.

The stories of small and medium-sized enterprises published in newspapers and magazines are numerously in our daily life. Unfortunately, most readers ignore those stories and pay more attention to those concerning ‘big’ companies. This research wants to clarify the relationship between reputation and effect from public media, particularly for small businesses.
3.3 The relationship between business strategy and business reputation

According to previous literature review, there is no doubt that a great deal of evidence has been presented to support the positive link between a good corporate reputation and a firm’s value. (Roberts & Dowling, 2002; Clark & Montgomery, 1998; Fombrun, 1996; Hall, 1992; Gregory, 1991; Fombrun & Shanley, 1990 and Phelan & Lewin, 2000). For example, Fombrun (1996) states that reputation is an overall estimation of a firm by its stakeholders, which includes the reaction of employees, customers and investors. Hall (1992) states that a firm’s reputation is composed of the knowledge and emotion held by all individual staff of a company. Furthermore, the effect on price of share and accounting performance is discussed on Section 3.2.

Making money and creating a financial surplus must be the top target of any private sector company. However, it is very difficult to have a theoretical explanation that a good reputation comes with financial profits, or a good financial performance is followed by a good reputation.

3.3.1 Strategy for good financial performance

In a broad sense, a firm’s strategy should cover consistency and future growth prospects. “A firm’s strategy helps to identify a firm for what it is, and indicates the direction the firm plans to take in the future” (Williams et al., 2005, p.188).

It can be accepted that all companies hope to improve their financial performance. Some definitions of reputation agree that good financial performance is a kind of reputation (Barnett et al., 2006; Mahon, 2002; and Fombrun et al., 1999). In other words, a positive reputation comes with good financial performance. Williams et al., (2005) also provide another speculation in the discussion of corporate reputation. The result of their research indicates that diversified firms experienced higher financial performance, on average, than single business firms, but had lower reputation than single business firms. Further, acceptable, unrelated diversified firms experienced lower reputation levels than related diversifiers.
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Sometimes, on opening a newspaper, it can be found that one company is going to concentrate on another product for the purpose of strengthening its financial performance. However, according to Williams, Schnake and Fredenberger (2005) even though diversified firms, on average, experienced higher performance than single business firms, the related diversifiers also had a lower business reputation than single business firms. Clearly, with this strategy, the loss of corporate reputation would be a defect for firms hoping to strengthen their business in this competitive world. Sen et al., (2006) also provide a related result about this. This can provide owner-managers or those at managerial level with a warning that they should perform their decision-making carefully in the future.

A firm’s business strategy must hope to lead a business in the right way. Consideration of how to establish a good reputation would be a first step for a strategy. Companies with good reputation will increase investors’ satisfaction and loyalty (Sabrina, 2007). On the other hand, reducing customers’ uncertainty considering product quality (Shapiro, 1982), uncertainty of (future) employees with regard to employer characteristics (Cable and Graham, 2000). Dowling (2006, p.134) poses the question of “whether a good reputation leads to better profits, or do better profits lead to a good corporate reputation? Good corporate reputations create corporate value”.

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3.4 Financial situation and social reputation

“In this era of global competition, declining brand differentiation, and increasing media clutter, companies are going beyond the conventional marketing, the intangible assets such as their own identities and reputation associated with being a good corporate citizen into their marketing initiatives in efforts to collect sustainable competitive advantages” (Sen, Bhattacharya and Korschun, 2006, p.164). A key advantage of these initiatives is that a firm’s intangible assets not only can be felt by its customers but also to other stakeholders as well (Sen, Bhattacharya and Korschun, 2006).

3.4.1 Social reputation

Social reputation differs from business reputation, as explained by Castro et al. (2006), “social reputation is the result of the insights and perceptions of other stakeholders that are not so close to day by day business activities, as investors and the community in a wider sense” (Castro et al., 2006, p.367). On the other hand, business reputation is more closely related to business activities and processes of the firm (Castro et al., 2006).

In 1970, the Nobel Prize winning economist Friedman (1970) published an article which has since become a classic. In his article, the social role of corporations is discussed. His argument is based on three main points:

1. Only human beings have a moral responsibility for their actions. Corporations are not human beings and therefore can not be responsible for their actions.
2. It is managers’ responsibility to act solely in the interests of shareholders. As long as a corporation abides by the legal framework society has set up for business, the only responsibility of the managers of the corporations is to make a profit.
3. Social issues and problems are the proper province of the state rather than corporate managers. Managers should not or cannot decide what society’s best interest is. That is the job of government.

According to these three points, the relationship between social responsibility and corporations is a controversial problem. Crane and Matten (2004, p.41) therefore
conclude that corporations do indeed have some level of moral responsibility that is more than the responsibility of the individuals constituting the corporate. Not only does the legal framework of most developed countries threat the corporation as a ‘legal’ or ‘artificial’ person which has a legal responsibility for its action, but the corporation also appears to have more agency of sorts which shapes the decisions made by those in the corporation”.

Carroll (1991) presented the social responsibility of enterprises as a pyramid, (see figure 3.3) from bottom to the top, which includes financial responsibility (economic responsibilities), legal liability (legal responsibilities), ethical responsibility (ethical responsibilities), and charitable the whole responsibility (philanthropic responsibilities). These four kinds of responsibility form the whole responsibility of enterprises.

In Carroll’s pyramid, the first layer of economic responsibility is the basis for all companies to be profitable. This is followed by legal responsibility, which means that businesses should abide by the law and “play the rules of the game”. Ethical responsibility obliges corporations to do what is right and fair. At the tip of the pyramid, CSR looks at the philanthropic responsibility of corporations. The word ‘philanthropic’ means literally “the love of the fellow human” (Crane and Matten, 2004, p.44).
Carroll (1991) also combines different perceptions of social responsibilities to propose a new model of “society’s ethical responses”. They are social responsibility, society's reaction, and social concerns, which are also similar to the concept of enterprise responsibility, ‘A Three-State schema for classifying behaviour’, established by Sethi (1975), which divided social responsibility into three stages and their definitions:

1. Social obligation involves corporate behaviour mainly in response to the law and rules of the market in order to maintain a minimum public profile where legally required.

2. Social responsibility, the second state in the schema: the behavioural norms of the enterprise will agree with the morals and values of the society and its expectations.

3. Social responsiveness, the last stage: enterprises should have their long-term policies for living in their society and for making decisions, and their behaviour should include various kinds of perspectives for planning and various methods of promoting business norms and preventing illegality.

3.4.2 The relationship between financial situation and social reputation

There is no doubt that the first layer of CSR, to be profitable, is the basis for all subsequent responsibilities because companies must meet shareholders demands for a reasonable return on their investments. Following the research by Castro et al. (2006), corporate reputation is the main issue of the core business. Two main components are product and service quality, followed by innovation. Financial strength and social responsibility play important roles as well. Interestingly, based on the research of Castro et al. (2006, p.367), “managers will only allocate resource to social responsibility when financial surplus will be available”. In other words, most businesses agree that social reputation is very important for businesses’ future competition; owner-managers still put financial performance on the first place. However, according to Carroll’s (1991) model of CSR, economic responsibilities are at the lowest level of the company’s responsibilities.
3.5 Three typologies: servicescape, trust and service quality

For customers of service sectors business activities, value comes from the feeling that they have received a good return on money spent. Perlik (2002, p.57) said “a successful foodservice operation provides good value as well as good food”. The way of assessing reputation draws from customers’ evaluation of a service environment; there are three typologies that need to be considered: they are servicescape, trust and service quality.

3.5.1 Servicescape

The concept of a servicescape was established by Booms and Bitner in 1981 to emphasize the impact of the physical environment in which a service process takes place. The physical environment will influence customers’ purchasing behaviour and create an image particularly apparent for service industry (Baker, 1987; Bitner, 1986 & 1990; Zeithaml, Parasuraman & Berry, 1985; Upah, & Fulton, 1985; Booms & Bitner, 1982; Kotler, 1973; and Shostack, 1977). That is because the term of servicescape as created by service providers to facilitate the provision of service offerings to customers (Ezeh & Harries, 2007 and Bitner, 1992). For more detail in different sectors, a number of studies have examined the effects of general servicescape factors in shops. For example, Turley and Milliman (2000) indicated that the music played within the shops is the most extensively studied element, and the background music in a retail store has a significant impact on a variety of consumer behaviours such as sales, time spent in the shops and so forth (e.g. Milliman, 1982, 1986; Areni and Kim, 1993; Yalch and Spangenberg, 1990; Hui et al., 1997). Baker et al. (1994) examine the relationships between store environment and store image. Their study reports that ambience has a greater influence on store image than the design factors. Likewise, a study of restaurant customers conducted by Ward et al. (1992) indicated that “customers’ inferences about the prototypicality of restaurants were strongly influenced by environment cues” (Baker et al., 1994, p.329). Hirsch (1995) even expressed that the aroma in a casino may enhance the gambling mood of casino patrons. An effective odorant apparently also increased the sales by 300 percent in bakeries (Hirsch, 1995).

For restaurants, servicescape is also a key variable which affects customers’ intention to have a meal in a particular restaurant (Arora and Singer, 2006). Milliman (1986)
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identified that when slow-tempo music was played in a restaurant, customers stayed longer. Reimer and Kuehn (2005) also found that restaurant patrons expect a well designed and built environment if they are to consume in a highly-priced restaurant, and customers’ demands of servicescape also depend on the prices in the restaurant. Next is the role of cleanliness; Wakefield and Blodgett (1996, p.49) suggest that “cleanliness is an important part of servicescape” in the service industry. There is no doubt that cleanliness is very important for a restaurant (Fitzsimmons, 2003). The importance of cleanliness has been confirmed by numerous studies and a significant relationship has been established between cleanliness and customers’ evaluation of the servicescape (Harris and Ezeh, 2008). In a word, Harris and Ezeh (2008) affirm the positive relationships between servicescape and customers’ loyalty intentions towards restaurants.

However, the above literatures come from Western cultures, or focus on a service environment which is a traditional Western shop (Venkatraman and Nelson, 2008), and they may ignore the factors of cultural and organizational diversities. Ezeh and Harris (2007) strongly claim that servicescape research should consider the concepts of organizational climate and organizational culture. Consequently, this research adopts servicescape as an important variable to examine the relationship between reputations arise from servicescape and customers’ choice of restaurant in Taiwan. Overall, according to Bitner (1986 and 1992) the term of servicescape consists of three dimensions: ambience, space layout, signs, symbols and artifacts, as shown in Figure 3.4.

**Figure 3.4 The Conceptual model of servicescape**

<table>
<thead>
<tr>
<th>Ambience Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. lighting</td>
</tr>
<tr>
<td>2. scent</td>
</tr>
<tr>
<td>3. music</td>
</tr>
<tr>
<td>4. noise</td>
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<tr>
<td>5. temperature</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Space Layout and functionality</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. layout</td>
</tr>
<tr>
<td>2. furnishing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Signs; Symbols and Artifacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. interior decoration</td>
</tr>
<tr>
<td>2. painted color</td>
</tr>
<tr>
<td>3. visual-features</td>
</tr>
</tbody>
</table>

Source: Bitner (1992), Servicescapes : The impact of physical surroundings on customers and employees.
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- **Ambience condition**

Previous research has identified ambience conditions as a factor that affects perceptions of customers to the environment (Baker, Berry & Parasuraman, 1988; Baker, 1987; Russell & Sondgrass, 1987; Darley & Gilbert 1985; Sundstrom & Sundstrom, 1986; Wineman, 1982; and Becker, 1981). As a general rule, ambience conditions affects five senses, such as lighting; scent; music; noise and temperature, especially on customers who spend a long time in the environment.

Music is “a complex chemistry of controllable elements and has become a major component of consumer marketing at the point of purchase and in advertising” (Brunner 1990, p.94). The role of music in servicescape is not only to stimulate emotions and then mood states (Dube *et al.*, 1995; Chebat *et al.*, 1993; Yalch & Spangenberg, 1990; and Milliman, 1986), but also to have an effect on customers’ purchasing behaviour (Areni and Kim, 1993).

Smell or scent has become a common practice in the retailing and restaurant industries because “pleasant scents encourage customers to spend more time in a shop (Morrin and Ratneshwar, 2003, p.21). In addition, Hirsch (1991) notes that bakeries increase sales by 300 percent and Starbucks also agree the importance of aroma in service setting (Hunter, 1995). Harris and Ezch (2008) also confirm that there is a positive correlation \( r = 0.429** \) between aroma and the intention of customers to be loyal.

Although the temperature factor has been limited in previous research, the temperature in Taiwan is very hot in the summer and it is suggested from the exploratory stage that this study should include temperature amongst the variables under consideration in the research.

- **Space layout and functionality**

Space layout means that equipment and furnishings are arranged using a well adapted approach, with functionality referring to the same items in order to facilitate performance (Bittner, 1990). For both customers and restaurants, the layout of the space and the functionality of the physical surroundings are important. Customers, for example, hope to have a commodious physical meal-environment. As to the restaurant,
they may concentrate on not only the specific needs of customers but also the successful completion of employee actions (Bitner, 1992).

The definition of furnishing for the service industry is “the element which directly affects the comfort and performance of both customers and employees in the servicescape” (Harris and Ezch, 2008, p.396). The greater the comfort provided by the furnishings, the longer customers remain in the same position (Wakefield and Blodgett, 1996). Kaya and Erkip (1999) and Aubert-Gamet (1997) also indicate that the internal layout of a building can affect customers’ moods and behaviours.

- Signs, symbols and artifacts
  Bitner (1992, p.66) sums up ideas from Becker (1977, 1981); Davis, (1984); Wener, (1985); and Winemwan (1982) and describes how “many items in the physical environment serve as explicit or implicit signals that communicate about the place to its users”. ‘Sign’ could be a very important communicating image to customers, which includes interior decoration, painted colour, quality of art work and so on.

Visual elements may create an appropriate atmosphere within servicescape (Nguyen and Leblanc, 2002). Wakefield and Blodgett (1996) suggest that the contents ‘visual elements’ can enhance customer’s certain image or mood of a service environment. More recently, the greater customers’ evaluation of servicescape aesthetic appeal, “the greater the intentions of customers to be loyal” (Harris and Ezch, 2008, p.396).

3.5.2 Choice of restaurant factors
More information needs to be discussed in order to understand the relationship between ‘reputation’ and customers’ value. This research will examine four choices of restaurant variables which would influence customers’ consumption decision-making, namely: price, location, sanitation, and quality.

3.5.2.1 Price:
Previous research confirms a positive relationship between seller’s reputation and price premium (Kim, 2005; Brynjolfsson & Smith, 2000; and Houser & Wooders, 2000). Kim (2005) confirms that customers’ personal attributes can affect the price that they are willing to pay. Figure 3.5 shows the relationship between reputation,
trust and price is such that since a positive reputation is likely to increase customers’ trust in a company, a company with a positive reputation will enjoy higher price.

**Figure 3.5 The model of reputation and price premium**

![Diagram showing the relationship between positive reputation, customer trust, and price premium]

Note: The model was extracted from Kim (2005).

Brynjolfsson and Smith (2000) state that customers’ awareness of a company’s branding and trust can decide the price dispersion of the products. Furthermore, the company’s positive reputation has a statistically significant effect on the final price (Houser and Wooders, 2000).

On the other hand, the relationship between negative reputation and selling prices has also been studied. Lucking-Reiley (1999) found a negative reputation has a much greater effect than a positive reputation on the final price that a customer can accept. Moreover, for on-line shopping, if the seller does not provide enough product information for their customers, this could seriously affect the competitiveness of the price (Lynch and Ariely, 2000). Overall, Ottaway *et al.* (2003) define in general that a seller’s positive reputation will have a significant effect on the final price.

Previous studies were designed in an attempt to discover the relationships between reputation and price. This was due to price being confirmed as one of the most important factors affecting customers’ choice of restaurant (Johns & Howard, 1998; Auty, 1992; June & Smith, 1987; and Lewis, 1981). This study therefore discusses the relationship between reputation and price, but from the other direction: from price to reputation. It will then try to define how this reputation influences restaurant selection by customers.

**3.5.2.2 Location:**

The word ‘location’ can often be found in a SWOT analysis, seeking to establish if it strengthens or weakens the research target. The location can be seen as an opportunity for business (Gluckler, 2007). For the choice of restaurant, the location and the
reputation of the restaurant is a key decision variable or attribute used by consumers to select restaurants (Frank, 2004). Aside from that, very few previous academic studies have concentrated on the relationship between location and reputation. Thereafter, the study categorizes the location into choice of restaurant factors and tries to understand the relationship between location and reputation. Furthermore, one reason for customers’ choice of restaurant emerges from the location reputation.

3.5.2.3 Sanitation:
There is no doubt that sanitation or hygiene is a very important element when customers are choosing some service environments, particularly those related to food and drink. However, not many previous research studies have looked at sanitation from the area of management, all related research on sanitation focuses on the area of public health or health. For the service industry, “cleanliness is an important part of servicescape” (Wakefield and Blodgett 1996, p.49). Marinucci (2002, p.7) indicates that “cleanliness makes perfectly good sense”. In addition, Fitzsimmons (2003) indicates that cleanliness, without a doubt, is very important for a restaurant. Furthermore, Jonge, et al. (2004, p.845) conclude that it is arguable that “food safety is taken for granted by customers in the absence of food safety incident occurrence and that food safety only becomes a consumer issue when it is compromised in some way”. Then, this research desires to discover the strength of any connection between sanitation and customers’ choice of restaurant.

3.5.2.4 Quality:
“The degree of excellence” (Stepanek, 1999, p.1) is one interpretation of quality. Quality is also an elusive and indistinct construct (Parasuraman, Zeithaml and Berry, 1985). Olshavsky (1985) views quality “as a form of attitude” to the product. However, on the one side, quality is clearly something that all businesses have to know they need to provide to their customers. On the other side, for customers, quality is a comparison between expectations and performance (Carvalho & Leite, 1999). Quality is also an asset (Stepanek, 1999; Parasuraman, Zeithaml and Berry, 1985; and Crosby, 1979), an intangible asset of a company which can improve a company’s competitiveness and profitability. Previous research has demonstrated the benefits of quality in contributing to market share and return on investment (Parasuraman, Zeithaml and Berry, 1985; Anderson & Zeithaml, 1984; and Phillips,
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Chang & Buzzell (1983) and in lowering costs and improving productivity (Garvin, 1983).

Quality has been discussed over a long period. This research attempts to focus on the relationship between quality and reputation, especially with regard to the perceived value of quality to the reputation. It will then try to understand how this reputation can influence customers’ choice of restaurant.

Overall, with regard to the guideline for choice of restaurant factors and its construction, as shown on Figure 3.6. The potential correlation between choice of restaurant factor and customers’ choice of restaurant is one of the targets of this research.

Figure 3.6 The conceptual model of choice of restaurant factors

3.5.3 Trust
In the areas of management and marketing, trust was suggested as an important element in business environment (Delgado-Ballester et al., 2003; Hess 1995; and Morgan & Hunt 1994). Trust is based on the belief that some behaviours will be as expected (Knoll and Jarvenpaa, 1998). Morgan and Hunt (1994, p.23) define trust as “confidence in an exchange partner’s reliability and integrity”. Guanlach and Murphy (1993, p.41) say that “the variable most universally accepted as a basis of any human interaction or exchange is trust”. Buchan (2004) sums up previous research and states that trust can be classified into four categories namely trust as a belief, an expectation, an intention, and a behaviour. For further description of trust, for example: trust urges lower opportunism (Rindfleisch and Moorman, 2003); higher customer loyalty.
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(Agustin and Singh, 2005); more service treatment and more service usage (Maltz and Kohli, 1996); a potentially important factor influencing consumer behaviour (Bredahl, 2001), and greater commitment (Jap and Ganesan, 2000). Overall, Grayson et al., (2008) contend that trust has a positive influence on the behaviours and attitudes of a company’s customers.

Harris and Goode (2004) provide empirical proofs based in the original perspective by Oliver (1997 and 1999) that ‘trust’ comes from ‘service quality’ and ‘perceived value’. Trust and service quality lead to ‘satisfaction’. To this end, perceived value, trust and satisfaction are positively connected to customers’ loyalty. Harris and Goode (2004) also suggest that ‘trustworthiness’ is of paramount importance. It can help firms to develop strategies, systems, recognize customers’ concern and further build and maintain trust.

For the food industry, previous research has indicated that trust is potentially an important factor influencing consumer behaviour (Frewer & Salter, 2003 and Bredahl, 2001). According to the research results of Jonge et al. (2004) consumer’s concern in the safety of food provided by restaurant is high and this level of concern does not change over time.

3.5.4 Service quality
Fache (2000) observed that service quality from customers’ perspective is one of the most important developments in the tourism industry. Bowen (2005) and Chaston (2000) states that the most widely accepted definition of service quality in the management and marketing literature is provided by Parasuraman, Zeithaml, and Berry (1988), which defines service quality as whether customers’ perceptions of service meet and/or exceed their expectations. Similarly, Carvalho and Leite (1999) define that service quality is the result of comparisons between customers’ expectations and that which they received. Service quality is more difficult to evaluate than quality alone (Parasuraman, Zeithaml and Berry, 1985) because there are three characteristics of service: (1) intangibility; (2) heterogeneity and (3) inseparability.

First, most services are intangible (Parasuraman, Zeithaml and Berry, 1985; Lovelock, 1981; Berry, 1980; Bateson, 1977; and Shostack, 1977). Service cannot be counted,
measured, tested or verified in advance, so that it is difficult for firms or researchers to understand how consumers perceive their service and evaluate service quality (Zeithaml, 1981). Next, heterogeneity, means service is difficult to assure or measure because the performance of a service provider would be different from producer to producer, and from day to day. Similarly, the perception of service received varies from person to person (Booms and Bitner, 1981). The third one is inseparability; “the production and consumption of many services are inseparable” (Parasuraman, Zeithaml & Berry, 1985, p.42). As a consequence, the service quality can not be managed because the various clients affect the process (Parasuraman, Zeithaml and Berry, 1985). For example, a restaurant would receive different comments or criticisms because of different appetites or tastes. Parasuraman, Zeithaml and Berry (1985) then sum up the extensive literature on service and suggest the use of the following underlying guidelines:

1. Service quality is more difficult to evaluate than quality of goods;
2. Service quality is a perception which results from the comparison of expectations and actual performance;
3. Service quality is not appraised solely on the result of the service, it has to involve the process of the delivery of the service.

Thereafter, Parasuraman, Zeithaml and Berry (1988) establish a 22 scale instrument (called SERVQUAL) to define service quality. According to the SERVQUAL model, service quality can be measured by identifying the gaps between customers’ expectations of the service and the actual performance of the service. SERVQUAL model is based on five dimensions of service (Parasuraman, Zeithaml and Berry, 1988, p. 23), which include,

1. Tangible; Physical facilities, equipment (for example, interior design), and appearance of personnel (for example, the appearance of employees);
2. Reliability: the ability of the service provider to provide a dependable and accurate service;
3. Responsiveness: service provider is willing to help customers by providing prompt service;
4. Assurance: service provider gives confidence to customers (for example, specific service knowledge, polite and trustworthy behaviour from employees);
5. **Empathy:** providing each customer with personal service.

According to Harris and Goode (2004) the concept and construct of service quality has been studied extensively, and largely with an emphasis on perceived value in brick-and-mortar contexts (e.g., Cronin et al., 2000 and Cronin & Taylor, 1992). Service quality is also a critical source and “often considered a successful factor in sustaining competitive advantage in service industries” (Palmer, 2001, p.227). A considerable research have examined the service quality in service industries, for example, in the restaurant industry (e.g., Chow et al., 2007; Reimer & Kuehn, 2005; Lee et al., 2005; Lee and Hing, 1995), and service quality in Hotels (e.g. Nadiri & Hussain, 2005; Tsang & Qu, 2000; and Oh & Parks, 1997). Furthermore, service quality advances customer satisfaction (Nadiri and Hussain, 2005), and customer satisfaction increases market share and profitability (e.g., LeBlanc, 1992). Moreover, good service quality is precursor of customer loyalty (e.g., Voss, Parasuraman, and Grewal 1998) and behavioural intentions (e.g., Zeithaml, Berry, and Parasuraman 1996). Overall, a good reputation can be expected if the firm’s service has been of high quality (Oliver and DeSarbo, 1988).

Based on one of the suggestions for further research provided by Parasuraman and Grewal (2000, p.171) “do the definitions and relative importance of the five service quality dimensions change when customers interact with technology rather than with service personnel?” Studies have recently been conducted regarding online service quality (for example: Zeithaml, Parasuraman and Malhotra, 2000 and Harris and Goode, 2004). Over the past few years, the internet has created an exhaustively new dimension to the processes associated with management between firms and market. “Evidence exists that service quality delivery through Web sites is an essential strategy to success, possibly more important than low price and Web presence” (Zeithaml, Parasuraman, and Malhotra, 2002, p. 362). For small firms, a webpage offers promotional information in which the outcomes are very similar to that found in a newspaper or magazines (Chaston and Mangles, 2002a). Although some small firms may not have sufficient funds to take advantage of the Web, setting up a webpage is relatively easy and cheap to undertake (Stokes and Wilson, 2002). In an offline world, small firms may partly avoid price based competition because their potential customers lack either time or ability to undertake a detailed price comparison search before purchasing (Chaston and Mangles, 2002b). Furthermore, once commentators
have presentation on the internet, it may influence other customers’ choice of restaurant. In effect, this is web-based word-of-mouth marketing (Stokes and Wilson, 2002).

3.6 Conclusions

This chapter reviews the literature on business reputation, servicescape, choice of restaurant factors, trust and service quality with a view to highlighting the different theoretical bases on which each construct rests. The chapter starts with the various definitions of reputation, followed by other research on corporate reputation, for example ethical issues, corporate strategy, financial performance, recommendations from other people, and the effect that comes from the media and so forth. Three typologies of servicescape, trust, and service quality, which may affect customers’ choice of consumption, were also discussed in this chapter.

A critical finding that emerges from this chapter is that there is no single definition of reputation and service quality, even though both of them have been discussed by numerous scholars for many years. Most previous research defines both reputation and service as an intangible asset and one that is difficult to measure as a precise quantity. Moreover, a company with a positive reputation for social responsibility can attract more investors and better employees; and keep those employees, as well as retaining the customer’s loyalty. These outcomes will bring better long-term financial performance and shareholder value. However, previous research shows that a positive business reputation may not accompany a good financial performance, stronger market share position or good social responsibility. Those different results concerning reputation will be discussed with owner-managers and presented in Chapter Seven.

In order to look at these opinions from both customers and owner-managers, a questionnaire will be designed for collecting data from both sides. All questions (or variables) need to be conceptualized before testing the relationship between variables and customers’ choice of restaurant. Chapter Four provides such a conceptualization. Chapter Seven, in which the qualitative research is presented, will focus on interviewing some owner-managers of restaurants.
Chapter Three: Customer Value and Corporate Reputation

There are three limitations for a literature review of this research. Firstly, as discussed earlier, that most studies exploring business reputation focus on large or multinational companies and are limited in their coverage of SMEs and their reputation. Secondly, most of the literatures mentioned in this chapter come from Western culture. Thus, the literatures may not apply to Chinese culture. Finally, on the other hand, servicescape, trust, and service quality are very popular subjects in marketing research and the literature is developing rapidly. Academic journals related to these topics may provide new suggestions or recommendations for these very popular areas. For example, Thakor, Suri and Saleh (2008) focus on young customers’ attitude to the service industry and how older customers affect younger customers’ attitude to the service as well as their purchasing intentions. Venkatraman and Nelson (2008) look at visual elements from young and urban Chinese customers. Therefore, for example servicescape, Harris and Ezech (2008, p.411) said:

“It is believed that such detection would not only enable further development of servicescape literature, but also ensure that a more comprehensive recommendation can be made to service organization on how best to meet identified customers needs more effectively and thus improve the overall efficiency and marketability of their service operations”.

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Chapter Four: Conceptual Framework and Research Method

Related research and literature review on small and medium-sized enterprises was conducted in Chapter Two, whilst business reputation has been described in detail in Chapter Three. Those literatures provide the basis or foundation for developing a conceptual framework for looking at the problem in a more useful or careful way. Following the completion of a literature review and definition of the research problem, the next step is to develop a theoretical framework. A theoretical framework is a conceptual model which can establish theories or find out the logical relationships among the several factors that have been identified as important to the problem.

After reviewing the pertinent studies, the researcher is in a position to narrow down the problem from its original broad base to define the problem concerned more clearly. A problem does not necessarily indicate that something is unambiguously wrong (Sekaran, 2003). Problem definition can be seen as, “...any situation where a gap exists between the actual and the desired ideal states” (Sekaran, 2003, p.69). In this research, problem definition will precede each of the hypotheses.
Chapter Four: Conceptual Framework and Research Method

**Introduction:**

Chapter Four covers questions of the conceptual framework and methodology. The main purpose of the chapter is to define each hypothesis and quantitative questionnaire design. The structure of Chapter Four has been listed as followed:

4.1 Research design
4.2 Conceptual model and hypothesis
4.3 Nine – steps for questionnaire design
4.4 Questionnaire design
4.5 The method of questionnaire data collection
4.6 Questionnaire pilot
4.7 Choice of sample (quantitative questionnaire)
4.8 Conclusions

**4.1 Research design**

The research design consists of a series of rational decision making choices, for instance issues relating to decisions regarding the purpose of the study (exploration, description, hypothesis testing), the location, the type of investigation, and which data will be analysed (Sekaran, 2003). In addition, other activities also have to be considered, for example: choice of sample; data collection; variable measure and testing of hypotheses. Similarly, Churchill (1987) declares that research design is a framework which is employed for collection, analysis, and interpretation.

The reasons that the small Chinese restaurant sector was used as a sample in this study have been discussed in Chapter One. Thus, the research investigates the attitudes of the owner-manager (personal interview) and their customers (questionnaire). Bryman (1988) states as an assessment of two methods of data collection that quantitative research is associated with the testing of theories, whilst qualitative research is associated with the generation of theories. Robson (2002) also suggests using a ‘flexible method’ because such designs may well make some use of methods which result in data in the form of numbers (quantitative) as well as in the form of words (qualitative).
Chapter Four: Conceptual Framework and Research Method

For small firms and entrepreneurship research, Curran and Blackburn (2001, p.79) indicate “the most common field strategy in small business is the interview, particularly face-to-face interview”. Davidsson (2005, p.59) also argues that “entrepreneurship research requires both ‘quantitative’ and ‘qualitative’ approaches. However, there has to be a proper match between the research question and the chosen approach”. Consequently, this study decided to yield both quantitative and qualitative approaches to assess the points of view between owner-managers of small firms and customers.

In addition to providing a suitable type of service interaction, one specific service industry in one specific country is selected, in this case small-scale restaurants in Southern Taiwan. On the firm side, the focus was on understanding owner-managers’ efforts to create and develop business reputation, based on the appraisal of their own performance. On the customer side, the research was laying stress on understanding reputation performance from customers’ perspective. In short, information was obtained from two sources; owner-managers of restaurants and customers, but not matched samples of restaurants and customers. There are two reasons as to why this study did not obtain matching samples. The first is that the study tends to focus on respondents with a high academic achievement (see page 122, section 4.7.1). The second is that the owner-managers of restaurants is likely to be very unhappy with the researcher collecting data from their in-store customers.

As already discussed in section 2.7.2 (the behavioural characteristics of small business), the best way to understand in-depth the behavioural characteristics of small Chinese restaurants in Taiwan is by conducting interviews. “One of the main objectives of qualitative research is to gain preliminary insights into research problem” (Hair, Bush and Ortinau, 2006, p.173). Personal interviews allow researchers to gain an insight into the meaning of research questions (Bryman and Bell, 2003). Moreover, the comments provided by the owner-managers provided this study with an opportunity to gain an insight into each subject’s behaviour; such as their emotions, attitudes, and practical behaviours in their restaurants. On the other hand, it is widely accepted that quantitative research is concerned with peoples’ behaviour (Bryman and Bell, 2003). The quantitative research conducted allowed this study to understand customers’ perceptions of reputation performance of small Chinese restaurants.
Therefore, the data collection for this research employs both quantitative and qualitative methods. Ideally research steps should adopt qualitative methods to explore research problems. Over the past decade, qualitative research has been the selected research method used in exploratory research designs (Hair, Bush and Orttinau, 2006). Data from qualitative research is produced from broad answers given to specific questions in in-depth interviewing; from responses to open-ended questions in a questionnaire; through observation; film and video; archival data; case study and so on. Zaltman, LeMasters and Heffring (1982) also suggest using a ‘type-in-use’ approach, working beside managers, to study and observe their activities. However, for the following reasons, this study did not undertake qualitative research with owner-managers in the exploratory stage,

1. The small business owners are very busy people, often under considerable pressure, they may not have time to respond to the requests from researchers (Curran and Blackburn, 2001).
2. “Some owner-managers are sceptical about relevance of research, especially academic research” (Curran and Blackburn, 2001, p.60).
3. Small firms, compared with large companies, are less willing to open the door to an unknown researcher for investigation (Siu, 2002).

However, in order to understand the factors that may influence customers’ choice of restaurant, the author of this study interviewed 14 Taiwanese students who were studying at Swansea University. Therefore, five unstructured interviews were undertaken individually and a focus group interview with nine students was conducted before designing the quantitative questionnaire. Their previous experience of choosing restaurants has provided this study with a way to establish a conceptual framework. A narrative analysis was used in this study to examine the ‘stories’ that customers’ tell about the ‘reasons’ for their choice of restaurants. Following the ideas generated in this process, we decided to address the topics of servicescape, choice of restaurant factors, trust, service quality, social responsibility, and recommendations. The notes and translations of 14 interviews are presented in appendix II, p.328.

The concepts identified, such as servicescape, trust, and service quality are well researched areas. Much previous research has been done on consumer behaviour in various service industries, see section 3.5. The questionnaire was also evaluated and checked by research
supervisors at Swansea University and two senior academic specialists in two different universities in Taiwan*. This is to confirm whether or not there is a good match between the questions (or variables) and the topic of the research.

Although three points above explain the reasons why this study did not conduct qualitative research with owner-managers in the exploratory stage, one of the aims of this study is to understand that there may exist different points of view concerning reputation. Hence, a non-probability convenience sample method was employed for the sample chosen for a semi-structured interview. Most owner-managers interviewed have either direct or indirect contacts with the author. For more details about qualitative research, see Chapter Seven.

*Note: Professor A. Henley, and Doctor M. Goode, Swansea University; Dr. J. H. Yeh, Cheng Shiu University; and Dr. C. H. Huang, National Pingtung University of Science and Technology, Taiwan.

Overall, two versions of questionnaires have been designed. A questionnaire was designed for collecting data from customers (see appendix IV, p.339). Another semi-structured interview questionnaire was also developed for owner-managers (see appendix V, p.355). Hence, the views of business reputation will come from both owner-managers and customers. In order to compare the different points of view on reputation from both customers and owner-managers of Chinese restaurants, both quantitative and qualitative questionnaires covered a very similar range of topics.

In order to ensure the quality of quantitative data (Paben, 1998), this study adopted a re-interview program for the results of the quantitative research survey. A special-purpose re-interview survey (gathering qualitative data) can address specific survey concerns more specifically (Hanuschak et al., 1991). Therefore, following the results of the quantitative analysis, we re-interviewed eight owner-managers who had previously been interviewed in 2007; and a brief presentation was given to show the results of the quantitative analysis to the owner-managers. Hence, this study gained a deeper insight into the findings of the quantitative data.

The aim of this re-interview was to identify whether the owner-managers agreed with the results of the quantitative research. This chapter will focus on the conceptual framework of quantitative research and the qualitative findings will be discussed in Chapter Seven.
Chapter Four: Conceptual Framework and Research Method

4.2 Conceptual model and hypotheses

After defining the problem and completing a literature review, the next step is to develop a conceptual framework. The framework is built from a series of concepts connected to a planned or existing system of methods, behaviours, relationships, and objects. In other words, the conceptual framework is a foundation of a research and used in research to outline possible variables (Botha, 1989 and Sekaren, 2003).

4.2.1 Servicescape

Servicescape can be seen as a term of physical communication which means the physical environment will influence customers’ purchasing behaviour and create an image particularly apparent for service businesses (Baker, 1987; Bitner, 1986 & 1992; Booms & Bitner, 1982; Kotler, 1973; Shostack, 1977; Upah & Fulton, 1985 and; Zeithaml, Parasuraman & Berry, 1985). The term servicescape can be also sub-divided into three sections: ‘Ambience condition’, ‘Space layout and functionality’, and ‘Signs’ (Booms and Bitner, 1981).

Based on the review of pertinent literature, as noted in section 3.5.1, it is believed that servicescape has a strong influence on customers’ emotional responses in a wide range of contexts. Indeed, servicescape leads customers to either choose to continue their particular service provider, or to discontinue patronage (e.g., Harris & Ezch, 2008; Cockrill et al., 2008; Hoffman & Turley, 2002; and Wakefield & Blodgett, 1996). While literatures focusing on environmental factors or servicescape are relatively common in Western countries, the empirical studies which focus on Chinese societies are rather limited (e.g., Chen et al., 2010; Liu & Jang, 2009; Venkatraman & Nelson, 2008; and Hwang, 2007) and need to be expanded. Moreover, Cronin (2003, p.335) concludes that “very little effort has been devoted to a critical examination of the service environment’s impact in the explanation of consumers’ purchase decisions”. Furthermore, most of the studies that concentrate on the influences of servicescape elements on customers have tended to focus on a single servicescape element (Ezch and Harris, 2007), such as music (e.g., Hui et al., 1997; Areni & Kim, 1993; Yalch & Spangenberg, 1990; and Milliman, 1982, 1986), aroma (Hirsch, 1995; and Spangenberg et al., 1996), light (e.g., Areni and Kim 1994). Not many studies have contained more than one element (e.g. Harris & Ezch, 2008; Chebat et al., 1993; and Wakefield & Blodgett, 1996). Ezch and Harris (2007) also suggest that one of the limitations of servicescape research is that it ignores the cultural differences. Therefore, this study adopts Bitner’s model (1992) to
test the relationship between servicescape elements and customers’ choice of restaurant. Thus it can be hypothesized that:

\[ H_1: \text{The reputation which arises from the servicescape will influence customers’ choice of restaurant.} \]

4.2.2 Choice of restaurant factors

In section 3.5.2, we discussed that the choice of restaurant factors, apart from servicescape, contains other elements that could influence customers’ choice of restaurant, such as price, location, sanitation, quality. Although these four factors were suggested from the exploratory stage, previous research on customers’ expectations in the food industries has demonstrated certain important attributes (Chow et al., 2007). The roles of these four factors were manifested in the high number of studies, such as price (e.g. Chow et al., 2007; Johns & Howard, 1998; Auty, 1992; June & Smith, 1987; and Lewis, 1981), location (e.g., Gluckler, 2007; Frank, 2004; and Johns & Howard, 1998), sanitation (e.g. Jonge et al., 2004 and Johns & Pine, 2002), and quality (e.g., Auty, 1992; Parasuraman, Zeithaml & Berry, 1985; Anderson & Zeithaml, 1984; Phillips, Chang & Buzzell 1983; and Lewis, 1981). Accordingly, these four variables may have an influence on customers’ choice of restaurant. Therefore, it can be hypothesized that:

\[ H_2: \text{The reputation which arises from choice of restaurant factors, such as price, location, sanitation and quality also will influence customers’ choice of restaurant.} \]

4.2.3 Trust

As this study stated in section 3.5.3, trust is conceivably an important factor influencing consumer behaviour. The importance of trust is manifested in the high number of studies (e.g., Delgado-Ballester et al., 2003; Hess, 1995; Morgan & Hunt, 1994; Guanlach & Murphy, 1993; and Rindfleisch & Moorman, 2003) which directly connect trust with customers’ attitudes (e.g. Agustin & Singh, 2005; Bredahl, 2001; Jap & Ganesan, 2000; and Grayson et al., 2008). Trust also plays an important role and has been studied to a great extent in Chinese society. However, according to the previous literature on trust in Chinese society, it is largely limited to trust and business behaviour (Lui, 1998); or trust in family matters or personal relationship (Ip, 2008 and Kopnina, 2005). Furthermore, Walsh & Beatty (2007) and Doney & Cannon (1997) suggest that trust positively connects to business reputation in service
industry. Walsh and Beatty (2007) also found that previous studies put more emphasis on industrial customers or multiple stakeholder groups (e.g., Walsh et al., 2006; Doney & Cannon, 1997; and Fombrun et al., 2000), and largely ignored the end user. Hence,

\[ H_3: \text{Choice of restaurant is determined by customers' perceptions of trustworthiness.} \]

### 4.2.4 Service quality

The importance and the roles of service quality have been mentioned in section 3.5.4. The concept of service quality can be seen as a well researched topic (Parasuraman and Grewal, 2000). However, they provide some suggestions that service quality needs further research. For example,

1. Although this topic has been offered a rich set of insights for managerial practice, further research still needs to be conducted on serving customers and consumers effectively.
2. The roles of service quality between customers and technology.
3. For end user (customers), “...do characteristics such as their demographics, lifestyles, experience with other technology-based system and ……affect their perception of quality and value of their interactions with technology” (Parasuraman and Grewal, 2000, p.172).
4. Testing service quality as a moderating factor.

Walsh and Betty (2007) adopt service quality as a factor of customer-based reputation (CBR), the definition of CBR see Walsh and Betty (2007). Hence, according to the literature review in section 3.5.4 and the first suggestion above provided from Parasuraman and Grewal, (2000), it can be hypothesised that:

\[ H_4: \text{Choice of restaurant is determined by customers’ perception of service quality.} \]

It needs to be noted that the second and third suggestions will be discussed in section 4.4.1 on questionnaire design, and suggestion four will be considered in section 4.2.7 on the measurement of hypotheses.
Chapter Four: Conceptual Framework and Research Method

4.2.5 Social responsibility
This part aims to discover through the use of a questionnaire the opinions of customers who go to Chinese restaurants as to how they would behave if they knew their favourite restaurant behaved unethically. According to the results of Pruzan (2001), in section 3.1.6, more than half of Danish consumers belong to the category of ‘ethical’ consumers. This research also wants to know whether a reputation for taking social responsibility seriously is also an important matter for Taiwanese customers. Walsh and Betty (2007) also agree that social responsibility is a factor of customer-based reputation (CBR). Therefore, it can be hypothesised that:

H5: Taiwanese customers are ethical customers.

Social responsibility was also a key topic of this research. Hypothesis five proposes that Taiwanese are ethical customers and wants to clarify how important social responsibility affects customers’ choice of restaurant.

4.2.6 Recommendations
Deephouse (2000) confirms Palmgreen and Clark (1997) and Stempel’s findings (1991) that people may acquire information about the businesses via local newspapers, television, and radio, and reach a conclusion that public media plays an important role for reputation. For example, these might include whether a restaurant did not pass a sanitary inspectors’ check or behaved unethically about tax evasion or treating employees badly and so on (Lin, 2005). Moreover, according to the exploratory stage, the interviewees (students) also suggested that both positive and negative recommendation from the media or from their family or friends will influence their choice of restaurant. This will be examined by H6.

H6: The consumers’ choice of restaurant will be affected deeply by recommendations.

4.2.7 Measuring hypotheses
According to sections 4.2.1~4.2.6, reputation in this research was composed of reputation arising from servicescape, choice of restaurant factors, trust, service quality; social responsibility, and recommendations from various sources. The research therefore defines these six factors as independent variables referring to reputation.
4.2.7.1 Independent variables, dependent variable and moderating variables

Figure 4.1 shows the relationship between the three variables types: independent, dependent, and moderating variable.

The dependent variable (D.V) is the variable of primary interest to the research (Sekaren, 2003). The goal of this research is to understand and describe the reputation of small Chinese restaurants in Taiwan and how those factors (independent variables) may influence customers’ choice of restaurant. The dependent variable is the measure of agreement or disagreement with one of three statement about how a customer chose a restaurant. Thus, there are 15 independent variables that are used in a model for each of the three different choice variables. These are CCRRF, CCRRM and CCRCE.

1. Customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF). This will show the extent to which reputation arises because choices depend on recommendations reviewed from family or friends. Customers may like to pass along their service experiences to others, especially if these experiences are either very good or very poor (Anderson, 1998). Therefore, the question was designed as ‘my choice of restaurant depends upon recommendations from family or friends’, from 1 strongly disagree to 5 strongly agree.

2. Customers’ choice of restaurant which relies on recommendations from the media (CCRRM). This aims to understand the extent to which choices depend on recommendations from the media. Hence, the question was designed as ‘my choice of restaurant depends upon recommendations from the media’, from 1 strongly disagree to 5 strongly agree.

3. Customers’ choice of restaurant which relies on own experience (CCRRRE). This may show the extent to which reputation arises because customers choose restaurants on the
basis of their own past experience. For restaurant customers, a significant relationship was found from customers’ perceived experience to re-consumption in the restaurants (Clark and Wood, 1999). Walsh and Betty (2007, p.130) state that “business reputation is associated with (1) customer satisfaction (e.g., Walsh et al., 2006 and Davies et al., 2003), (2) loyalty (e.g., Fombrun and Van Reil, 1997), (3) trust (e.g., Doney and Cannon, 1997), and (4) Positive word of mouth (e.g., Fombrun and Van Reil, 1997)”. More specifically, CCRCE (Customers’ choice of restaurant which relies on own experience) means customers’ perceived experience can connect to customers’ satisfaction/dissatisfaction (Walsh et al., 2009; Snow & Skaggs, 2004; Anderson & Mittal, 2000; and Johnston, 1995). At the same time, customer satisfaction has a positive relationship with customer loyalty (Walsh et al., 2009; Lee et al., 2005; Fornell et al., 1996; Biong, 1993; and Stephens & Gwinner, 1998), and “a company’s reputation should be positively associated with customers’ loyalty to the firm” (Walsh and Beatty, 2007, p.130). Hence, the dependent variable (CCRCE) can be used to assess the extent to which customers’ satisfaction or loyalty arises from independent variables.

Next, an independent variable (I.V) is one that could influence dependent variables in either a positive or negative way, for instance, the role of the reputation of servicescape; choice of restaurant factor; trust; service quality; social responsibility; and recommendations. It should be noted that servicescape; choice of restaurant factor; social responsibility; and the recommendations are totally independent variables. Moreover, trust and service quality are critically important variables in ‘marketing pitch’. According to sections 3.5.3 and 3.5.4, empirical findings have confirmed that there is a strong framework to suggest that the linkage of trust and service quality can lead to customer satisfaction and loyalty (e.g. Harris and Goode, 2004) in service environments. Significant frameworks reflect conceptual and empirical work that support relationships between service quality and trust (e.g., Walsh et al., 2009; Harris & Goode, 2004; Ribstein, 2002; and Oliver, 1997 & 1999), service quality and satisfaction (e.g., Ryu et al., 2008; Nadiri & Hussain, 2005; Lynch & Ariely, 2000; Oliver, 1997; Zeithaml, Berry, & Parasuraman 1996; Heskett et al., 1994 and LeBlanc, 1992), service quality and loyalty (e.g., Cronin et al., 2000; Voss, Parasuraman, & Grewal, 1998; and Sirohi et al., 1998), trust and customers intention (Rindfleisch & Moorman, 2003; Jap & Ganesan, 2000; and Maltz & Kohli, 1996), trust and loyalty (Agustin and Singh, 2005), trust and consumer behaviour (Jonge et al., 2004; Frewer & Salter, 2003; and Bredahl, 2001). Furthermore, switching cost is zero when customers are selecting a restaurant (Goode and
Harris, 2007), but it is a very important factor in understanding the intentions of customers in “bricks-and-mortar” contexts (Goode & Harris, 2007; Chen & Hitt, 2002; and Jones et al., 2000). Customers have numerous choices when they are selecting a restaurant. If a customer does not trust a restaurant, he/she will find it easy to discover different restaurants in a short time. Therefore, this study investigates the use of different relationships. This section considers models where trust and service quality have relationships to other independent variables. According to the relationships, this study can understand customers’ points of view of ‘where do trust and service quality come from?’ among other independent variables using in this study.

Finally, we include one or more moderating variables (M.V). Although linear relationships (correlation and linear regression) may provide many useful information to explore potential associations between I.V and D.V, moderated regression addresses the question: “what if an independent-dependent variable relationship is affected by another independent variable?” (Hair et al., 2010, p.180). Moderation occurs when the relationship between independent variable and dependent variable depends on a third variable. The third variable is referred to as the moderator variable or simply the moderator (Cohen et al., 2003). Thus, a moderator (moderating variable) could have an effect on the relationship between I.V and D.V; and an interaction emerges from the relationship between variables, this is called moderation effect (Preacher et al., 2006 and Irwin & McClelland, 2001). This is also known “as an interaction effect and is similar to the interaction term found in analysis of variance and multivariate analysis of variance” (Hair et al., 2010, p.180). Moderated multiple regression (MMR) is a frequently used technique for detecting complex and not linear relationships (e.g., Homburg & Giering, 2001; Aguinis, 1995; Cohen & Cohen, 1983; and Friedrich, 1982). Moreover, due to the nature of MMR, in contrast to simple linear multiple regression model, “it employs what are known as moderator or interaction effects within the regression model that allows for the slope of one or more of the independent variables to vary across values of the moderator variable” (Goode and Harris, 2007, p.522). Accordingly, MMR allows greater flexibility in designing and testing of a wide range of relationships from independent variables to dependent variable through moderators.
Chapter Four: Conceptual Framework and Research Method

When doing MMR, the regression model

\[ Y = b_0 + b_1X_1 + b_2X_2 + b_3X_1X_2 \] 
\[ \text{equation one} \]

\( Y \) = estimated value of the dependent variable 
\( b_0 \) = value of constant 
\( b_1X_1 \) = linear effect of \( X_1 \) 
\( b_2X_2 \) = linear effect of \( X_2 \) 
\( b_3X_1X_2 \) = moderated effect of \( X_1 \) and \( X_2 \)

\( Y \) is not only regressed on \( X_1 \) and \( X_2 \) but also on a third variable which is calculated by multiplying \( X_1 \) and \( X_2 \) (Gelderman, 2000). Then, the equation one can be factored in terms of a simple relationship between \( X_2 \) and \( Y \).

\[ Y = (b_0 + b_1X_1) + (b_2 + b_3 X_1) X_2 \] 
\[ \text{equation two} \]

There are eight possible effects might be shown in the coefficient signs, as presented below,

\[
\begin{array}{c|cccccc}
 & + & + & + & - & - & - \\
 b_1 & + & + & + & - & - & - \\
 b_2 & + & + & - & - & - & + \\
 b_3 & + & - & + & + & - & - \\
\end{array}
\]

For example, here the moderator reinforces the impact of an increase in each of \( X_1 \) and \( X_2 \). 
Here the moderator attenuates the impact of an increase in each of \( X_1 \) and \( X_2 \). 
The other four cases can be evaluated by the results of MMR models.

The moderator effect, \( b_3 \) coefficient, shows the change in the effect of \( X_1 \) as \( X_2 \) changes; and “the \( b_1 \) and \( b_2 \) coefficients now represent the effects of \( X_1 \) and \( X_2 \), respectively” (Hair et al., 2010, p.181). In order to determine the total effect of an independent variables, the \( b_1X_1 \), \( b_2X_2 \), and \( b_3X_1X_2 \) must be combined, and the overall effect of \( X_1 \) for any value of \( X_2 \) can be found by substituting the \( X_2 \) value into the following equation:

\[ b_{\text{total}} = b_1 + b_3X_2 \] 
\( \text{(Hair et al., 2010, p.181).} \)

For example, assume when we are analysing a result of MMR, if an independent variable is shown as statistically significant and a positive \( b_3 \), it can be explained by the higher the value of moderator \( (X_2) \), the higher the impact of the independent variable \( (X_1) \) on the dependent
variable. On the other hand, if a variable has a negative $b_3$ and is statistically significant with a dependent variable. Therefore, it can be suggested that the higher/the lower the value of moderator ($X_2$), the lower/the higher the impact of the independent variable ($X_1$) on the dependent variable.

There are numerous studies that have employed MMR for detecting the moderating effects, see Aguinis (1995). As illustrated by Cortina (1993), MMR is a frequently used technique in psychology studies. More recently, the MMR model is becoming increasingly used in social science or social psychology research (Jensen-Campbell and Graziano, 2005) due to human behaviour being heavily influenced by other effects. For instance, looking at the effects of personality in social conflict, and this may be caused from another variable (Jensen-Campbell and Graziano, 2005). Aguinis (1995) demonstrated that many previous research adopted moderators and concluded that moderating effects play critical roles in theories of management and social and behavioural sciences. For marketing research, MMR is a widely accepted techniques (Homburg and Giering, 2001) due to MMR allows that a moderating effect occurs between I.V and D.V. Irwin and McClelland (2001, p.100) suggest that “moderated relationships are central to marketing”.

Overall, MMR has been extensively used in psychology and marketing. This is due to it being a robust technique which allows (i) flexible (ii) non linear and (iii) complex relationships. In this study the employed technique of MMR was preferred to other techniques because of the desirable properties of MMR. Therefore, this study adopted moderated multiple regression (MMR) to test that D.V (CCRRF; CCRRM; and CCRCE) might not only just be decided by the independent variables used by this study but also by other moderating factors. Additionally, this study was also particularly suited to the MMR. That was because the moderator effect allows “an additional variable to represent the changing slope of the relationship over the range of the independent variable” (Hair et al., 2010, p. 180).

As can be seen from Figure 4.1, both trust and service quality were defined as moderating variables in current study to test whether they affect the relationships between servicescape; choice of restaurant factors; social responsibility; and recommendations and dependent variables. This study here provides four points to explain the reasons of adopting trust and service quality as moderators.
1. Trust and experiences of service quality are “internal” factors which emerge from customers’ themselves. For example, “the variable most universally accepted as a basis of any human interaction or exchange is trust” (Gundlach and Murphy, 1993, p.41). One of the characteristics of service quality is intangibility (Parasuraman, Zeithaml, and Berry, 1985). Those two variables are intangible, but they can be experienced by every customer.

2. One of the most important developments in the tourism industry is service quality from the customer’s perspective (Fache, 2000). Parasuraman and Grewal (2000) also suggest for further research service quality can be tested as moderating variable to measure the impacts on customers’ loyalty. Moreover, Castro et al. (2007) also suggest that service quality can be a mediator between tourist’ image of a destination and further behaviour. This argument might apply to restaurants as well as tourism businesses.

3. Trust urges higher customer loyalty (Agustin & Singh, 2005 and Doney & Cannon, 1997) and a potentially important factor influencing consumer behaviour (Bredahl, 2001). Reputation can be seen as proxy for trustworthiness (Standifird, 2001) and trust may therefore have an effect on customers’ intention (Goode & Harris, 2007; Harris & Goode, 2004; Keavency & Parthasarathy, 2001 and Jones et al., 2000).

4. Trust comes from service quality (Oliver, 1997 & 1999 and Harris & Goode, 2004); and trust and service quality have a very strong correlation between each other in customer-based reputation (CBR) (Walsh and Beatty, 2007).

Correspondingly, this study employs trust and service quality as moderating variables to investigate whether they affect the relationships between independent variables and customers’ choice of restaurant. Therefore, it can be hypothesised that:

Hypothesis 7: Trust moderates the relationship between (a) servicescape (b) choice of restaurant factors, (c) service quality, (d) social responsibility, (e) recommendations and customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF).

Hypothesis 8: Trust moderates the relationship between (a) servicescape (b) choice of restaurant factors, (c) service quality, (d) social responsibility, (e) recommendations and customers’ choice of restaurant which relies on recommendations from the media (CCRRM).
Hypothesis 9: Trust moderates the relationship between (a) servicescape (b) choice of restaurant factors, (c) service quality, (d) social responsibility, (e) recommendations and customers’ choice of restaurant which relies on own experience (CCRCE).

Hypothesis 10: Service quality moderates the relationship between (a) servicescape (b) choice of restaurant factors, (c) trust, (d) social responsibility, (e) recommendations and customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF).

Hypothesis 11: Service quality moderates the relationship between (a) servicescape (b) choice of restaurant factors, (c) trust, (d) social responsibility, (e) recommendations and customers’ choice of restaurant which relies on recommendations from the media (CCRRM).

Hypothesis 12: Service quality moderates the relationship between (a) servicescape (b) choice of restaurant factors, (c) trust, (d) social responsibility, (e) recommendations and customers’ choice of restaurant which relies on own experience (CCRCE).

In this study, for example, if an independent variable is shown as statistically significant and a positive \( b_3 \), it can be suggested that the higher the value of moderator \( X_2 \), the higher the impact of independent variable \( X_1 \) on dependent variable. On the other hand, if a variable has a negative \( b_3 \) and statistically significant with dependent variable, it can be suggested that the higher/the lower the value of moderator \( X_2 \), the lower/the higher the impact of independent variable \( X_1 \) on dependent variable.

Figure 4.2 describes the whole framework of quantitative research. The broken lines refer to the moderating variables which may have effects on solid lines.
Figure 4.2: A framework for customers’ choice of restaurant.

*The above framework was designed for customers’ choice of restaurant. A questionnaire was produced for customers, in order to measure their behaviours when selecting a small restaurant (see appendix IV, p.339)*

Figure 4.2 shows that customers’ choice of restaurant (small restaurant) and this may come from six independent variables such as servicescape, choice of restaurant factor, trust, service quality, social responsibility and recommendations. The study wants to discover the relationship between choice of restaurant and six variables; they are that reputation arises from servicescape (H1), choice of restaurant factor (H2), trust (H3), service quality (H4), social responsibility (H5), and recommendations (H6). After a series of statistical analysis, the six hypotheses can provide the information about how those six variables affect customers’ choice of restaurant. In addition, the results of moderation effects were also given by hypotheses 7~12.
4.3 Nine-steps for questionnaire design

“Designing a questionnaire is still an art and not a science” (Churchill, 1999, p.328). Churchill also provides a nine-step procedure for developing a self-administered question as shown in Figure 4.3. This would be the most suitable method for this research survey.

Figure: 4.3 Procedures for developing a questionnaire

```
STEP 1
Specify what information will be sought

STEP 2
Determine type of questionnaire and method of administration

STEP 3
Determine content of individual questions

STEP 4
Determine form of response to each question

STEP 5
Determine wording of each question

STEP 6
Determine sequence of questions

STEP 7
Determine Physical characteristic of questionnaire

STEP 8
Re-examine steps 1-7 and revise if necessary

STEP 8.1
Back Translation

STEP 9
Pre-test questionnaire and revise if necessary
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Sound questionnaire design principles should focus on three areas as suggested by Sekaran (2003). The first relates to the wording of the questions (Section 4.3.5 step 5). The second relates to planning of the issue of how the variables will be categorized, scaled, and coded.
after receipt of the response. The last one pertains to the general appearance of the questionnaire (Section 4.3.4 step 4 and 4.3.6 step 6).

4.3.1 Step-1 Specify what information will be sought
The first step in the nine steps developed by Churchill (1999) is to define what kind of information is needed from the questionnaire. Chapters Two and Three discussed related literature review, small and medium-sized firms in Taiwan and business reputation respectively. The questionnaire will be based on previous academic literatures surveyed in Chapter Two and Three to gather related information.

4.3.2 Step-2 Determine type of questionnaire and method of administration
Data generally comes from two sources, primary sources and secondary sources. Data gathered from existing sources are called secondary sources, such as, books, periodicals, government publications, annual reports of companies and so on. Tull and Hawkins (1993) remind the researcher that a good secondary source would be a very suitable or useable reference. In spite of this, in order to obtain information specifically related to a research problem, a primary data collection method would have to be employed.

There are varieties of ways in which primary survey data can be gathered, such as via the internet, email or self-administration. The research method also will have an impact on questionnaire design (McDaniel and Gates, 2002). After comparing the advantages and advantages of each method of data collection, the Personally Administered Questionnaire (PAQ) will be adopted by this research. For more details and information, see section 4.5 ‘The method of questionnaire data collection’.

4.3.3 Step-3 Determine content of individual questions
The questions come from the decisions that the researcher has made, for example, ‘what kind of information, which question does the designer need’. When asking a question, the designer should frame the question to secure an answer with the required detail but not with more detail than needed (Churchill, 1999).

Otherwise, open-ended questions or closed-ended questions will be another necessary issue for the designer to consider. Open-ended questions allow respondents to answer them in
anyway they choose. Closed-ended questions, in contrast, would provide a set of alternative answers given by research designer (Sekaran, 2003).

The advantages of closed-ended question are that they help respondents to make choices easily from among alternatives and provide easy to code information (Aaker, Kumar & Day, 2004; Sekaran, 2003; and McDaniel & Gates, 2002). Therefore, the questionnaire designer has to take care to ensure that the alternatives are mutually exclusive and collectively exhaustive. On the contrary, if there are overlapping categories, or if not all possible alternatives are given, the respondents might feel confused and thus would lose the advantages of using close-ended questions (Sekaran, 2003).

4.3.4 Step-4 Determine the form of response to each question
A 5-point Likert variable scale ranging from ‘strongly agree’ to ‘strongly disagree’ could be the most appropriate method for tracking-recording respondents’ attitudes relevant to the nature of phenomenon under study (e.g., Tsang and Qu, 2000). The Likert scale is designed to examine how strongly subjects agree or disagree with statements on a multi-point scale. The Likert scale is a very popular approach to the creation of multiple-item measures (Hair, Bush & Ortinau, 2006 and Bryman & Cramer, 1992). Today, the modified Likert has expanded the five-point format to either a six-point or a seven-point format (Hair, Bush and Ortinau, 2006). Hair, Bush and Ortinau (2006, p.394) also agree “Likert scales are best for research designs that use self-administered survey, personal interviews, or most online methods to collect the data”. Others related to the form of response are listed in section 4.6.1, which describes feedback from the pilot.

4.3.5 Step-5 Determine the wording of each question
There are five principles of wording questions as indicated by Sekaran (2003). These are (1) the appropriateness of the content of the questions, (2) how questions are worded and the level of sophistication of the language used, (3) the type and form of questions asked, (4) the sequencing of the questions, and (5) the personal data sought from the respondents.

McDaniel and Gates (2002) indicate that researchers often puzzle over the ‘vocabulary problem’, because they are more highly educated than typical respondents. Some words used by researcher are quite familiar to them, but not understood by many respondents. Sekaran
(2003) and Chisnall (1997) provide a similar suggestion that the language of the questionnaire should be completely understood by the respondents. “The choice of words should depend on respondents’ educational level, the usage of terms and idioms in the culture” stated by Sekaran (2003, p.266). Thus, it is essential to word the questions in a way that could be easily understood by all respondents. McDaniel and Gates (2002) also suggest that a self-administered questionnaire must be explicit and usually rather short, because, short questions are better than long ones. As a rule of thumb, a question or a statement should not exceed 20 words, or exceed one full line in print (Horst, 1968 and Oppenheim, 1986).

The questionnaire for this research was designed in English, and then translated into Chinese. Thus the procedure of translation should pay particular attention to ‘wording’ and ‘ease of understanding’ by Chinese respondents. This will be entirely explained in section 4.6 (Questionnaire pilot).

4.3.6 Step-6 Determine the sequences of questions
Korsnick and Alwin (1987) indicate that response-order could have a damaging effect to the accuracy of the survey measurement. The questions should follow a logical order. The ‘funnel approach’, provided by (Festinger and Katz, 1966) would be the best way to sequence questionnaire. Sekaran (2003, p.242) defines funnel approach as “such that the respondent is led from questions of a general nature to those that are more specific, and from questions that are relatively easy to answer to those that are progressively more difficult” which could lead respondents in the process of answering a questionnaire easily and smoothly. Churchill (1999) also emphasises the importance of sequencing questions, and suggest using the funnel approach.

4.3.7 Step-7 Determine the physical characteristic of questionnaire
Not only is it important to emphasize the wording of sentences in the questionnaire, but it is also necessary to pay attention to how the questionnaire looks. An attractive and neat questionnaire needs to have appropriate instructions, well-arrayed set of questions and response alternatives which make it easier for the respondents to answer them (Sekaran, 2003). Furthermore, the researcher should not ignore the necessity of a good introduction. A proper instruction can clearly disclose the identification of the research and the purpose of the survey. This can also help researchers to establish some rapport with the respondents and
motivate them to answer the questionnaire wholeheartedly and enthusiastically (Sekaran, 2003).

Some open-ended questions are provided for respondents to have an opportunity to make additional comments. This is because the responses might not have been covered fully or adequately.

4.3.8 Step-8 Re-examine steps 1-7 and revise if necessary
The questionnaire is the most useful data collection mechanism, especially for large numbers of respondents. It is also a popular method to capture respondents’ attitudes because researchers can gather information fairly easily, and the responses of questionnaire are easily coded. In order to minimize respondents’ biases and measurement error, all the design principles discussed have to be followed carefully. Churchill (1999) also reminds researchers that they should not expect the first draft to be a usable questionnaire and that each question should be reviewed to ensure that the question is not confusing or ambiguous to respondents.

4.3.8.1 Step 8.1 is referring to back-translation, as noted on previous 4.3.6; this research questionnaire was designed by English and then translated into Chinese. In order to avoid any misunderstanding occurring during the process of translation, and to ensure that the questionnaire had the same meaning in these two languages, the designer invited one Chinese speaker with good English ability to re-translate the Chinese into English. This step is necessary for questionnaire designer when undertaking a survey with different language speakers.

4.3.9 Step-9 Pre-test questionnaire and revise if necessary
It is important to pre-test the instrument to ensure that the questions are understood by respondents, for instance that there is no ambiguity in the questions. When pretesting the instrument one uses a small number of respondents in order to check whether the questions are correct and can be comprehended by those respondents.

This part, pre-test questionnaire, will have a discussion in section 4.6, questionnaire pilot. Overall, three conditions have been provided by Chisnall (1997) as necessary for ensuring a true response to a question:
(1) respondents must be able to understand the question;
(2) they must be able to provide the information requested;
(3) they must be willing to provide the information.

4.4 Questionnaire

The questionnaire is an efficient data collection instrument when the researchers know exactly what is required and how to measure the variables of interest. Designing a questionnaire, researchers should clearly understand what data needs to be collected, and how it should be analysed, and to a great extent, whether the analysis meets the objectives set (Saunders, Lewis and Thornhill, 1997).

Sekaran (2003) and Saunders, Lewis & Thornhill (2007) suggest that a sound questionnaire should focus on following points. The first reflects on the wording of the questions. The second refers to the careful design of the questionnaire of how the variables will be categorised, scaled, and coded after receipt of answers. The third refers to the general appearance of the questionnaire. The fourth states that the samples need to be as representative and accurate as possible, as it will be used to make generalisations about the total population.

The questionnaire instruments use in the present research was designed into four parts and is shown in 4.4.1.

4.4.1 Questionnaire design

This section was divided into three parts, personal questions; general questions relate to reputation; and social reputation section.

Part I: Personal questions

First of all, the questionnaire was designed to obtain personal and demographic characteristics, for example: gender, occupation, age, and how often on average the respondent has a meal in a Chinese restaurant. That is because the researcher needs to understand the basic background of the respondents.
Part II: General questions relate to reputation

Our previous review of the literature on business reputation has demonstrated the nature of customer values. In particular,

(A) A good corporate reputation is a resource leading to competitive advantage and the attraction of more customers (Barney, 1991; Hall, 1992; Dierickx & Cool, 1989; and Roberts & Dowling, 2002).

(B) A positive corporate reputation may not be equivalent to good performance (Ou, Abratt & Dion, 2006; Porritt, 2005; and Roman, Hayibor & Agle, 1999).

(C) Reputation is a kind of intangible, economic and important asset.

(D) A good image of reputation can establish ‘customers’ trust’ (Barnett, Jermier & Lafferty, 2006 and MacMillan et al., 2005).

Thus, this study conceptualizes that a restaurant’s reputation comes from customers’ value and includes much or the entire situation inside the restaurant. In this way, a questionnaire and hypothesis can be established as follows.

Two simple questions will ask whether or not respondents have favourite restaurants and whether the reputation of restaurant influences their choice of where to eat. Then, the general questionnaire was divided into three sections; they are Servicescape, Trust, and Service quality.

Servicescape

The Bitner’s model was employed for questionnaire design in this study. Bitner’s model (1992) “gave us the first clear view of the servicescape as a whole, and the components of the servicescape” (Cockrill. et al., 2008, p.193). This model was also used by many other previous studies recently (e.g., Harris and Ezeh, 2008; Cockrill et al., 2008; Reimer and Kueha, 2005; and Baker et al., 2002).

The questions for the servicescape was gathered by retrospective experience sampling, that is, customer were asked to answer the questions that that restaurants’ reputation caused by the servicescape issues. The part of the questionnaire included a set of closed-ended questions. The ambience was measured using a five-item scale developed from the studies of Wakefield and Baker (1998), Wakefield and Baker (1996), Harris and Ezeh (2008), and suggested by the exploratory stage. The questions on the layout were also adopted from previous studies;
such as those by Wakefield and Baker (1998) and Wakefield and Baker (1996), again suggested by the exploratory stage. As noted, all items used a Likert-type five-point response scale. This ranged from strongly disagree (1) to strongly agree (5). For the questions on servicescape used in this study, see appendix III, p. 332.

**Trust**

Seven items that were adapted by Hess (1995) that relate to trust were used in the questionnaire for this research survey. The Hess measure was originally established to judge customers’ trust in car sales. This measure is based upon operational benevolence. “Operational benevolence is defined as behaviours that reflect an underlying motivation to place the consumer's interest ahead of self-interest” (Sirdesmukh et al., 2002). Hess (1995) demonstrated altruism (operational benevolence), or the perception that a brand has the consumer's best interests at heart, and therefore designed a seven-item scale for measuring trust in buyer-seller relationships. Harris and Goode (2004) reviewed the available trust measures and found that the Hess measure is the most applicable for customers’ emotions, due to both the measure being explicitly perceptual in nature and the scale being designed to measure customers’ trust.

For this study, this measure may be the best to adopt so that customers can easily understand the ‘trust scales’. Other measures which were not suitable for testing trust between customers and service providers were discussed by Harris and Goode (2004). Consequently, the Hess measure can be seen as the most appropriate and easiest method to test the trust from customers towards the service industry. It needs to be mentioned that the questions used in this survey were identical; with the exception of the change of industry and other re-wordings. For the questions on trust in this study, see appendix III, p. 332.

**Service quality**

An understanding of the characteristics of service quality is necessary in order to select an appropriate instrument to test with. Even though the defined items in one industry may be different in another, Cronin and Taylor (1992, p.64) present empirical and literature support suggesting that, “service quality should be measured as an attitude”.

A 22-scale instrument built by Parasuraman, Zeithaml and Berry (1988) was the most popular instrument with which to test service quality between customers and service environment
within the hospitality industry. For example, this model has been used by many other previous studies (e.g., Chow et al., 2007; Reimer & Kuehn, 2005; Lee et al., 2005; Nadiri & Hussain, 2005; Cronin et al., 2000; Tsang & Qu, 2000; Oh & Parks, 1997; Lee and Hing, 1995; and Cronin & Taylor, 1992). However in order to facilitate study into modern life (the Internet not being widely available until the mid-1990s according to Leiner et al., 1997), and as suggested in the exploratory stage, this study adopts both instruments provided by Parasuraman, Zeithaml and Berry (1988) and Cronin and Taylor (1992) in order to collect information about the “attitude” that a Taiwanese customer might have. For example, there were twelve questions which related to the variables in the instrument provided by Parasuraman, Zeithaml and Berry (1998). Moreover, four questions correlated to an e-service quality scale designed by Cronin and Taylor (1992). The other four questions were suggested in the exploratory stage. For the questions on service quality asked in this study, see appendix III, p. 332.

**Part III: Social reputation section**

A research survey of 705 public companies listed in Taiwan stock exchange on corporate social responsibility was conducted in 2005. The findings reveal shareholders’ and employees’ rights as the two most important corporate responsibilities. Paying taxes on time and following ethical norms can be seen as the way that CSR is being enforced (Lin, 2005).

As this research focuses on small firms, it was thought that some items would not be relevant, for example: shareholder’s rights, corporate governance, financial disclosure and so forth. In the end, we adopt five common variables which may interest customers in small firms, especially for small restaurants. In addition, in order to facilitate this study further, these variables are adapted, for instance: from “the environment” to “to prevent the environment from being spoilt”. For the questions on social reputation asked in this study, see appendix III, p. 332. Finally, the variables adopted are:

1. To prevent the environment from being spoilt (recycling);
2. Fair treatment of employees;
3. Providing a healthy working place;
4. Paying tax on time annually;
5. Social responsibility will be the most important factor which affects your choice of restaurant.
Here, the questionnaire has to remind respondents that reputation might be not only positive, but can also be negative. It has to clarify whether or not social responsibly affects customers’ choice of a restaurant. If the above five variables do affect customers’ choice of restaurant, then Taiwanese customers can be defined as ethical customers.

**4.5 The method of questionnaire data collection**

Collection of quantitative research data can be carried out via personally administered questionnaire, mail questionnaire and electronic questionnaire. After, by attentively considering the advantages and disadvantages of various methods of data collection, a personally administered questionnaire was adopted by this research.

**4.5.1 Personally Administered Questionnaire (PAQ)**

A comparison of data collection methods is listed in Table 4.1. In order to have a high rate of response, and make sure that respondents do understand the word “reputation”, PAQ is best suited when data is collected from groups that are located in close proximity to one another and groups of respondents can be conveniently assembled in the room (Sekaran, 2003). Although there is one main weakness as shown in Table 4.1, this problem will not be addressed in this study. That is because the sample of the study consists of the three occupations with high academic achievement in southern Taiwan. For the sample employed, the PAQ may spend more time and money for the researcher, but this is a good way to establish rapport with respondents. For more details about these three occupations, see section 4.7.1 Sample chosen on page 122.
## Table 4.1 Strengths and weaknesses of PAQ, online survey and mail questionnaire

<table>
<thead>
<tr>
<th>Method</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
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</table>
| **Personally Administered Questionnaire** | 1. The researcher is also afforded the opportunity to introduce the research topic and motivate respondents to answer the questionnaire;  
2. The research may collect all completed responses in a short period time. A good response rate is ensured;  
3. Doubts that respondents might have on any question could be clarified on the spot;  
4. PAQ can establish rapport and motivate the respondent;  
5. Anonymity of respondent is high;  
6. Less expensive when administered to groups of respondents. | 1. Organisations may be reluctant to give up company time for the survey with groups of employees assembled for the purpose (Sekaran, 2003). |
| **Online Survey**             | 1. This is easy to administer;  
2. This method can reach global;  
3. Very inexpensive;  
4. Fast delivery;  
5. Respondents can answer at their convenience. | 1. Computer literacy is a must;  
2. Respondents must have access to the facility;  
3. Respondents must be willing to complete the survey;  
4. Who actually completes the questionnaire cannot be controlled. |
| **Mail Questionnaire**        | 1. This is easy to administer;  
2. Wide geographic regions can be reached;  
3. Respondent can take more time to respond at convenience. | 1. Response rate is almost always low;  
2. Cannot clarify questions;  
3. Follow-up procedures for non-responses are necessary;  
4. Who actually completes the questionnaire cannot be controlled. |

Chapter Four: Conceptual Framework and Research Method

4.5.2 Ethics in data collection

Ethics are also an important consideration for the research. Appropriate behaviour was adopted and followed by the researcher. For example, there are several ethical issues that should be addressed when collecting data as discussed by Sekaran (2003):

1. Treating the information given by respondents (interviewees) as strictly confidential;
2. Protecting respondents’ (interviewees’) privacy is one of the primary responsibilities;
3. The researcher must explain the purpose of the research to respondents (interviewees);
4. Personal information should not be solicited;
5. The self-esteem and self-respect of respondents (interviewee) should never be violated;
6. The individual’s desire should be respected, do not try to force someone to respond the questionnaire;
7. There should be definitely no misrepresentation or distortion in reporting the information collected the study.

4.5.3 Ethics and the researcher

Not only should those seven obligations in section 4.5.2 of ethical behaviour be followed by the researcher but overall the following rules (Hair, Bush & Ortinau, 2006; Sekaran, 2003; McDaniel & Gates, 2002 and Churchill, 1999) were followed:

1) All the information was coded into a database directly without any modification;
2) All the information provided is treated confidentially;
3) The purpose of the research is for academic purposes only;
4) Information is collected in good faith, and with no disclosure of individual responses;
5) The honest and accurate representation of respondents’ age, education, training, and choice.
Chapter Four: Conceptual Framework and Research Method

4.6 Questionnaire pilot

An attractive and neat questionnaire with appropriate introduction, instructions, and well-arrayed set of questions and response alternatives will make it easier to obtain good responses from respondents. Due to the need to attend to this condition, the questionnaire was “piloted” before starting to gather information on the target population. The main reason of “pilot” is to describe plans of data collection and discover what problems respondents might be met when they are answering the questionnaire.

Gill and Johnson (2002, p.120) describe the use of pilot in the following terms. They indicate that “pilot is a trial run-through to test the research design with a subsample of respondents who have characteristics similar to those identifiable in the main sample to be surveyed”. Piloting is very important as it is very difficult to predict how respondents will construe, interpret and react to questions. Conducting a pilot before the research survey allows any potential problems in the questionnaire to be identified and corrected (Gill and Johnson, 2002).

As the target sample for this research is Taiwanese, the questionnaire was designed in two versions: Chinese and English versions. In order to ensure that both two versions have the same meaning, the questionnaire was translated from English into Chinese. Following this, another Chinese speaker with good English ability was invited to re-translate back into English. After re-translation, a few sentences were translated into different meanings. This situation was overcome by further discussion and by modifying language to obtain the appropriate meaning.

Consequently, ten Taiwanese students at Swansea University were invited to fill in the questionnaire. Meanwhile, thirty questionnaires were sent to Third District Maintenance Construction Office, Ministry of Transportation and Communication (unit of Taiwan government), National Pingtung University of Science and Technology and Cheng Shiu University via email, requesting respondents to complete the questionnaire. Those 40 questionnaires will not be counted into the quantitative samples of this research.
4.6.1 Feedback of pilot

Some feedback was provided from the pilot respondents. They suggested that questionnaire should be reformed to address five main problems about which they felt confused.

1. Showing Likert 5-point scale on every pages;
2. Editing of answer-boxes as vertical;
3. Correct use of Chinese grammar to avoid translation from English into Chinese directly;
4. Using easy-to-read Chinese sentences to avoid respondents who do not want to read sophisticated questions;
5. Some respondents commented that there were too many questions to answer. Especially for service quality. Otherwise, in respondents’ opinions many questions provided by Parasuraman, Zeithaml and Berry (1988) were too academic and theoretical, and some sophisticated questions were very similar to each other. Hence, respondents suggest using easy-to-read sentences and offered some ideas about problems that worried them in choosing restaurant, that could be included.

The questionnaire designer accepted the first four suggestions and improved the design to address those problems. However, as a key requirement was to collect full and reliable data, the final concern was not accepted but some adjustments were made, see appendix III, p.332.
4.7 Choice of sample (quantitative research)

Robson (2002) provides a view of sample choice and indicates that ‘research’ tends to put some people off. This means that the researcher needs to have a sampling plan in order to choose the adopted sample. The researcher always needs to have a sampling plan to choose the sample adopted. Gill and Johnson (2002) also echo that it is impractical to involve all members of the population, thus selecting who should participate in a survey is a crucial issue.

4.7.1 Samples chosen

A non-probability convenience sampling technique was used to collect the data. The sample of the study consisted of three groups with high academic achievement; they are university staff, civil servants and undergraduate students. The reasons are as follows:

1. They are easy to access.

2. The word “reputation” could be seen as a very conceptual word. One could spend a lot of time with respondents explaining what is meant by reputation, making it difficult for them to understand it. This is one of the main reasons why the population used for this research was chosen from those more highly educated people.

3. According to the data of Average Family Income and Expenditure per Household by Areas, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), the family income in Northern Taiwan is higher than Southern Taiwan (Ex: Taipei: NT: 1,514,069; Kaohsiung: NT: 1,163,926). It is generally accepted that private companies offer different salary models between regions. The samples of civil servants and university staff can overcome this income diversity, because both of them are groups traditionally employed for a salary and their income will not be changed by a single or unexpected event.

4. A student sample has been recruited in many earlier consumer research surveys, for example Liu & Wang (2008); Hsieh, Chiu & Chiang (2005); Yen & Gwinner (2003); and Hennig-Thurau, Gwinner & Gremler (2002). PLMA (2001) also indicates that the frequencies of store brand purchases of students are very similar to other consumers. Furthermore, “since undergraduate night and weekend school students have full time work and income, they can be assumed to have the same behaviour as general consumers” (Liu and Wang, 2008, p.289).

Respondents can be grouped into three categories, university staff, civil servants and students. These three groups are assigned code numbers 1, 2 and 3.
4.7.2 Justification for samples chosen
The main limitation of convenience sampling is “how representative the sample is of the population” (Moutinho et al., 1998), because this method collects information from members of the population who are convenient (Sekaran, 2003). The findings may not be confidently generalised to the whole population.

There were three occupations used as target samples for this study. These three sub-samples can all be defined as high educated people. It is possible that the target sample may not be highly representative. Also, it can be argued that perhaps their income or earning level is in response to the high percentage of income level in Taiwan. However, this still excludes experts or persons having special skills or knowledge, for example: a person in a managerial or higher managerial or professional post, a skilled manual worker, pensioners and the unemployed.

Nevertheless, this does not propose that non-probability convenience samples should never be used. The advantages of this method includes a good response rate (Bryman and Bell, 2007); availability to the researcher by virtue of accessibility (Bryman and Bell, 2007); and it is convenience, speed, and low cost (Sekaran, 2003). As discussed above, high academic achievement groups were employed in this research because it was thought that it might be difficult to explain the meaning of “reputation”. Hence, the non-probability convenience sampling is perhaps the best method collecting data from customers quickly and efficiently.

4.7.3 Determining the sample size
Generally speaking, there is no right answer to the question of what size of sample is needed. Robson (2002, p.161) provides the opinion that “in real world research, the question is answered for you by the situation”. In general, the more accuracy that the researcher wants to obtain from the research, the larger sample will be needed.

Many researchers provide some “rule of thumb” by their own experiences to determine the sample size. For example: Roscoe (1975) proposes three rules of thumb for determining sample size:

1. Size larger than 30 and less than 500 are appropriate for most research;
2. If samples are divided into subsamples, for example: male/female, juniors/seniors, etc), a minimum sample size of 30 for each category is necessary;
3. In multivariate research, including multiple regression analysis, the sample size should be several times (preferably 10 times or more) as large as the number of independent variables in the study.

Borg and Gall (1989) recommend samples of about 100 for each of the sub-groups in the survey. Mertens (1998) argues for a minimum of about 15 participants per variable in non-experimental research.

Cohen (1992) suggests sample size can be decided by a range of statistical tests. Tabachnick and Fidell (2007) also provide a formula for calculating sample size requirements, which is similar to Roscoe (1975) taking the number of independent variables into account: \( N > 50 + 8m \) (where \( m = \) number of independent variables).

Furthermore, the sample size would also be defined by the extent of precision and confidence desire. In sum, the greater the precision required, a larger sample size needed and a 95% confidence is the conventionally accepted level for most business research (Sekaran, 2003 and Churchill, 1999).

4.7.4 Samples size

There are 78 independent variables (not include personal questions) in the questionnaire, thus according to the suggestions from both Roscoe (1975) and Tabachnick & Fidell (2007), a total of 700 respondents would be an appropriate sample size. The target was to gather information between 230 and 250 from students, civil servants and university staff respectively. The final achieved sample sizes are described in section 5.1.1.
4.8 Conclusions

Following a review of the literatures on small and medium enterprises in Taiwan and on business reputation, Chapter Four has developed a conceptual model and constructed a number of hypotheses. The quantitative research method was adopted and the steps of developing a questionnaire were discussed in this chapter. This research decided to collect the data by the method of Personally Administered Questionnaire. This chapter has also settled on target samples and the sample size. In addition, in order to avoid any unnecessary misunderstanding or potential problems in the questionnaire, a pilot version was also assessed through each of the procedures for questionnaire design. Additionally, because the first language of the target respondents of the research is not English, translation and reverse-translation are essential for the research.

Those hypotheses drawn from the quantitative research will be subjected to empirical testing in Chapter Six. Prior to that, preparation for analysis and general descriptive statistical analysis will be presented in Chapter Five.
Chapter Five: Quantitative Research and Data Analysis

The purpose of data analysis is to undertake secondary analysis on the survey data obtained. After data had been collected from questionnaire respondents the next stage is to analyse them. This stage includes the use of a range of statistical techniques to provide statistical description including the use of reliability, validity and factor analysis.

Introduction:
Some preliminary steps need to be completed before starting to analyse the data to test hypotheses. There are two generally accepted steps to ensure the data are reliable and reasonable good and of assured quality for future analysis, they are firstly, testing the goodness of data (section 5.2); and secondly, data analysis (section 5.3). Each step includes many items.

After data were collected through questionnaires, they needed to be edited. If there are some blank responses, these have to be handled in various ways. Data coding has to be set up for the software program used. Each of these stages is prepared for further analysis. Second, testing the data can be accomplished by submitting the data through Cronbach’s alpha or validity test. Next, the results for reliability and validity will give a preliminary idea of what the quality of the data is, whether or not those data can move to the next step, hypothesis testing. Additionally, in order to identify relatively small numbers or distinctness of factors that can be used to represent relationships among sets of many interrelated variables, factor analysis will also be employed.

Overall, this chapter re-organises the data obtained from questionnaires, followed by analysis of the data through the results of various descriptive statistics. Next comes reliability testing and validity analysis to define the quality of the data, and finally factor analysis is used to extract representable factors from interrelated items. This
Chapter Five: Quantitative Research and Data Analysis

The chapter will follow those steps to analyse data. The structure of Chapter Five is as follows:

5.1 Results of the data collection
5.2 Goodness of fit data
5.3 Data analysis
5.4 Reliability and validity

5.1 Results of the data collection

In order to have primary ideas of the answers from the questionnaire, this research will report some results of descriptive analysis before formal data analysis. The results will be exhibited as visual displays, for instance, figures, charts, graphs, to clearly show the distribution of the research. There are ten parts in this section, they are: sample size; gender distribution; age distribution; the frequency of visits to Chinese restaurant; average expenditure per person per time; the favorite restaurant; the choice of restaurant comes from reputation; where do recommendations come from; the issue of social responsibility; and the effects of the media.
Chapter Five: Quantitative Research and Data Analysis

5.1.1 Sample size and occupation
The data was collected from June to August 2007 in Southern Taiwan. For more details about the locations, see Table 5.1.

Table 5.1 The details about the locations of data collection.

<table>
<thead>
<tr>
<th>Location</th>
<th>University Staff</th>
<th>Students</th>
<th>Civil Servant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaohsiung</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kaohsiung City Government</td>
<td></td>
<td></td>
<td>V</td>
</tr>
<tr>
<td>National Kaohsiung Normal University</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>National Kaohsiung Marine University</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>Cheng Shu University</td>
<td>V</td>
<td>V</td>
<td></td>
</tr>
<tr>
<td>Pingtung</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pingtung County Government</td>
<td></td>
<td></td>
<td>V</td>
</tr>
<tr>
<td>Pingtung City Government</td>
<td></td>
<td></td>
<td>V</td>
</tr>
<tr>
<td>Third District Maintenance Construction Office, Ministry of Transportation and Communication</td>
<td></td>
<td></td>
<td>V</td>
</tr>
<tr>
<td>National Pingtung University of Science and Technology</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>Tajen University</td>
<td>V</td>
<td>V</td>
<td></td>
</tr>
<tr>
<td>Meiho Institute of Technology</td>
<td>V</td>
<td>V</td>
<td></td>
</tr>
</tbody>
</table>

Note: In Taiwan, the staffs who belong to Personnel and Accounting Offices at National Universities are civil servants.

As shown in Table 5.2, 801 questionnaires were distributed to university staff (249), students (289) and civil servants (263), and numbers of completed responses were 215, 251 and 233 respectively. The average rate of response is 87.16%.

Table 5.2 Sample sizes by occupation

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Total</th>
<th>Response</th>
<th>% of Response</th>
<th>Final Result</th>
<th>% of Final Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Staff</td>
<td>249</td>
<td>215</td>
<td>86.35%</td>
<td>205</td>
<td>82.33</td>
</tr>
<tr>
<td>Students</td>
<td>289</td>
<td>251</td>
<td>86.55%</td>
<td>233</td>
<td>80.62</td>
</tr>
<tr>
<td>Civil Servant</td>
<td>263</td>
<td>233</td>
<td>88.59%</td>
<td>210</td>
<td>79.85</td>
</tr>
<tr>
<td>Total</td>
<td>801</td>
<td>699</td>
<td>87.16%</td>
<td>648</td>
<td>80.90</td>
</tr>
</tbody>
</table>
Moreover, 51 questionnaires were discarded and 648 questionnaires were eventually included for data analysis. That was because some respondents provided the same answer from question 8 to the end, or they choose option “B” of question 7 and they should move to question 16 directly. However, they provided no answers to the remaining questions, see appendix IV, p. 339ff.

**5.1.2 Gender distribution**

The gender distribution of the sample was almost equal, with 49.4% males and female and 50.6% females, as shown on Figure 5.1.
Chapter Five: Quantitative Research and Data Analysis

5.1.3 Age distribution

According to Figure 5.2, 204 respondents were aged between 16 and 24, accounting for the largest share of the total number of respondents at around 31%. That is because one of three sample clusters is “students”. These aged from 30 to 49 accounted for nearly 50% of the total. 133 respondents were from 30 to 39 and 164 from 40 to 49, accounting for 20% and 25% respectively.

Figure 5.2 Age distribution (total: 648 observations)

This age distribution is quite unusual and does not correspond to the population age structure. Figure 5.3 shows the age structure of the general population in Taiwan.

Figure 5.3 General age distributions in Taiwan

Data Source: Department of Household Registration Affairs, Ministry of the Interior, Taiwan R.O.C
Any conclusions drawn from the research analysis need to recognise that the sample is not necessarily representative of the whole population. This is also a limitation of this research. First, university students are one of the three groups of the research sample. Thus, the percentage of age 16 to 24 is definitely higher than that in the usual structure. Second, the percentage of age 40 to 49 was significantly higher than the general distribution; that is because most part of civil servants and university staff are aged 40-49. On the other hand, people aged more than 60 do not generally appear in the work place and this can explain why the percentage of this age group in the total observations was evidently lower than in the general age distribution.

5.1.4 The frequency of visit to Chinese restaurants

Figure 5.4 shows that more than 80% of total respondents go out and have a meal in Chinese restaurant at least once a month. Moreover, around 30% of respondents choose once a week or more. Generally speaking, many students do not live with their families and may have to eat out with higher frequency.

It could involve a very huge and complex piece of investigation for researchers to define the frequency of eating outside the home. No previous research can provide a comparison for this project to compare the frequency of eating out in Taiwan with other countries. Thus, this research can only report that more than 30% of respondents are eating out once a week or more, or more than 60% of respondents eat out more than twice a month.

Figure 5.4 The frequency of visiting Chinese restaurants (total: 648 observations)
5.1.5 Average expenditure per person per time
As shown in Figure 5.5, 466 respondents spend less than NT 500 per person per time, accounting for 72% of total. On the other hand, only 22 respondents, accounting for about 3% of total respondents, spent more than NT 2000 per person per time.

Figure 5.5 Average expenditure per person per time (total: 648 observations)

*NT500 is around 10 pounds

5.1.6 Favourite restaurants
More than 55% respondents indicate they have a favourite restaurant as shown in Table 5.3. However, nearly 45% of respondents do not have a favorite restaurant.

Table 5.3 Do you have a favourite restaurant?

<table>
<thead>
<tr>
<th>Yes, I have a favourite restaurant</th>
<th>357</th>
<th>55.09%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, I do not have a favourite restaurant</td>
<td>291</td>
<td>44.91%</td>
</tr>
</tbody>
</table>

5.1.7 The choice of restaurant comes from reputation
According to Table 5.4, there is no doubt that a restaurant’s reputation plays an important role in affecting customer’s choice of restaurant. More than 90% respondents agree with the statement to this effect. On the other hand, there were 52 respondents who do not agree that reputation will affect their choice of restaurant.

Table 5.4 Reputation affects restaurant-choosing.

<table>
<thead>
<tr>
<th>Yes, reputation will affect my choice of restaurant.</th>
<th>596</th>
<th>91.99%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, reputation will not affect my choice of restaurant.</td>
<td>52</td>
<td>8.01%</td>
</tr>
</tbody>
</table>
There were 52 respondents who chose the option ‘reputation will not affect their choice of restaurant’. This can be considered to be very unusual. It can be argued that customers generally always want to try a restaurant with a positive reputation. Students might conceive that ‘cheap’ is the first option which affects their choice of restaurant. The other two groups might be less likely to agree that ‘price’ is the main consideration. Another situation is when those people might like to try something different and can be called ‘risk seeking’. Overall, there were 13 university staff; 18 civil servants and 21 students who chose this option.

5.1.8 Recommendations from of visited restaurants
Table 5.5 shows the results of where respondents receive recommendations about which restaurants to visit. According to the table, more than 86% (560) of respondents agreed that they will try a restaurant if they receive a positive recommendation from their family or friends. Moreover, nearly 84% (544) of respondents will visit a restaurant more than once because they have had a good own experience there. Interestingly, only 59% (382) of respondents would accept suggestions from the public media. Clearly, the public media is trusted less than personal recommendations or personal experience.

Table 5.5 Where do respondents receive recommendations from about restaurants to visit?

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>% of 4+5</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Recommendations from family or friends</td>
<td>9</td>
<td>11</td>
<td>68</td>
<td>262</td>
<td>298</td>
<td>86%</td>
</tr>
<tr>
<td>(2) Recommendations from public media</td>
<td>19</td>
<td>41</td>
<td>206</td>
<td>278</td>
<td>104</td>
<td>59%</td>
</tr>
<tr>
<td>(3) Own experience</td>
<td>6</td>
<td>9</td>
<td>89</td>
<td>258</td>
<td>286</td>
<td>84%</td>
</tr>
</tbody>
</table>

1 denoting strongly disagree and 5 denoting strongly agree

5.1.9 Social responsibility is an important reputation for restaurant.
Most respondents agree that social responsibility also plays an important role in affecting the reputation of a restaurant. As shown in Table 5.6, more than 88% (572) of respondents chose agree or strongly agree that the performance of social responsibility is an important element of a restaurant’s reputation.

Table 5.6 Social responsibility can build up reputation.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>% of 4+5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social responsibility</td>
<td>4</td>
<td>6</td>
<td>66</td>
<td>231</td>
<td>341</td>
<td>88%</td>
</tr>
</tbody>
</table>

1 denoting strongly disagree, and 5 denoting strongly agree
For further detail, Table 5.7 shows the different variables which may comprise elements of social responsibility. Generally speaking, respondents definitely agree that these four variables will influence their choice of restaurant. Nevertheless, it could be seen as a very interesting result that respondents seemed less concerned about the fourth variable, paying tax on time annually, compared with the other three variables. It might be because respondents believe that many businesses in Taiwan keep two sets of accounts; “One for filing taxes and the other for private use “(Ip, 2008, p.169). Thus, whether or not a firm is paying taxes honestly is not an essential factor for them in choosing a restaurant. Only around 78% of respondents agree that this will influence their decision-making.

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>% of 4+5</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Recycling</td>
<td>5</td>
<td>9</td>
<td>51</td>
<td>233</td>
<td>350</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Fair treatment of employee</td>
<td>2</td>
<td>11</td>
<td>73</td>
<td>251</td>
<td>311</td>
<td>87%</td>
</tr>
<tr>
<td>(3) Provide a healthy working place</td>
<td>2</td>
<td>10</td>
<td>55</td>
<td>245</td>
<td>336</td>
<td>90%</td>
</tr>
<tr>
<td>(4) Pay tax on time annually</td>
<td>4</td>
<td>19</td>
<td>122</td>
<td>204</td>
<td>299</td>
<td>78%</td>
</tr>
</tbody>
</table>

Table 5.7 Four variables covering social responsibility.
1 denoting strongly disagree, and 5 denoting strongly agree

However, according to Table 5.8, a contradictory factor has emerged here. There were only 448 respondents who agree or strongly agree that social responsibility will be the most important matter that will affect their restaurant choice, while largely less than 572 (Table 5.6; 231 plus 341) respondents agree social responsibility is very important for reputation. This means there were 572 (88%) respondents students agree or strongly agree that the performance of social responsibility is an important element of a restaurant’s reputation. On the other hand, only 448 (69%) respondents agree that social responsibility will affect their choice of restaurant.

<table>
<thead>
<tr>
<th>Social responsibility W</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>% of 4+5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social responsibility W</td>
<td>7</td>
<td>30</td>
<td>163</td>
<td>234</td>
<td>214</td>
<td>69%</td>
</tr>
</tbody>
</table>

Table 5.8 Social responsibility will be the most important matter which affects your choice of restaurant.  
1 denoting strongly disagree, and 5 denoting strongly agree  
Social responsibility W refers to the statement “Social Responsibility will be the most important matter which affects your restaurant choices decision-making”.

5.1.10 The effects from the media

Reputation was divided into two parts in this section, positive and negative aspects of the reputation of a restaurant. Table 5.8 shows the conclusions of respondents if they were to hear three items of negative news from the media or family or friends, such as:
the restaurant not passing the sanitary inspectors’ check; behaving unethically, or hearing from their family or friends of an uncomfortable experience at their favorite restaurant, which would affect their choice of restaurant. Table 5.9 shows the result of hearing of a restaurant’s positive reputation from the public media.

Table 5.9 The effects from public media (negative reputation) and experiences from family or friends.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>% of 4+5</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Not pass sanitary inspectors’ check</td>
<td>16</td>
<td>22</td>
<td>138</td>
<td>193</td>
<td>279</td>
<td>73%</td>
</tr>
<tr>
<td>(2) Behaved unethically</td>
<td>10</td>
<td>17</td>
<td>91</td>
<td>250</td>
<td>280</td>
<td>82%</td>
</tr>
<tr>
<td>(3) Uncomfortable experience from their family or friends</td>
<td>18</td>
<td>33</td>
<td>136</td>
<td>183</td>
<td>278</td>
<td>71%</td>
</tr>
</tbody>
</table>

1denoting strongly disagree, and 5 denoting strongly agree

Table 5.10 The effects from the media (positive reputation)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>% of 4+5</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Positive reputation from public media</td>
<td>46</td>
<td>82</td>
<td>189</td>
<td>251</td>
<td>80</td>
<td>51%</td>
</tr>
<tr>
<td>(2) Positive reputation from family or friends</td>
<td>21</td>
<td>59</td>
<td>163</td>
<td>287</td>
<td>118</td>
<td>63%</td>
</tr>
</tbody>
</table>

1denoting strongly disagree, and 5 denoting strongly agree

Table 5.9 shows that there were nearly 73% (472) and 82% (530) who answered that they agree or strongly agree that they would not go to their favorite restaurant any more if they heard of negative reputational information from the media. These two recommendations from the media had a greater effect on customers’ choice of restaurant than the other one, an uncomfortable experience of their family and friends. On the other hand, according to Table 5.10, only just more than half of the respondents (331) agreed they would try another restaurant with positive reputation from the public media. Nearly 63% (405) of respondents would like to try a new restaurant at which family or friends had had a good experience; even if they did not previously like that restaurant. Overall, judging from section 5.1.10, the power of a negative reputation from the media is definitely higher than a positive reputation. Customers in Taiwan prefer to accept negative reputation in the media rather than positive reputation. In addition, customers accept negative recommendations more willingly than positive ones from personal recommendations (Schibrowsky and Lapidus, 1994), for example, recommendations from family or friends. Moreover, in Chinese societies, people have strong and positive attitudes of trust their family members or personal relationship (Ip, 2008 and Kopnina, 2005).
Chapter Five: Quantitative Research and Data Analysis

5.2 Goodness of fit

Before hypotheses testing, the data needs to be analysed carefully to investigate if the research instrument used can indeed measure the variables that they were supposed to, and that they measure them accurately. Reliability and validity factors are crucial aspects of research practice to ensure those obtained data can access to test hypotheses. Both reliability and validity can affect the quality of the collected data (Pallant, 2001). In brief, “validity is concerned with whether the research measures the right concept and reliability with stability and consistency of measurement” (Sekaran, 2003, p.203).

Thus, reliability and validity, descriptive statistics for constructed scales and factor analysis will be discussed in section 5.2.1, 5.2.2 and 5.2.3 sequentially. The results of those analyses will be reported in section 5.3.

5.2.1 Reliability and Validity

This section will seek to confirm that the data obtained is acceptable for further research.

5.2.1.1 Reliability

A measurement scale which provides a consistent result is termed reliable (Sekaran, 2003). Reliability means it is without measurement bias and then ensures consistent measurement across time and various items in the instrument. It is always a matter of degree, which is expressed as a correlation coefficient (Oppenheim, 1992). Reliability which can be defined an indication of the stability and consistency (Sekaran, 2003).

5.2.1.2 Internal consistency reliability

Internal consistency reliability refers to the ability to produce similar results, even if different samples (respondents) are used to measure the phenomenon during the same time period (McDaniel and Gates, 2002). In other words, the items proposed should “hang together as a set”, and be able to measure the same concept independently (Sekaran, 2003).

The most popular method for gauging stability and consistency reliability is the use of Cronbach’s coefficient alpha (Cronbach, 1946 and 1951). Cronbach’s α is a reliability
coefficient which indicates how well the items in a set are positively correlated to one another (Sekaran, 2003). Campbell (1976) also attests that Cronbach’s $\alpha$ can be a perfectly adequate index of consistency reliability in almost all cases.

Cronbach’s $\alpha$ can take a value from 0 to 1, with higher values close to 1 indicate higher internal reliability. In practice, there are many different propositions for what constitutes an acceptable value of Cronbach’s $\alpha$. In general, an alpha higher than 0.8 means ‘good’, around 0.7 indicates ‘acceptable’, and less than 0.6 is generally considered ‘poor’ (Sekaran, 2003). A value of 0.7 is considered as an acceptable indicator of reliability (Pallant, 2001; Hair et al., 2010; Slater, 1995; Churchill, 1979; and Nunnally, 1978). Peterson (1994) and Slater (1995) state that a value of 0.6 or above can be deemed ‘acceptable’; Zeithaml, Parasuraman and Berry (1996) also support this notion. However, Nunnally (1967) original argue that values 0.5 or above should be “adequate”; similarly, Horng and Chen (1998) also agree that if Cronbach’s $\alpha$ for each variable falls between 0.5 and 0.8 there is “adequate” reliability. Oppenheim (1992) notes it is rare to find reliabilities in the social and behavioural science higher than 0.90.

5.2.1.3 Validity
The second good characteristic of measurement device is validity. “Reliability is a necessary, but not a sufficient, condition for ensuring the validity of a measure” (Churchill, 1999, p.408). Validity means that which a researcher is trying to measure is actually measured (McDaniel and Gates, 2002). Validity can be split into four different perspectives, including face, content, criterion-related, and construct validity.

5.2.1.4 Face validity
This is the weakest form of validity (McDaniel and Gates, 2002). This measurement would be considered as a basic and a very minimum index of content validity (McDaniel & Gates, 2002; Sekaran, 2003 and Churchill, 1999). Face validity is a judgment call by the researcher, made when the questionnaire was designed. As each question is scrutinised or agreed by the researcher, experts, or people familiar with the target research area, there is an implicit assessment of face validity.
Chapter Five: Quantitative Research and Data Analysis

5.2.1.5 Content validity

“Content validity is a function of how well the dimensions and elements of a concept have been delineated” (Sekaran, 2003, p.206). This is to ensure that the questionnaire includes a representative and adequate set of items to uncover the concept in questions. The more the scale items represent a related field or domain of the concept being measured, the greater the content validity.

Kidder and Judd (1986) provide an example of speech impairment to explain that content validity can be assessed by a panel of judges. McDaniel and Gates (2002) discuss content validity and provide three approaches for determining content validity by (1) defining precisely what is going to be measured, (2) a comprehensive literature review which focuses on all possible related items and, (3) the use of experts to suggest their opinions.

5.2.1.6 Criterion – related validity

This is established for judging the measures used which can be predicted and estimated. There are two types of criterion-related validity; predictive validity and concurrent validity.

Predictive validity indicates that a future criterion can be predicted by a current measurement on a scale. Concurrent validity refers to the relationship between a predictor variable and a current variable, both of which are assessed at the same time (McDaniel and Gates, 2002). In other words, when testing different individual variables that are known to be different, they should score differently on the results (Sekaran, 2003).

5.2.1.7 Construct validity

Construct validity is concerned how well the results obtained from the use of measure fits the theoretical foundations from which it is designed. Two subcategories of construct validity are convergent validity and discriminant validity. Convergent validity is established when using different instruments to measure the same concept and the results should be highly correlated. Discriminant validity is established when two variables which are predicted to be uncorrelated or have low correction and are found to be different (McDaniel and Gates, 2002).
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Churchill (1979) suggests a piece of research should adopt more than two methods for validity testing. In order to confirm whether the variables of items adopted are representative and adequate for defining the customers’ value and reputation, face validity, content validity and construct validity will be employed and analysed by this research.

The results of tests of reliability will be listed in section 5.3.1 and the validity will be presented in section 5.4.

5.2.2 Descriptive statistics

Descriptive statistics apply transformations of the obtained raw data into a form which can provide the characteristics of large sets of data. Descriptive statistics includes frequencies, measures of central tendency (such as the mean, median, and mode), and dispersion (such as variance and the standard deviation). According to an important rule of thumb: if variable has in a normal distribution, almost 100% of observations will fall within three standard deviations of the mean (Black, 2001).

Descriptive statistics for scale measures constructed from the instruments will be discussed and listed in section 5.3.2.

5.2.3 Factor analysis

The use of factor analysis is not designed for testing hypotheses or for judging whether one group is significantly different to another (Pallant, 2001). “Factor analysis is a statistical technique used to identify a relatively small number of factors that can be used to represent relationships among sets of many interrelated variables” (Norusis, 1993, p.47). To put it another way, by using this analysis, a large number of individual scale items and questions can be refined and reduced into a smaller number of derived items.

Sample size and the strength of the relationship among the variables are two main issues to consider when assessing whether a particular dataset is suitable for factor analysis (Pallant, 2000). For example, Tabachnick and Fidell (2007, p.613) suggests “it is comforting to have at least 300 cases for factor analysis”. However, they do accept a smaller sample size with strong correlations (Pallant, 2007). On the other
hand, other researchers are concerned with the amount of items to each variable rather than the overall sample size. Nunnally (1978) recommends a 10 to 1 ratio; that is 10 items to one variable needing to be factor analysed. Tabachnick and Fidell (1996) suggest a 5 to 1 ratio.

5.2.3.1 EFA and CFA
There are two main factor approaches, Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA). EFA is often used in the early stages and presumes no prior knowledge among a set of observed and latent variables. CFA, on the other hand, is a more complex technique and used when the researcher has some basic knowledge of the underlying latent variables (Byrne, 2001).

This research is exploratory in nature. Thus EFA would be a suitable approach for this research rather than CFA, which is more appropriately used on already established linkages among observed and latent variables.

5.2.3.2 Factor extraction
There are many available extraction techniques commonly available in software such as SPSS, for example, principal components, principal factoring, alpha factoring…..and so on. Pallant (2007) adopts the suggestions from Tabachnick and Fidell (1996) and recommends “that researchers adopt an exploratory approach, experimenting with different numbers of factors until a satisfactory solution is found” (p.182). There are a number of techniques that can be used to assist to make a decision, as discussed in section 5.2.3.3.

5.2.3.3 KMO, Bartlett’s test of Sphericity, Scree plot and Parallel analysis
The next stage will focus on the strength of the inter-correlation among items and SPSS can test that through three measures. First, the value of a coefficient in a correlation matrix should be greater than 0.3 (Tabachnick and Fidell, 2007 & 1996 and Pallant, 2007) which refers to the components of the research which are more strongly correlated. Then, the minimum of Kaiser-Meyer-Olkin (KMO) is 0.6 as suggested, so that factor analysis is appropriate (Tabachnick & Fidell, 2007 and Kaiser, 1974 & 1970). More recently Field (2000) has suggested that 0.5 should be
considered as the bare minimum. An appropriate Bartlett’s test of Sphericity reaches a statistical significance of 0.05 or less (Bartlett, 1954).

There are a variety of techniques that can be employed to make a decision about the number of factors to retain, such as Kaiser’s criterion; the Scree test and Parallel analysis.

- **Kaiser’s criterion:** This was the most commonly used technique, or so-called eigenvalue rule. “The eigenvalue of a factor represents the amount of the total variance explained by that factor” (Pallant, 2007, p.182). However, the problem of Kaiser’s criterion is that this would retain too many factors (eigenvalues).

- **Scree test:** This is one of the solutions used to overcome the shortcomings that Kaiser’s criterion created. Catell (1966) recommends inspecting the plot to find a turning point where the sharp curve changes direction and becomes flat.

- **Parallel analysis:** Kaiser’s criterion and the Scree test always overestimate the number of components (Hunnard & Allen, 1987 and Zwick & Velicer, 1986). Parallel analysis is another method and the most accurate approach to overcoming the shortage of Kaiser’s criterion and Catell’s scree test. Parallel analysis (Horn, 1965) compares the size of the eigenvalues obtained with those eigenvalues obtained from a randomly collected data set of the same size (Pallant, 2007). In short, parallel analysis compares the (old) eigenvalues obtained from SPSS with the (new) eigenvalues from the random results generated by parallel analysis. If the (new) value is larger than the Kaiser’s criterion value (old), accept this factor; otherwise, reject it (Watkins, 2000). This analysis has popularity, particularly in social science (Choi, Fuqua & Griffin, 2001 and Pallant, 2007).

The numbers of eigenvalues that emerge from Kaiser’s criterion and Catell’s Scree test can be provided by SPSS. Parallel analysis is another statistical program, developed by Marley Watkins in 2000. Pallant (2001, p.161) states that “factor analysis is used as a data exploration technique, therefore the interpretation and the use you put it to is up to your judgment, rather than any hard and fast statistical rules”. Pallant (2007) suggested parallel analysis as a good way to judge how many
components need to be discussed. Thus, this research proposes to adopt using parallel analysis once the number of components is three or more in following factor analysis.

5.2.3.4 Principal component analysis

Factor analysis is a statistical technique used to extract the small number of factors that can be used to represent the interrelations among the set of variables (Norusis, 1993). There are many methods that can identify or extract the number of eigenvalues. Seven of the most commonly used and provided by SPSS are principal components; unweighted least square; generalized least squares; maximum likelihood; and so forth. There are five reasons why Principal Components Analysis (PCA) will be adopted by the research.

1. PCA is a data reduction technique which transforms original variables into a smaller set of linear combinations, with all of the variance in the variables being used (Pallant, 2007).

2. Many data reduction techniques provided by SPSS had been tested. In general, the results from different techniques provide the same number of components.

3. PCA is the most commonly used approach (Pallant, 2007).

4. Although both PCA and factor analysis entail mathematics and provide similar results. PCA can avoid some potential problems with ‘factor indeterminacy’ associated with factor analysis (Stevens, 1996). PCA analyses all of the variance in the variables; on the other hand, with factor analysis only the shared variance is analysed (Pallant, 2007).

5. PCA provides an empirical summary of the data set (Tabachnick and Fidell, 1996)

5.2.3.5 Factor rotation

There are two main approaches to rotation, orthogonal (uncorrelated) and oblique (correlated) factor solutions. The most commonly used orthogonal approach is Varimax method and oblique approach is Direct Oblimin (Pallant, 2007). In practice, the approaches of orthogonal and oblique often result in very similar solution (Tabachnick and Fidell, 1996). Figure 5.6 describes the advantages and disadvantages between orthogonal and oblique approach.
Following the approach set out in Figure 5.6, the oblique approach was selected. Pallant (2007) also supports starting with oblique method and states that: “you should always start with Oblimin rotation, as it provides information about the degree of correlation between the factors” (p.184). Furthermore, Thurstone (1947) indicates the
orthogonal model is undetermined and a theoretical interpretation cannot be made, because of uncorrelation or low correlation. The oblique rotation is the most commonly used technique in practice (Lorenzo-seva, 1999).

*The results of Principal Components Analysis will be discussed and listed in section 5.3.3.*

5.3 Data analysis
As described earlier, 648 questionnaires were eventually included as a database for factor extraction and analysis. Analysis was undertaken using SPSS version 13.0.1. The data then were analysed in several sequentially related steps.

5.3.1 Reliability assessment
Testing reliability is an essential step. All variables will be separated into three groups, listed as 5.3.1.1, 5.3.1.2 and 5.3.1.3.

5.3.1.1 Reliability of servicescape, choice of restaurant factors, trust and service quality
Cronbach’s $\alpha$ for five concepts are presented in Tables 5.11 (1), 5.11 (2), and 5.11 (3). The results obtained show alpha’s of 0.79 for the ambience cluster, 0.82 for the layout cluster and 0.87 for the servicescape, and 0.90 for the “choice of restaurant factors” cluster respectively. All these results are higher than the critical level of 0.70, generally required to indicate an acceptable level of reliability.
Table 5.11 (1) Measurement scale by Cronbach’s $\alpha$: servicescape and choice of restaurant factors

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items (Variable name)</th>
<th>Reliability Cronbach’s $\alpha$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambience</td>
<td>Ambience (5 items)</td>
<td>$\alpha=0.79$ $\alpha=0.87$</td>
</tr>
<tr>
<td></td>
<td>Ambience A: Lighting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ambience B: Smell</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ambience C: Music</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ambience D: Volume of music</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ambience E: Temperature</td>
<td></td>
</tr>
<tr>
<td>Layout</td>
<td>Layout (5 items)</td>
<td>$\alpha=0.82$</td>
</tr>
<tr>
<td></td>
<td>Layout A: Distance between tables</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Layout B: Appropriate space</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Layout C: Interior decoration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Layout D: Painted colour</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Layout E: Visual-features</td>
<td></td>
</tr>
<tr>
<td>Choice of restaurant factors</td>
<td>Price (8 items)</td>
<td>$\alpha=0.85$ $\alpha=0.90$</td>
</tr>
<tr>
<td></td>
<td>Price A: Price of main meal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Price B: Price of sweet</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Price C: Price of drink</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Price D: Minimum charge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Price E: Service charge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Price F: Membership discount</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Price G: Birthday discount</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Price F: Take away discount</td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td>Location (5 items)</td>
<td>$\alpha=0.66$</td>
</tr>
<tr>
<td></td>
<td>Location A: Easy car parking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Location B: Concealed location</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Location C: City centre</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Location D: Reachable by public transportation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Location E: Position relative to other business activity</td>
<td></td>
</tr>
<tr>
<td>Sanitation</td>
<td>Sanitation (7 items)</td>
<td>$\alpha=0.86$</td>
</tr>
<tr>
<td></td>
<td>Sanitation A: Appearance of employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sanitation B: Clean and tidy environment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sanitation C: Clean and tidy kitchen</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sanitation D: clean and tidy toilets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sanitation E: Hand-wash liquid provided</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sanitation F: Clean and tidy cutlery</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sanitation G: Kitchen area open to general inspection</td>
<td></td>
</tr>
</tbody>
</table>
In general, all the values of Cronbach’s $\alpha$ on the Table 5.11(1) are higher than 0.7. Even though one value of alpha was lower than 0.70 in the subgroup for location, the value was still higher than 0.60, according to Zeithaml, Parasuraman & Berry, (1996); Slater (1995) and Peterson (1994) state that this can be seen as an acceptable value as well.

### Table 5.11 (2): Measurement scale by Cronbach’s $\alpha$: trust

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items (Variable name)</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>Trust (7 items)</td>
<td>$\alpha=0.84$</td>
</tr>
<tr>
<td></td>
<td>Trust A: Your favourite restaurant is interested more than just selling foods and making a profit.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trust B: Your favourite restaurant solves all problems you may have.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trust C: Your favourite restaurant is always genuinely committed to your satisfaction.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trust D: Most of what your favourite restaurant says about its products is true (E.g.: advertisement, promotion, quality control … and so on).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trust E: Your favourite restaurant makes a claim or promise regarding fresh ingredients and quality control.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trust F: In your perceived experience your favourite restaurant is reliable.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trust G: You know what to expect from your favourite restaurant (E.g.: Good service · good quality · tasty and so on).</td>
<td></td>
</tr>
</tbody>
</table>
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Tables 5.11 (2) and (3) show that the values obtained for the groups of items relating to trust are 0.84 and 0.93 for service quality. Both results indicate an acceptable level of reliability. Table 5.11 (3) reports a value of alpha for Empathy of 0.60. Although this value is quite low under the criteria adopted by Nunnally (1967) and Horng & Chen (1998), this can be considered acceptable.

Table 5.11 (3) Measurement scale by Cronbach’s η: service quality

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items (Variable name)</th>
<th>Reliability</th>
<th>Cronbach’s α</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service quality</td>
<td><strong>Tangible (7 items)</strong></td>
<td>α=0.81</td>
<td>α=0.93</td>
</tr>
<tr>
<td></td>
<td>Service quality A: The restaurant has up-to-date equipment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality B: The appearance of employees is well dressed and appears neat.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality C: Free car park provided</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality L: Baby seat provided</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality M: Disabled facility well-considered</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality P: The restaurant should set up Website Homepage.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality Q: The Website is well designed and attractive pages.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reliability (6 items)</strong></td>
<td>Service quality D: Providing service at the correct time.</td>
<td>α=0.84</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality E: Positive and fast to customers’ verbal requirements.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality J: Employees keep its records accurately (E.g.: request and food customers ordered)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality R: The Website pages should understand what their customers’ need?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality S: The Website page should update frequently.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality T: The Website page should provide promotional activities.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Responsiveness (3 items)</strong></td>
<td>Service quality H: It is evident the employees enjoy their work.</td>
<td>α=0.81</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality I: Employees who are always willing to help customers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality K: Menu provides useful information to answer customers question (E.g.: ingredients)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assurance (2 items)</strong></td>
<td>Service quality F: Employees show politeness and friendliness.</td>
<td>α=0.73</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality G: Explain the menu and make recommendations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Empathy (2 items)</strong></td>
<td>Service quality N: The restaurant which has your best interest at heart.</td>
<td>α=0.60</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service quality O: Convention opening hours to all customers.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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5.3.1.2 Reliability of social responsibility

Tables 5.11 (4) shows that the value obtained for the group of items relating to social responsibility is 0.86. This result indicates an acceptable level of reliability.

Table 5.11 (4) Measurement Scale by Cronbach’s $\alpha$: social responsibilities

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items (Variable name)</th>
<th>Reliability Cronbach's $\alpha$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social responsibility</td>
<td>Social responsibility (5 items)</td>
<td>$\alpha=0.86$</td>
</tr>
<tr>
<td></td>
<td>Social responsibility A: to prevent the environment from being spoilt (recycling)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social responsibility B: fair treatment of employee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social responsibility C: provide a healthy working place</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social responsibility D: paying tax on time annually</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social responsibility W: social responsibility will be a most important matter which</td>
<td></td>
</tr>
<tr>
<td></td>
<td>affects your choice of restaurant</td>
<td></td>
</tr>
</tbody>
</table>

5.3.1.3 Reliability of recommendations

The last groups include negative and positive reputation from public media and own experience. The values of Cronbach’s $\alpha$ of those two clusters were 0.72 and 0.83 respectively. Both figures are acceptable.

Table 5.11 (5) Measurement scale by Cronbach’s $\alpha$: recommendations

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items (Variable name)</th>
<th>Reliability Cronbach's $\alpha$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative recommendations from public media and relatives</td>
<td>Negative Recommendation (3 items)</td>
<td>$\alpha=0.72$</td>
</tr>
<tr>
<td></td>
<td>Negative recommendations from the media (A).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Negative recommendations from the media (B).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Negative recommendations from relatives (C).</td>
<td></td>
</tr>
<tr>
<td>Positive recommendations from public media and relatives</td>
<td>Positive Recommendation (2 items)</td>
<td>$\alpha=0.83$</td>
</tr>
<tr>
<td></td>
<td>Positive recommendations from the media and will want to try that restaurant.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Positive recommendations from family or friends and will want to try that restaurant.</td>
<td></td>
</tr>
</tbody>
</table>
5.3.2 Descriptive statistics for scale

This part will present descriptive statistics for four areas (servicescape, choice of restaurant factors, trust, and service quality); social responsibility and social reputation from public media.

5.3.2.1 Descriptive statistics for scale factors of servicescape, choice of restaurant factors, trust, and service quality

There are five features ambience, layout, choice of restaurant factors, trust and service quality, for which the mean, the standard deviation and the variance of the data are presented. Moreover, the variable ‘choice of restaurant factor’ is divided into four sub-parts; these are price, location, sanitation and quality. Overall, eight scale statistics or sixty-three items are measured in section 5.3.2.1, as shown in Table 5.12. There were only 598 observations in this section, because respondents who disagreed that restaurant reputation would affect their restaurant decision choice, were not required to answer the reputation assessment (from question 8 to 15). It could be added that the means of Layout E (quality of art work); Price H (take-away discount); Location B (concealed location); and Sanitation G (kitchen are open to general inspection) were rather low (μ = 3.70; 3.43; 3.06 and 3.73 respectively on a 5-point scale) in this table.

Next, for the dimensions of trust and service quality (Table 5.13), the means of Trust D (most of what your favorite restaurant says about its products is true.), Service quality P (set up website) and Service quality Q (well designed and attractive website pages) were relatively lower than other items.

Generally speaking, visual features are not popular in small Chinese restaurants in Taiwan. Eckhards and Houston (1998) indicate that Chinese people like to have a meal with family, friends, and colleagues in a restaurant. They enjoy the happy ‘atmosphere’ with people they know rather than the artefacts in the restaurant. This is unlike the UK for example, as a take-way discount is not a widely-used promotional strategy for restaurants in Taiwan. Therefore, customers may not be concerned with this discount, because most respondents do not know where to find a restaurant which provides a take-away discount. In terms of the concealed location and kitchen being
open to general inspection, these two factors may merely be interesting for special customers; for example, a couple or some customers who are curious about the kitchen in the restaurant. Furthermore, for Service quality P (set up website) and Service quality Q (well designed and attractive website pages), these two factors may be explained in that when most customers are selecting a small Chinese restaurant, they do not try to find one from the internet. In addition, the reason as to why Trust D is relatively lower than other trust items may possibly be because customers would prefer to believe that the promotions within advertisements are tricks.

All item means were higher than 3, so it can be argued that most respondents agreed that those variables will affect their choice of restaurant. Generally speaking, the variance for all items were not high, except the variances for Price D, E, F, G, H; Location D and Trust D which are slightly higher than one, indicating that most respondents’ choices were very close to the mean on the most variables.

Table 5.12 Descriptive statistics of servicescape and choice of restaurant factors

<table>
<thead>
<tr>
<th>Item statistics</th>
<th>Scale statistics (Ambience)</th>
<th>Scale statistics (Layout)</th>
<th>Scale statistics (Price)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean Std. Deviation Variance N</td>
<td>Mean Std. Deviation Variance N of Items</td>
<td>Mean Std. Deviation Variance N of Items</td>
</tr>
<tr>
<td>Ambience A</td>
<td>3.87 0.88 0.78 598</td>
<td>4.06 0.85 0.73 5</td>
<td>3.76 1.02 1.05 8</td>
</tr>
<tr>
<td>Ambience B</td>
<td>4.36 0.82 0.67 598</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ambience C</td>
<td>3.90 0.86 0.75 598</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ambience D</td>
<td>3.95 0.89 0.80 598</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ambience E</td>
<td>4.20 0.80 0.65 598</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Layout A</td>
<td>3.98 0.92 0.85 598</td>
<td>3.98 0.87 0.75 5</td>
<td></td>
</tr>
<tr>
<td>Layout B</td>
<td>4.30 0.78 0.60 598</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Layout C</td>
<td>4.10 0.84 0.71 598</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Layout D</td>
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### Chapter Five: Quantitative Research and Data Analysis

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<td>1.03</td>
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<td>Service quality C</td>
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<th>N of Items</th>
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Table 5.13 Descriptive statistics of trust and service quality
5.3.2.2 Overall interpretation for descriptive statistics

The descriptive statistics for recommendations, social reputation, and social reputation from the media have been discussed in sections 5.1.8, 5.1.9, and 5.1.10 respectively. The mean of quality (choice of restaurant factors) was the highest value ($\mu = 4.49$) in the descriptive statistics, which is referring to food quality as being the most important factor when customers are selecting a restaurant (Lewis, 1981). Moreover, the mean of ambience ($\mu = 4.06$) was slightly higher than that of layout; this result was also similar to a previous study by Auty (1992), and ambience had a greater effect than layout upon customers (Liu and Jang, 2009). For this study, a high value mean of ambience due to the high values of Ambience B (smell) and Ambience E (temperature) was recorded. This may be due to the weather conditions in Taiwan, further discussion of which will take place in Chapter Seven.

According to literature review in Chapter Three, the importance of trust and service quality in service industry have been studied in numerous research, for example, trust was suggested as an important element in business environment (Delgado-Ballester et al., 2003; Hess 1995; and Morgan & Hunt 1994) and based on the belief that some behaviours will be as expected (Knoll & Jarvenpaa, 1998; Morgan & Hunt, 1994; and Guanlach & Murphy, 1993). Moreover, service quality was also a well studied topic, for instance, a successful factor in service industry (Cronin et al., 2000 and Palmer, 2001), or even in the restaurants (e.g., Chow et al., 2007; Reimer & Kuehn, 2005; Lee

### Table

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<tr>
<th>Service quality</th>
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<th>SD</th>
<th>Skewness</th>
<th>Median</th>
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<td>G</td>
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<td>0.75</td>
<td>0.56</td>
<td>4.00</td>
</tr>
<tr>
<td>H</td>
<td>4.27</td>
<td>0.74</td>
<td>0.55</td>
<td>4.30</td>
</tr>
<tr>
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<td>0.52</td>
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<td>0.64</td>
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<td>0.69</td>
<td>4.00</td>
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<td>0.79</td>
<td>3.70</td>
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<td>0.86</td>
<td>3.70</td>
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<td>0.65</td>
<td>4.00</td>
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<td>0.95</td>
<td>4.20</td>
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<td>0.98</td>
<td>0.97</td>
<td>3.70</td>
</tr>
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<td>0.93</td>
<td>3.70</td>
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<td>0.98</td>
<td>3.80</td>
</tr>
<tr>
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<td>0.99</td>
<td>0.98</td>
<td>3.80</td>
</tr>
<tr>
<td>T</td>
<td>3.86</td>
<td>0.99</td>
<td>0.98</td>
<td>3.80</td>
</tr>
</tbody>
</table>
et al., 2005; Lee and Hing, 1995). Accordingly, this may explain as to why the means of trust and service quality were higher than other factors.

5.3.3 Principal Components Analysis (PCA)

The principal component analysis with Direct Oblimin rotation was undertaken. Only factor loadings above 0.5 will be displayed, making the output easier to interpret. “The larger the absolute size of the factor loading, the more important the loading in interpreting the factor matrix” (Hair et al., 2010, p.116). Although (Pallant, 2007) suggests that communality should not be lower than 0.3, Hair et al. (2010, p.118) argue that “± 0.40 are minimally available, values greater than ± 0.50 are generally considered necessary for practical significance”. Next, communalities provide a message about how much of the variance in each item is explained.

5.3.3.1 PCA of servicescape

First of all, 10 items which include 5 Ambience items and 5 Layout items were subjected to PCA. If Direct Oblimin is used and two components with eigenvalues over 1, Pallant (2007) suggests “both the pattern matrix and the structure matrix coefficients should be presented in full (p.197)”. Table 5.14 shows that the KMO is 0.862 and Bartlett's Test of Sphericity reached significance. PCA showed two components with eigenvalues over 1, explaining 45.73% and 11.53% of the variance respectively. All communalities were higher than 0.4. Those factors are thus accepted at the minimal level for further analysis (Hair et al., 2010).

There are two components with eigenvalues over 1, 4.573 and 1.153 respectively. The output in servicescape is a very “clean” result. Each of the variables loaded strongly on expected components, and each component was represented by a number of strongly loading variables. For further analysis, therefore the two new variables were given, they are Layout scale (LS) and Ambience scale (AS) extracted in Component 1 and 2 columns respectively. In addition, all the factor loadings were found to be greater than 0.50. If factor loadings greater than ± 0.50 are considered practically significant (Hair et al., 2010).
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Table 5.14 PCA of servicescape

<table>
<thead>
<tr>
<th>Items</th>
<th>Pattern Coefficients</th>
<th>Structure Coefficients</th>
<th>Communalities</th>
</tr>
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<tbody>
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<td>Component2</td>
<td>Component1</td>
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<td>0.506</td>
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<td>Ambience B</td>
<td>0.731</td>
<td>0.692</td>
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<td>0.557</td>
<td>0.589</td>
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<tr>
<td>Layout C</td>
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<td>0.673</td>
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<tr>
<td>Layout D</td>
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<td>0.665</td>
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<tr>
<td>Layout E</td>
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<td>0.788</td>
<td>0.624</td>
</tr>
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</table>

Eigenvalues | 4.573      | 1.153      |
% of Variance | 45.729 | 11.531 |
Cumulative % | 57.260 |
KMO | 0.862 |
Bartlett's Test of Sphericity | 0.00 |

*Suppress absolute values less than 0.5
**PCA with Direct Oblimin rotation
***Two components were extracted

Component Correlation Matrix

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<td>1</td>
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<tr>
<td>2</td>
<td>0.52</td>
<td>1</td>
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</table>

*0.52 > 0.3 **PCA with Direct oblimin rotation is accepted.

5.4.3.2 PCA of choice of restaurant factors

The next step in the research was an analysis of the Choice of restaurant factors” which consists of price, location, sanitation and quality. The 26 items were used and factors extracted, revealing the presence of six components with eigenvalues exceeding 1, explaining 30.09%, 11.67%, 6.96%, 6.42%, 5.25% and 3.99% of the variance respectively. The KMO was 0.889 and Bartlett’s Test of Sphericity achieved significance. Then, using Parallel Analysis, it was decided to retain five components with eigenvalues exceeding the corresponding criterion values from a randomly generated data matrix of the same size (26 variables, 598 respondents and 100 replications). This is shown in Table 5.15.
### Table 5.15 Monte Carlo PCA for Parallel analysis (choice of restaurant factors)

<table>
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<th>Component Number</th>
<th>Actual Eigenvalue from PCA</th>
<th>Criterion value from Parallel Analysis</th>
<th>Decision</th>
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<td>2</td>
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<tr>
<td>4</td>
<td>1.669</td>
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<tr>
<td>5</td>
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### Table 5.16 (1) PCA of choice of restaurant factors (Pattern Coefficients)

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<tr>
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<td>0.535</td>
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<tr>
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<td>0.703</td>
</tr>
<tr>
<td>Sanitation D</td>
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<td>Sanitation E</td>
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</tr>
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<td></td>
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<td>0.634</td>
</tr>
<tr>
<td>Quality B</td>
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<td></td>
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<td>0.741</td>
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</tr>
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<td>Quality C</td>
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<td>0.825</td>
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<td>0.651</td>
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<td>0.822</td>
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<td>0.683</td>
</tr>
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<td>Quality E</td>
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<td>0.765</td>
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<td>0.680</td>
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<td>Quality F</td>
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<td></td>
<td></td>
<td></td>
<td>0.368</td>
</tr>
</tbody>
</table>

*Suppress absolute values less than 0.5
**PCA with Direct Oblimin rotation
***Five components were extracted
The result of five components explains a total of 60.40% of the variance. Moreover, the correlation value of the KMO and Bartlett’s Test of Sphericity were all the same with the result of original six-component. For more details, see Table 5.16 (1) and (2). The sanitation (E) and sanitation (G) did not have loading values, as shown in Table 5.16. This is because the loading values were lower than 0.5 and thus only very small importance for the factor. All communalities are higher than 0.4. The choice of restaurant factors are accepted for further analysis.

Table 5.16 (2) PCA of choice of restaurant factors (Structure Coefficient)

<table>
<thead>
<tr>
<th>Items</th>
<th>Component1</th>
<th>Component2</th>
<th>Component3</th>
<th>Component4</th>
<th>Component5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price A</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Price B</td>
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<td></td>
</tr>
<tr>
<td>Price C</td>
<td></td>
<td>0.569</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price D</td>
<td></td>
<td>0.561</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Price E</td>
<td></td>
<td>0.513</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price F</td>
<td></td>
<td>0.520</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price G</td>
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<td>0.524</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price H</td>
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<td>0.550</td>
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<td></td>
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</tr>
<tr>
<td>Location A</td>
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<td></td>
<td></td>
<td></td>
<td>0.669</td>
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<tr>
<td>Location B</td>
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<td>Location C</td>
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<td>Location D</td>
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</tr>
<tr>
<td>Location E</td>
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</tr>
<tr>
<td>Sanitation A</td>
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<td></td>
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<td></td>
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</tr>
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<td>Sanitation B</td>
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<td></td>
</tr>
<tr>
<td>Sanitation C</td>
<td>0.719</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sanitation D</td>
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<tr>
<td>Sanitation E</td>
<td>0.582</td>
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</tr>
<tr>
<td>Sanitation F</td>
<td>0.683</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sanitation G</td>
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<tr>
<td>Quality A</td>
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<td>Quality B</td>
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<tr>
<td>Quality F</td>
<td>0.534</td>
<td></td>
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</tr>
</tbody>
</table>

All information is same as Table 5.16 (1).

For further analysis, five new variables are obtained. They are Cleanliness and car parking (CCP); Cost of meal (COM); Overall products and quality (OPSQ); Convenient location (CL); and Discount factors (DFs) extracted in Components 1 ~ 5 respectively.
As can be seen from below table, generally speaking, there was a fairly weak correlation between factors thus the orthogonal approach should be used. However, because the correlation is weak, we would expect very similar solutions from the Varimax and Oblimin rotation (Pallant, 2007).

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.00</td>
<td>0.193</td>
<td>0.439</td>
<td>0.206</td>
<td>-0.166</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>1.00</td>
<td>0.131</td>
<td>0.161</td>
<td>-0.313</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>1.00</td>
<td>0.238</td>
<td>-0.269</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>1.00</td>
<td>-0.222</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.00</td>
</tr>
</tbody>
</table>

*Generally, the values < 0.3 the PCA with Direct Oblimin provide very similar solution to Varimax Rotation

5.3.3.3 PCA of Trust

Seven items were subjected to PCA, and two components extracted with eigenvalues exceeding 1, they are 3.627 and 1.011, explaining 51.82% and 14.44% of variance respectively. The KMO was 0.831 and Bartlett’s Test of Sphericity achieved significance. All communalities were higher than 0.3, as can be seen from Table.17. The factor is accepted. Thus, two new latent variables were created, the eigenvalue 3.627 relates to Trust in process (TIP). Alternatively, the eigenvalue 1.011 is referring to Trust in institution (TII).
### Table 5.17 PCA of trust

<table>
<thead>
<tr>
<th>Items</th>
<th>Pattern Component1</th>
<th>Coefficients Component2</th>
<th>Structure Component1</th>
<th>Coefficients Component2</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust A</td>
<td>0.807</td>
<td>0.785</td>
<td></td>
<td></td>
<td>0.617</td>
</tr>
<tr>
<td>Trust B</td>
<td>0.919</td>
<td>0.881</td>
<td></td>
<td></td>
<td>0.781</td>
</tr>
<tr>
<td>Trust C</td>
<td>0.668</td>
<td>0.567</td>
<td>0.784</td>
<td>0.657</td>
<td></td>
</tr>
<tr>
<td>Trust D</td>
<td>0.548</td>
<td>0.532</td>
<td>0.392</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust E</td>
<td>0.649</td>
<td>0.764</td>
<td></td>
<td></td>
<td>0.624</td>
</tr>
<tr>
<td>Trust F</td>
<td>0.935</td>
<td>0.903</td>
<td></td>
<td></td>
<td>0.818</td>
</tr>
<tr>
<td>Trust G</td>
<td>0.901</td>
<td>0.863</td>
<td></td>
<td></td>
<td>0.749</td>
</tr>
</tbody>
</table>

| Eigenvalues | 3.627 | 1.011 |
| % of Variance | 51.821 | 14.440 |
| Cumulative %  | 66.260 |
| KMO          | 0.831 |
| Bartlett's Test of Sphericity | 0.00 |

*Suppress absolute values less than 0.5
**PCA with Direct Oblimin rotation
***Two components were extracted

<table>
<thead>
<tr>
<th>Component Correlation Matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
</tbody>
</table>

*0.429 > 0.3
**PCA with Direct Oblimin rotation is accepted.

Previous studies which provided two latent variables from trust scales, include Delgado-Ballester et al., (2003); Larzelere & Huston (1980); and Rempel et al. (1985). Furthermore, Clark and Wood (1999) also suggest that an analysis of the meal experience should elucidate the relative roles of ‘tangible’ and ‘intangible’. TII (Trust in institution) can be described as ‘intangible’, and TIP (trust in process) can be seen as ‘tangible’ trust.
5.3.3.4 PCA of service quality

There are three components with eigenvalues exceeding 1, explaining 42.76%, 13.88% and 6.20% of the variance respectively. After using Parallel Analysis, the result suggests retaining three components (Table 5.18).

<table>
<thead>
<tr>
<th>Component Number</th>
<th>Actual Eigenvalue from PCA</th>
<th>Criterion value from Parallel Analysis</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8.551</td>
<td>1.3337</td>
<td>Accept</td>
</tr>
<tr>
<td>2</td>
<td>2.767</td>
<td>1.2733</td>
<td>Accept</td>
</tr>
<tr>
<td>3</td>
<td>1.324</td>
<td>1.2319</td>
<td>Accept</td>
</tr>
</tbody>
</table>

Table 5.19(1) PCA of service quality (Pattern Coefficients)

<table>
<thead>
<tr>
<th>Items</th>
<th>Component1</th>
<th>Component2</th>
<th>Component3</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service quality A</td>
<td>0.389</td>
<td></td>
<td></td>
<td>0.389</td>
</tr>
<tr>
<td>Service quality B</td>
<td>0.695</td>
<td>0.538</td>
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</tr>
<tr>
<td>Service quality C</td>
<td>0.608</td>
<td>0.463</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service quality D</td>
<td>0.817</td>
<td>0.659</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service quality E</td>
<td>0.871</td>
<td>0.715</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service quality F</td>
<td>0.895</td>
<td>0.686</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service quality G</td>
<td>0.708</td>
<td>0.522</td>
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</tr>
<tr>
<td>Service quality H</td>
<td>0.771</td>
<td>0.619</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service quality I</td>
<td>0.819</td>
<td>0.665</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service quality J</td>
<td>0.759</td>
<td>0.534</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service quality K</td>
<td>0.565</td>
<td>0.479</td>
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</tr>
<tr>
<td>Service quality L</td>
<td></td>
<td>0.892</td>
<td>0.760</td>
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</tr>
<tr>
<td>Service quality M</td>
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<td>0.847</td>
<td>0.800</td>
<td></td>
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<td>Service quality N</td>
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<td></td>
<td>0.442</td>
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</tr>
<tr>
<td>Service quality O</td>
<td></td>
<td></td>
<td>0.370</td>
<td></td>
</tr>
<tr>
<td>Service quality P</td>
<td></td>
<td>0.850</td>
<td>0.737</td>
<td></td>
</tr>
<tr>
<td>Service quality Q</td>
<td></td>
<td>0.894</td>
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<td>Service quality R</td>
<td></td>
<td>0.939</td>
<td>0.853</td>
<td></td>
</tr>
<tr>
<td>Service quality S</td>
<td></td>
<td>0.918</td>
<td>0.799</td>
<td></td>
</tr>
<tr>
<td>Service quality T</td>
<td></td>
<td>0.918</td>
<td>0.794</td>
<td></td>
</tr>
</tbody>
</table>

| Eigenvalues | 8.551 | 2.767 | 1.324 |
| % of Variance | 42.755 | 13.877 | 6.619 |
| Cumulative % | 63.211 |
| KMO          | 0.923 |
| Bartlett's Test of Sphericity | 0.00 |

*Suppress absolute values less than 0.5
**PCA with Direct Oblimin rotation
***Three components were extracted
According to Table 5.19 (1) and (2), the KMO was 0.923 and Bartlett’s Test of Sphericity achieved significance. All communalities were higher than 0.3. This factor thus is accepted. There are three components of service quality with eigenvalues higher than 1; they are 8.551, 2.767 and 1.324, explaining 42.76%, 13.88% and 6.20% of the variance respectively.

<table>
<thead>
<tr>
<th>Items</th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service quality A</td>
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</tr>
<tr>
<td>Service quality B</td>
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</tr>
<tr>
<td>Service quality C</td>
<td>0.670</td>
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</tr>
<tr>
<td>Service quality D</td>
<td>0.810</td>
<td></td>
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</tr>
<tr>
<td>Service quality E</td>
<td>0.837</td>
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</tr>
<tr>
<td>Service quality F</td>
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</tr>
<tr>
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<td>Service quality J</td>
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<td>Service quality K</td>
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</tr>
<tr>
<td>Service quality L</td>
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<td>Service quality N</td>
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<tr>
<td>Service quality S</td>
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</tr>
<tr>
<td>Service quality T</td>
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</tr>
</tbody>
</table>

All information is same as Table 5.19(1).

Pallant (2007) suggests that three or more items loading on each component is optimal. Table 19 (1) shows only two items loading on Component 3. However, Tabachnick and Fidell (2007, p.646) described “if two variables load on a factor, then whether or not it is reliable depends on the pattern of correlations of these two variables with each other. If the two variables are highly correlated with each other (say r > .70) and relatively uncorrelated with other variables, the factor may be reliable”. Table 5.20
shows the two variables are highly correlated with each other (r = 0.67 is very close to 0.7), and relatively low correlated with other variables. Therefore, the factor is reliable.

<table>
<thead>
<tr>
<th>Correlation</th>
<th>ServqualA</th>
<th>ServqualM</th>
</tr>
</thead>
<tbody>
<tr>
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<td>.358</td>
</tr>
<tr>
<td>ServqualC</td>
<td>.292</td>
<td>.381</td>
</tr>
<tr>
<td>ServqualD</td>
<td>.257</td>
<td>.394</td>
</tr>
<tr>
<td>ServqualE</td>
<td>.207</td>
<td>.364</td>
</tr>
<tr>
<td>ServqualF</td>
<td>.214</td>
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</tr>
<tr>
<td>ServqualG</td>
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<td>.277</td>
</tr>
<tr>
<td>ServqualH</td>
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<td>.337</td>
</tr>
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</tr>
<tr>
<td>ServqualJ</td>
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<td>.351</td>
</tr>
<tr>
<td>ServqualK</td>
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<tr>
<td>ServqualL</td>
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<td>.665</td>
</tr>
<tr>
<td>ServqualM</td>
<td>.665</td>
<td>1.000</td>
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<td>.329</td>
<td>.438</td>
</tr>
<tr>
<td>ServqualO</td>
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<td>.303</td>
</tr>
<tr>
<td>ServqualP</td>
<td>.288</td>
<td>.336</td>
</tr>
<tr>
<td>ServqualQ</td>
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<td>.354</td>
</tr>
<tr>
<td>ServqualR</td>
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<td>.320</td>
</tr>
<tr>
<td>ServqualS</td>
<td>.274</td>
<td>.276</td>
</tr>
<tr>
<td>ServqualT</td>
<td>.278</td>
<td>.288</td>
</tr>
</tbody>
</table>

The results of principal components analysis demonstrated that service quality instrument failed to form its five assumed dimensions – tangibles, reliability, responsiveness, assurance, and empathy. The results formed only three dimensions. They are Efficient process procedures (EPPs), Efficient communication policies (ECPs), and Tangible special services (TSSs). This output of three dimensions is similar to previous empirical studies conducted in the hospitality and tourism
literature (Nadiri & Hussain, 2005; Reimer & Kuehn, 2005; Ekinci et al., 2003; and Karatepe & Avci, 2002). In their research, service quality consists of two dimensions: tangible and intangible. In this study, EPPs and TSSs can be seen as ‘tangibles’, while ECPs can be described as ‘intangibles’ in the restaurant. Hence, Taiwanese customers’ evaluation of perceived service quality in Chinese restaurants consists of two dimensions: tangibles and intangibles. This result is constant with previous research which suggests that a good meal experience might comprise both ‘tangible’ and ‘intangible’ service quality elements (Clark and Wood, 1999).

5.3.3.5 PCA of social responsibility

As discussed earlier in section 5.2.3, not adopting factor analysis if the number of items per variable is less than five (Tabachnick and Fidell, 2007). Both PCA of social responsibility (Table 5.21) and recommendations (Table 5.22) were just five items subjected to PCA. Thus, it is important to check the significance of Bartlett's Test of Sphericity. The result is likely to be significance if the samples with substantial size (Tabachnick and Fidell, 2007). From Table 5.21, only one eigenvalue exceeded 1 and explained 65.47% of the variance. The KMO was 0.844 and Bartlett’s Test of Sphericity achieved significance. Thus, the factor is accepted. The information of PCA from Table 5.21 shows only one eigenvalue higher than one and all values of component are relatively high. This suggests that those five items can create a very “clear” latent variable, named social responsibility scale (SRS).

Table 5.21 PCA of social responsibility

<table>
<thead>
<tr>
<th>Items</th>
<th>Component1</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social responsibility A</td>
<td>0.796</td>
<td>0.634</td>
</tr>
<tr>
<td>Social responsibility B</td>
<td>0.880</td>
<td>0.775</td>
</tr>
<tr>
<td>Social responsibility C</td>
<td>0.867</td>
<td>0.751</td>
</tr>
<tr>
<td>Social responsibility D</td>
<td>0.795</td>
<td>0.633</td>
</tr>
<tr>
<td>Social responsibility W</td>
<td>0.693</td>
<td>0.481</td>
</tr>
</tbody>
</table>

*Eigenvalues = 3.274
% of Variance = 65.472
Cumulative % = 65.472
KMO = 0.844
Bartlett's Test of Sphericity = 0.00

*Suppress absolute values less than 0.5
**PCA with Direct Oblimin rotation
***One component was extracted
5.3.3.6 PCA of recommendations

Table 5.22 shows, there were two components extracted which explain 44.23% and 28.28% of the variance respectively. The eigenvalue of 2.212 corresponds to Negative recommendations (NRs), and that of 1.414 corresponds to Positive recommendations (PRs). The KMO was 0.628 and Bartlett’s Test of Sphericity achieved significance. Furthermore, all communalities were higher than 0.3. Thus, the factor is accepted.

Table 5.22 PCA of recommendations

<table>
<thead>
<tr>
<th>Factor Analysis</th>
<th>Pattern Component1</th>
<th>Coefficients Component1</th>
<th>Structure Component1</th>
<th>Coefficients Component2</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items</td>
<td>0.691</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative recommendations (A) from the media</td>
<td>0.828</td>
<td>0.831</td>
<td>0.702</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative recommendations (B) from the media</td>
<td>0.842</td>
<td>0.838</td>
<td>0.525</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative recommendations (C) from family or friends</td>
<td>0.723</td>
<td>0.725</td>
<td>0.856</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive recommendations (A) from the media</td>
<td>0.932</td>
<td>0.925</td>
<td>0.851</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive recommendations (B) from family or friends</td>
<td>0.914</td>
<td>0.922</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eigenvalues</td>
<td>2.212</td>
<td>1.414</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Variance</td>
<td>44.232</td>
<td>28.280</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative %</td>
<td>72.511</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KMO</td>
<td>0.608</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bartlett's Test of Sphericity</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Suppress absolute values less than 0.5
**PCA with Direct Oblimin rotation
***Two components were extracted

Component Correlation Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>0.212</td>
</tr>
<tr>
<td>2</td>
<td>0.212</td>
<td>1</td>
</tr>
</tbody>
</table>

*0.212 < 0.3
**Less than 0.3, the PCA with Direct Oblimin provide very similar solution to Varimax Rotation.
5.3.4 Validity assessment

A scientific approach to validation should adopt more than two methods of assessing validity (Churchill, 1979). Face validity, content validity and construct validity were adopted at the pretesting stage.

The questionnaire is said to achieve face validity if it looks like it is going to measure what it is supposed to measure (Sekaran, 2003). Accordingly, face validity is the weakest form of validity and would be considered as a basic and a very minimum index of content validity (McDaniel & Gates, 2002; Sekaran, 2003 and Churchill, 1999). In an attempt at both face and content validities, the procedure of questionnaire design was conducted in a style which very closely followed the administration and recommendations of Churchill (1991). Such recommendations encompassed questionnaire design, layout, and questionnaire piloting. In this research, the aim of a questionnaire is to understand the relationship between customers’ value and reputation. Thus, the sequence in a questionnaire design should follow a logical order (Festinger & Katz, 1966 and Korsnick & Alwin, 1987), from general questions to specific questions and from customers’ orientation to reputation.

Moreover, Kidder and Judd (1986) also provide an example of speech impairment to explain that content validity can be assessed by panel of judges. The questionnaires of this study for both the customers and the owner managers of small businesses were previewed by a panel of judges which included experts and potential respondents. Some useful suggestions for the questionnaire design were provided by Professor A. Henley and Dr. M. Goode, Swansea University. Dr. J. H. Yeh, Cheng Shiu University; and Dr. C. H. Huang, National Pingtung University of Science and Technology, Taiwan, also did the pilot for the questionnaire. All those were refined for logic and more adequate wording. These steps improved face and content validity.

The new latent variables created by PCA described in section 5.3.3 should be used as input variables for the next stage, testing the developed hypotheses. It is necessary to establish reliability and construct validity of each scale utilised before testing the hypotheses. The study re-calculated Cronbach’s $\alpha$ of the new latent variables and the results are shown in Table 5.24. As can be seen from Table 2.24, Cronbach’s alpha coefficients for the scales are satisfactorily high. “This internal consistency, or
reliability, may be regarded as necessary but nonsufficient evidence of validity” (Churchill 1976, p. 251).

To assess construct validity, the correlations between the factors (latent variables) should firstly be considered. Thus, two forms of validity were measured by the correlation between theoretically defined sets of variables. They are convergent and discriminant validity. Convergent validity is the degree to which two measures of the same conceptual are highly correlated. On the other hand, discriminant validity assesses the degree to which two similar concepts are distinct (Hair et al., 2010). Theoretically independent dimensions (e.g., latent variables) should not have a correlation with one another (Buttle, 1996; Brown et al., 1993; and Gaski; 1986). For evidences of convergent and discriminant validity, see Tables 5.25 and 5.26.

### 5.4 Reliability and validity

As suggested in Chapter Four, this chapter focuses on the preparation for analysis, starting by editing, coding, and handling blank responses. The general background and statistical description of the received data have been presented in this chapter. The results of reliability and validity have been tested and all the results of the analyses were accepted, as shown on Table 5.23, 5.24, 5.25, and 5.26.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Cronbach’s α</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambience</td>
<td>5</td>
<td>0.79</td>
</tr>
<tr>
<td>Layout</td>
<td>5</td>
<td>0.82</td>
</tr>
<tr>
<td>Choice of restaurant factors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>price</td>
<td>8</td>
<td>0.85</td>
</tr>
<tr>
<td>location</td>
<td>5</td>
<td>0.66</td>
</tr>
<tr>
<td>sanitation</td>
<td>7</td>
<td>0.86</td>
</tr>
<tr>
<td>quality</td>
<td>6</td>
<td>0.85</td>
</tr>
<tr>
<td>Trust</td>
<td>7</td>
<td>0.84</td>
</tr>
<tr>
<td>Service quality</td>
<td>20</td>
<td>0.93</td>
</tr>
<tr>
<td>Social responsibility</td>
<td>5</td>
<td>0.86</td>
</tr>
<tr>
<td>Negative recommendations</td>
<td>3</td>
<td>0.72</td>
</tr>
<tr>
<td>Positive recommendations</td>
<td>2</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Table 5.23 Overall results of reliability before PCA

In general, the values of Cronbach’s α in the Tables 5.25 and 5.26 are higher than the generally agreed value 0.7 (Pallant, 2001; Hair et al., 2010; Slater, 1995; Churchill, 1979; and Nunnally, 1978). Although one value of alpha is lower than 0.70 in the
subgroup for location, the value is 0.67 and adopted by Horng & Chen (1998); Zeithaml, Parasuraman & Berry, 1996; Slater, 1995; Peterson, 1994; and Nunnally (1967), this can be considered acceptable.

Table 5.24 Overall results of reliability after PCA

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Cronbach’s α</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Servicescape</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Layout scale</td>
<td>LS 5</td>
<td>0.82</td>
</tr>
<tr>
<td>Ambience scale</td>
<td>AS 5</td>
<td>0.79</td>
</tr>
<tr>
<td><strong>Choice of restaurant factor</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleanliness and car parking</td>
<td>CCP 6</td>
<td>0.88</td>
</tr>
<tr>
<td>Cost of the meal</td>
<td>COM 5</td>
<td>0.81</td>
</tr>
<tr>
<td>Over product and service quality</td>
<td>OPSQ 4</td>
<td>0.84</td>
</tr>
<tr>
<td>Convenient location</td>
<td>CL 4</td>
<td>0.66</td>
</tr>
<tr>
<td>Discount factors</td>
<td>DFs 3</td>
<td>0.90</td>
</tr>
<tr>
<td><strong>Trust</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust in process</td>
<td>TIP 3</td>
<td>0.82</td>
</tr>
<tr>
<td>Trust in institution</td>
<td>TII 3</td>
<td>0.77</td>
</tr>
<tr>
<td><strong>Service quality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficient process procedures</td>
<td>EPPs 10</td>
<td>0.92</td>
</tr>
<tr>
<td>Efficient communication policies</td>
<td>ECPs 5</td>
<td>0.94</td>
</tr>
<tr>
<td>Tangible special services</td>
<td>TSSs 2</td>
<td>0.80</td>
</tr>
<tr>
<td><strong>Social responsibility</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social responsibility scale</td>
<td>SRS 5</td>
<td>0.87</td>
</tr>
<tr>
<td><strong>Recommendations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative recommendations</td>
<td>NRs 3</td>
<td>0.72</td>
</tr>
<tr>
<td>Positive recommendations</td>
<td>PRs 2</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Table 5.25 shows the correlations between latent variables obtained from PCA and each related items. The values in the table are high and in the expected direction, suggesting an acceptable level of convergent validity.

Table 5.25 Summary of convergent validity

<table>
<thead>
<tr>
<th>Latent variables</th>
<th>Items</th>
<th>Item-total correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>LS 5</td>
<td>(1)0.63 (2)0.72 (3)0.82 (4)0.82 (5)0.79</td>
<td></td>
</tr>
<tr>
<td>AS 5</td>
<td>(1)0.68 (2)0.69 (3)0.71 (4)0.79 (5)0.78</td>
<td></td>
</tr>
<tr>
<td>CCP 6</td>
<td>(1)0.68 (2)0.66 (3)0.85 (4)0.83 (5)0.82 (6)0.79</td>
<td></td>
</tr>
<tr>
<td>COM 5</td>
<td>(1)0.69 (2)0.81 (3)0.85 (4)0.73 (5)0.64</td>
<td></td>
</tr>
<tr>
<td>OPSQ 4</td>
<td>(1)0.80 (2)0.79 (3)0.82 (4)0.82</td>
<td></td>
</tr>
<tr>
<td>CL 4</td>
<td>(1)0.56 (2)0.76 (3)0.66 (4)0.61</td>
<td></td>
</tr>
<tr>
<td>DFs 3</td>
<td>(1)-0.91 (2)-0.91 (3)-0.86</td>
<td></td>
</tr>
<tr>
<td>TIP 3</td>
<td>(1)0.76 (2)0.90 (3)0.86</td>
<td></td>
</tr>
<tr>
<td>TII 3</td>
<td>(1)0.78 (2)0.88 (3)0.78</td>
<td></td>
</tr>
<tr>
<td>EPPs 10</td>
<td>(1)0.73 (2)0.67 (3)0.81 (4)0.84 (5)0.82 (6)0.72 (7)0.79 (8)0.81 (9)0.73 (10)0.66</td>
<td></td>
</tr>
<tr>
<td>ECPs 5</td>
<td>(1)0.86 (2)0.90 (3)0.92 (4)0.89 (5)0.89</td>
<td></td>
</tr>
<tr>
<td>TSSs 2</td>
<td>(1)0.87 (2)0.89</td>
<td></td>
</tr>
<tr>
<td>SRS 5</td>
<td>(1)0.80 (2)0.88 (3)0.87 (4)0.80 (5)0.69</td>
<td></td>
</tr>
<tr>
<td>NRs 3</td>
<td>(1)0.83 (2)0.84 (3)0.73</td>
<td></td>
</tr>
<tr>
<td>PRs 2</td>
<td>(1)0.93 (2)0.92</td>
<td></td>
</tr>
</tbody>
</table>
Chapter Five: Quantitative Research and Data Analysis

The correlation coefficients presented in this Tables 5.25 and 5.26 suggest that discriminant validity exists because the within-construct item correlations (see Table 5.25) are generally higher than the between-construct item correlations (see Table 5.26). Specifically, “correlation patterns within constructs differ from the correlation patterns among constructs, suggesting the measures have acceptable level of discriminant validity” (Ryu et al., 2008, p.465).

Table 5.26 Correlation between constructs

<table>
<thead>
<tr>
<th>LS</th>
<th>AS</th>
<th>CCP</th>
<th>COM</th>
<th>OPSQ</th>
<th>CL</th>
<th>DFs</th>
<th>TIP</th>
<th>TII</th>
<th>EPPs</th>
<th>ECPs</th>
<th>TSSs</th>
<th>SRS</th>
<th>NRs</th>
<th>PRs</th>
</tr>
</thead>
<tbody>
<tr>
<td>LS</td>
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<tr>
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<td>-.17</td>
<td>-.31</td>
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<td>-.22</td>
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<td>.28</td>
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<td>.21</td>
<td>.12</td>
<td>.31</td>
<td>.17</td>
<td>-.24</td>
<td>.32</td>
<td>.33</td>
<td>.43</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSSs</td>
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<td>.21</td>
<td>.31</td>
<td>.19</td>
<td>.38</td>
<td>.32</td>
<td>-.26</td>
<td>.28</td>
<td>.26</td>
<td>.41</td>
<td>.37</td>
<td>1</td>
<td></td>
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</tr>
<tr>
<td>SRS</td>
<td>.33</td>
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<td>.42</td>
<td>.12</td>
<td>.47</td>
<td>.27</td>
<td>-.27</td>
<td>.29</td>
<td>.35</td>
<td>.44</td>
<td>.28</td>
<td>.43</td>
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<td>NRs</td>
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<td>.30</td>
<td>.08</td>
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<td>.09</td>
<td>-.18</td>
<td>.22</td>
<td>.19</td>
<td>.26</td>
<td>.17</td>
<td>.18</td>
<td>.28</td>
<td>1</td>
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<td>.09</td>
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<td>.08</td>
<td>.07</td>
<td>.06</td>
<td>.18</td>
<td>.07</td>
<td>.16</td>
<td>.21</td>
</tr>
</tbody>
</table>

Average Variance Extracted (AVE), another alternative factor-based method for assessing discriminant validity was proposed by Fornell and Larcker (1981). “The AVE (the average variance shared between a construct and its measures) measure should be greater than the variance shared between the construct and other construct in the model, for example, the squared correlation between two constructs” (Hulland, 1999, p.200). As can be seen from Table 5.27, the AVEs, as marked in bold, were higher than the squared inter-construct correlations. This result therefore suggests that discriminant validity is established.
Table 5.27 Summary of AVE

<table>
<thead>
<tr>
<th></th>
<th>LS</th>
<th>AS</th>
<th>CCP</th>
<th>COM</th>
<th>OPSQ</th>
<th>CL</th>
<th>DFs</th>
<th>TIP</th>
<th>TII</th>
<th>EPPs</th>
<th>ECPs</th>
<th>TSSs</th>
<th>SRS</th>
<th>NRs</th>
<th>PRs</th>
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<td>0.05</td>
<td>0.04</td>
<td>0.51</td>
<td></td>
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<td></td>
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<td></td>
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</tr>
<tr>
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<td>0.19</td>
<td>0.02</td>
<td>0.62</td>
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<tr>
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<tr>
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<td>0.12</td>
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<td>0.10</td>
<td>0.07</td>
<td>0.05</td>
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<td></td>
<td></td>
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<tr>
<td>TIP</td>
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<td>0.10</td>
<td>0.00</td>
<td>0.15</td>
<td>0.02</td>
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<tr>
<td>TII</td>
<td>0.11</td>
<td>0.09</td>
<td>0.08</td>
<td>0.01</td>
<td>0.20</td>
<td>0.03</td>
<td>0.03</td>
<td>0.25</td>
<td>0.65</td>
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<td></td>
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<tr>
<td>EPPs</td>
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<td>0.12</td>
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<td>0.01</td>
<td>0.20</td>
<td>0.05</td>
<td>0.03</td>
<td>0.31</td>
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<td>0.57</td>
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</tr>
<tr>
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<td>0.04</td>
<td>0.10</td>
<td>0.03</td>
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<tr>
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<td>0.04</td>
<td>0.10</td>
<td>0.04</td>
<td>0.14</td>
<td>0.10</td>
<td>0.07</td>
<td>0.08</td>
<td>0.07</td>
<td>0.17</td>
<td>0.14</td>
<td>0.76</td>
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<tr>
<td>SRS</td>
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<td>0.10</td>
<td>0.18</td>
<td>0.01</td>
<td>0.22</td>
<td>0.07</td>
<td>0.07</td>
<td>0.08</td>
<td>0.12</td>
<td>0.19</td>
<td>0.08</td>
<td>0.18</td>
<td>0.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NRs</td>
<td>0.05</td>
<td>0.04</td>
<td>0.09</td>
<td>0.01</td>
<td>0.12</td>
<td>0.01</td>
<td>0.03</td>
<td>0.05</td>
<td>0.04</td>
<td>0.07</td>
<td>0.03</td>
<td>0.03</td>
<td>0.08</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>PRs</td>
<td>0.02</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.02</td>
<td>0.01</td>
<td>0.01</td>
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<td>0.00</td>
<td>0.03</td>
<td>0.04</td>
<td>0.57</td>
</tr>
</tbody>
</table>

Hair *et al.* (2010, p.709) suggest that “an AVE of 0.5 or higher is a good rule of thumb suggesting adequate convergence”. According to Table 5.27, most values of AVE are larger than 0.5 and the only exceptions are AS and CL. Although they are smaller than 0.5, discriminant validity is still present.

After having established reliability and validity of the constructs used in this research, the next stage is to undertake formal testing of hypotheses in Chapter Six.
Chapter Six: Hypothesis Testing and Discussion

Once the data is ready for analysis, the researcher is ready to test the hypotheses already established for the study. The aim of this chapter is to test the hypotheses by ways of bivariate correlation and regression. In addition, the demographic distribution was also analysed by testing for different behaviour in different groups.

Introduction:
The six hypotheses of this research have been discussed and presented in Chapter Four. A three-stage analytical procedure was employed with the intention of evaluating the data, they are:

1. Correlation analysis;
2. Multiple regression analysis (MR);
3. Moderated multiple regression analysis (MMR).

The structure of Chapter Six has been listed as followed:
6.1 Correlation analysis
6.2 Analysis of demographic, frequency of visits, and average amount spent
6.3 Multiple regression (MR)
6.4 Moderated multiple regression (MMR)
6.5 Findings and discussion
6.6 Conclusions
Chapter Six: Hypothesis Testing and Discussion

There are 15 latent variables (independent variables) that are used in a model for each of the three different choice variables. These are CCRRF, CCRRM and CCRCE.

1. Customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF);
2. Customers’ choice of restaurant which relies on recommendations from the media (CCRRM);
3. Customers’ choice of restaurant which relies on own experience (CCRCE).

Moreover, as already discussed, this study also wanted to investigate the associations from servicescape, choice of restaurant factor, social responsibility, and recommendations (independent variables), to trust and service quality. The correlation and regression output of the relationships from trust and service quality to other independent variables are presented in sub-sections 6.1.2 and 6.3.3 below.

6.1 Correlation analysis
This is used to examine the strength and direction of the linear relationship between two variables (Pallant, 2007). In general, the values of correlation range from -1 to 1. “A perfect correlation of 1 or -1 indicates that the value of one variable can be determined exactly by knowing the value on the other value” (Pallant, 2007, p126). A correlation of 1 indicates a perfect positive correlation and -1 means a complete negative correlation. On the other hand, correlation of 0 means there is no relationship between the two variables at all. However, how should one explain a correlation coefficient value between 0 and 1? The research adopts the suggestion by Pallant (2007) and Cohen (1988) to interpret the strength of correlation values.

Small correlation $\Rightarrow r = 0.10$ to $0.29$
Medium correlation $\Rightarrow r = 0.30$ to $0.49$
Large correlation $\Rightarrow r = 0.5$ to $1$
Chapter Six: Hypothesis Testing and Discussion

6.1.1 Findings of correlation analysis

The results of the correlation analysis conducted to determine the magnitude and direction of the associations between fifteen variables (I.V) and the three dependent variables are depicted in Table 6.1. Preliminary zero-order data exploration revealed the three dependent variables (CCRRF, CCRRM and CCRCE) to be related to the fifteen variables.

Table 6.1 Overall results of correlations

<table>
<thead>
<tr>
<th>Variables</th>
<th>CCRRF</th>
<th>CCRRM</th>
<th>CCRCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 1:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Layout scale (LS)</td>
<td>.19**</td>
<td>.20**</td>
<td>.17**</td>
</tr>
<tr>
<td>Ambience scale (AS)</td>
<td>.15**</td>
<td>.14**</td>
<td>.14**</td>
</tr>
<tr>
<td>Hypothesis 2:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaning and car parking (CCP)</td>
<td>.22**</td>
<td>0.02</td>
<td>.26**</td>
</tr>
<tr>
<td>Cost of meal (COM)</td>
<td>.09*</td>
<td>0.01</td>
<td>.13**</td>
</tr>
<tr>
<td>Overall product and service quality (OPSQ)</td>
<td>.27**</td>
<td>.19**</td>
<td>.17**</td>
</tr>
<tr>
<td>Convenient location (CL)</td>
<td>.12**</td>
<td>.19**</td>
<td>.13**</td>
</tr>
<tr>
<td>Discount factors (DFs)</td>
<td>-.08*</td>
<td>-.16**</td>
<td>-0.08</td>
</tr>
<tr>
<td>Hypothesis 3:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust in process (TIP)</td>
<td>.28**</td>
<td>.21**</td>
<td>.28**</td>
</tr>
<tr>
<td>Trust in institution (TII)</td>
<td>.23**</td>
<td>.22**</td>
<td>.20**</td>
</tr>
<tr>
<td>Hypothesis 4:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficient process procedures (EPPs)</td>
<td>.32**</td>
<td>.15**</td>
<td>.27**</td>
</tr>
<tr>
<td>Efficient communication policies (ECPs)</td>
<td>.27**</td>
<td>.28**</td>
<td>.16**</td>
</tr>
<tr>
<td>Tangible special services (TSSs)</td>
<td>.19**</td>
<td>.16**</td>
<td>.14**</td>
</tr>
<tr>
<td>Hypothesis 5:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social responsibility scale (SRS)</td>
<td>.26**</td>
<td>.17**</td>
<td>.21**</td>
</tr>
<tr>
<td>Hypothesis 6:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative recommendations (NRs)</td>
<td>.21**</td>
<td>.16**</td>
<td>.07</td>
</tr>
<tr>
<td>Positive recommendations (PRs)</td>
<td>.13**</td>
<td>.13**</td>
<td>.12**</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed);  
*Correlation is significant at the 0.05 level (2-tailed);  
Dependent variables: CCRRF; CCRRM; and CCRCE.

6.1.1.1 Servicescape,

The relationships between the servicescape (LS and AS) and the dependent variables are presented in Table 6.1. Although they have positive relationships, the correlations were very low. The highest is $r = 0.20$, $n = 597$, $p < 0.01$. The percentage of variance shared by those two variables was $0.20 \times 0.20 = 4\%$. The variance percentage is low and suggests that there is no overlap between the two variables. According to Cohen (1988) $r = 0.20$ is a weak correlation. For more discussions, see section 6.5, pages 213ff.
6.1.1.2 Choice of restaurant factors

As expected, all the correlations were in the expected directions. However, the relationships between CCRRM and CCP, CCRRM and COM, and CCRCE and DFs were not significant. The two highest values of correlations were $r = 0.27$ (OPSQ and CCRRF) and $r = 0.26$ (CCP and CCRCE) respectively. Accordingly, overall product and service quality (OPSQ) are associated with the customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF). This finding is expected, because quality is a comparison between expectations and performance (Carvalho and Leite, 1999) and an intangible asset of a company (Stepanek, 1999; Parasuraman, Zeithaml & Berry, 1985; and Crosby, 1979). It is believed that customers always receive information from their family or friends about restaurants that they visit. In addition, cleaning and car parking (CCP) also play an important role in customers’ choice of restaurant which relies on customers’ own experience (CCRCE). This finding is consistent with expectations arising from the important role that a clean servicescape plays in customers’ choice of restaurant (Wakefield and Blodgett, 1996). Moreover, easy car parking is also a central need for most Taiwanese people when they are selecting a restaurant.

Discount factors (DFs) show negative correlations, not always significant, with the dependent variables. As these restaurants are in a very competitive market place and prices are very transparent, discount factors (for example, birthday discount; take away discount) are only rarely used. Although restaurants which provide discounts to customers are not very well known in Taiwan, it is not unexpected that this variable is negative or not significant. For example, there is a positive relationship between price paid and the perception of quality (Dodds et al., 1991 and Rao & Monroe, 1989). In order to avoid the uncertainty of the product provided, customers may agree to elevate the price in order to reinforce the expectations of quality (Tellis and Gaeth, 1990). Therefore, customers may tend to view discount factors used in the restaurants as a promotional way to attract more customers rather than offering excellent perceived value.
6.1.1.3 Trust
Trust was divided into two variables: Trust in process (TIP) and Trust in institution (TII). According to Table 6.1, both TIP and TII have positive and direct associations with the dependent variables. This result was expected as trust is thought to be an important factor which directly connects to customers’ attitudes. For more discussions, see section 6.5.3, page 218.

6.1.1.4 Service quality
As already discussed, service quality was formed as three dimensions; Efficient process procedures (EPPs), Efficient communication policies (ECPs), and Tangible special services (TSSs). The results reveal that the correlation coefficients between EPPs and CCRRF & CCRCE were higher than for CCRRM. There are positive and significant coefficients between Efficient communication policies (ECPs) and CCRRF and CCRRM. On the other hand, Tangible special services (TSSs) was relatively weak in this construct.

The results were expected as the importance of service quality has been studied extensively and it can directly link into customers’ attitude to firms. Moreover, Efficient communication policies, such as a well-established homepage is a necessary tool for a company to succeed (Zeithaml, Parasuraman, and Malhotra, 2002). Furthermore, Tangible special services (TSSs) shows a weak correlation because such facilities (for instance baby seats and disabled facilities) are only for some special groups, for example, a family with young children or people with disability.

6.1.1.5 Social responsibility
Social reputation in this study was principally focused on social responsibility. There were five questions which address the various forms of ethical behaviour including (1) recycling, (2) fair treatment of employees, (3) provision of a healthy workplace, (4) paying tax on time, and (5) social responsibility. They may be the most important matters for respondents’ choice of restaurant. The Social responsibility scale (SRS) is a latent variables obtained from PCA and consisting of five customers’ assessment of ethical behaviours. Hence, the study defines the Social responsibility scale (SRS) as an independent variable and then investigates a bivariate correlation with the three dependent variables. According to Table 6.1, we find positive and significant
correlations between SRS and the dependent variables, \( r = 0.26, 0.17 \) and \( 0.21 \) respectively and significant at less than 1%.

### 6.1.1.6 Recommendations

As previously mentioned, the recommendations from the various sources were created into two parts through PCA. They are Positive recommendations (PRs) and Negative recommendations (NRs), as shown in Figure 6.1.

**Figure 6.1 The framework of recommendations**

The result of the bivariate correlation between Negative Recommendations (NRs) and CCRRF was relatively high (higher than the other relationships between recommendation variables and dependent variables) \( r = 0.21 \), significance at less than 1%. Customers are more likely to spread negative recommendation about a perceived bad service experience perceived to people they know (Schibrowsky and Lapidus, 1994). Generally speaking, there is a positive but weak correlation between Positive recommendations (PRs) and the dependent variables.
Chapter Six: Hypothesis Testing and Discussion

6.1.2 Findings of correlation analysis (trust and service quality to other I.Vs)

As discussed in Chapter Four, trust and service quality play very important roles in marketing research. This section presents the connections between trust and service quality and the other independent variables used in this study. According to the results, this study can help us to understand ‘where do trust and service quality come from?’, among the other independent variables used in this study.

As can be seen from Table 6.2, the correlations were generally higher than in Table 6.1. The new latent variables extracted from trust and service quality had fairly strong and positive relationships with LS; AS; CCP; OPSQ; and SRS. These results can correspond to previous research, such as the strong relationship between servicescape and service quality (Parasuraman, Zeithaml, & Berry, 1988; Wakefield & Blodgett, 1999 & 1996; and Reimer & Kuehn, 2005); servicescape positively connect to trust (Bitner, 1992 and Ohanian, 1990); and trust comes from service quality and perceived experience (Oliver, 1997 and 1999). The importance of CCP (Cleaning and car parking) was expected by this study, not only because the nature of when customers are selecting a restaurant but also cleanliness can be seen as a basic necessity for service quality of a restaurant (Harris & Ezch, 2008 and Fitzsimmons, 2003). In addition, Walsh and Beatty (2007) also corroborate the positive relationships between SRS (social responsibility scale), and trust and service quality in service industry.

Table 6.2 Overall results of correlations (from trust and service quality to other I.Vs)

<table>
<thead>
<tr>
<th>Variables</th>
<th>TIP</th>
<th>TII</th>
<th>EPPs</th>
<th>ECPs</th>
<th>TSSs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Layout scale (LS)</td>
<td>.34**</td>
<td>.33**</td>
<td>.41**</td>
<td>.32**</td>
<td>.33**</td>
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<td>Ambience scale (AS)</td>
<td>.27**</td>
<td>.30**</td>
<td>.34**</td>
<td>.23**</td>
<td>.21**</td>
</tr>
<tr>
<td>Cleaning and car parking (CCP)</td>
<td>.32**</td>
<td>.28**</td>
<td>.45**</td>
<td>.21**</td>
<td>.31**</td>
</tr>
<tr>
<td>Cost of meal (COM)</td>
<td>.03</td>
<td>.08</td>
<td>.09*</td>
<td>.12**</td>
<td>.19**</td>
</tr>
<tr>
<td>Overall product and service quality (OPSQ)</td>
<td>.39**</td>
<td>.45**</td>
<td>.45**</td>
<td>.31**</td>
<td>.38**</td>
</tr>
<tr>
<td>Convenient location (CL)</td>
<td>.14**</td>
<td>.17**</td>
<td>.23**</td>
<td>.17**</td>
<td>.32**</td>
</tr>
<tr>
<td>Discount factors (DFs)</td>
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<td>-.18**</td>
<td>-.18**</td>
<td>-.34**</td>
<td>-.26**</td>
</tr>
<tr>
<td>Social responsibility scale (SRS)</td>
<td>.32**</td>
<td>.34**</td>
<td>.46**</td>
<td>.28**</td>
<td>.42**</td>
</tr>
<tr>
<td>Negative recommendations (NRs)</td>
<td>.21**</td>
<td>.19**</td>
<td>.25**</td>
<td>.18**</td>
<td>.18**</td>
</tr>
<tr>
<td>Positive recommendations (PRs)</td>
<td>.10*</td>
<td>.07</td>
<td>.08</td>
<td>.12**</td>
<td>.07</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed);
*Correlation is significant at the 0.05 level (2-tailed).
6.2 Analysis of demographic, frequency of visits, and average amount spent

This study was also interested to know whether two (or more) demographic or other groups are different from each other in terms of a particular variable of interest. Section 6.2 tested the difference in behaviours for the following factors, gender; age; the frequency of having a meal in a Chinese restaurant; and average amount spent. Two types of techniques available in SPSS were employed for the study. They are independent sample t-test and ANOVA.

1. Independent sample t-test:

The t-test is used when the researcher wants to compare the mean score on variables, for two different groups of subjects (Pallant, 2001). The result of independent-samples t-tests will reveal whether there is a statistically significant difference in the mean scores for the two groups, defined for instance by gender. If the p value is equal to or less than 0.05 this means there is a significant difference in the mean scores for each of the two groups (Pallant, 2001).

Pallent (2001) indicates that there are several different effect size statistics; the most commonly used are Eta squared and Cohen’s d. The range of Eta squared is from 0 to 1 and stands for the proportion of variance in the dependent variable which is explained by the independent variables. SPSS, however, does not provide a value of Eta squared for t-testing. Thus, Eta squared can be calculated using the information provided by the output of t-testing (Pallant, 2001). The formula for Eta squared as follows.

$$\text{Eta squared} = \frac{t^2}{t^2 + (N1 + N2 - 2)}$$

where t = the t value provided by output of SPSS

N1 = number of group one of subject

N2 = number of group two of subject

The given value, Eta squared, is used to compare the mean score on the choice of restaurant continuous variable. Cohen (1988) proposes guidelines for interpreting the effect size of Eta squared value.
Chapter Six: Hypothesis Testing and Discussion

Small effect $\rightarrow$ Eta squared $\leq 0.01$
Moderate effect $\rightarrow$ Eta squared $\leq 0.06$
Large effect $\rightarrow$ Eta squared $\leq 0.14$

2. One-way analysis of variance (ANOVA)

Unlike the t-test, which compares the mean scores of two groups, this study was also interested in comparing the means of more than two groups. One-way ANOVA is a “statistical technique used to determine whether samples from two or more groups come from populations with equal means” (Hair et al., 2010, p.440).

General assumptions of parametric techniques are that of using a random sample from populations and having a normal distribution (Pallant, 2007). However, this is often not the case in the real world research, particularly in the social science. “With large enough sample sizes (e.g. 30+), the violations of the assumptions should not cause any major problems” (Pallant, 2007, p.204).

6.2.1 Gender

The sample divides into 320 male respondents and 328 female respondents. An independent-sample t-test was conducted to compare each dependent variable scores for male and female. Table 6.3 shows that there is a significant difference between gender and CCRRF (Customers’ choice of restaurant which relies on recommendations from family or friends) in the score for males ($M = 4.22$, $SD = 0.86$) and females ($M = 4.35$, $SD = 0.78$), $t (645) = -2.01$, $p = 0.05$ (two-tailed). The value of Eta squared is 0.0062, which less than a small effect (Cohen, 1988). An examination of the mean for the groups suggests that the female group had the higher scores than the male group from family or friends. In other words, female customers are easier to be influenced by recommendations from their family or friends than male customers. This indicates when female customers are selecting a restaurant, they may be affected eventually by recommendations. This also corresponds to the result from Slama and Tashchian (1985), which indicates that the female customers’ purchase behaviours are easily affected by recommendations from their family or friends. In percentage term, however, only 0.62% of the variance in the CCRRF is explained by the gender.
Table 6.3 The results of independent samples t-test by Gender.

<table>
<thead>
<tr>
<th>Variable / Dependent variable</th>
<th>Number Group 1 / 2</th>
<th>Mean Group 1 / 2</th>
<th>S. D. Group 1 / 2</th>
<th>t</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender / CCRRF</td>
<td>320 / 327</td>
<td>4.22 / 4.35</td>
<td>0.86 / 0.78</td>
<td>-2.01*</td>
<td>0.05</td>
</tr>
<tr>
<td>Gender / CCRRM</td>
<td>320 / 328</td>
<td>3.58 / 3.68</td>
<td>0.95 / 0.90</td>
<td>-1.44</td>
<td>0.15</td>
</tr>
<tr>
<td>Gender / CCRCE</td>
<td>320 / 328</td>
<td>4.21 / 4.28</td>
<td>0.86 / 0.76</td>
<td>-1.11</td>
<td>0.26</td>
</tr>
</tbody>
</table>

*Group 1: Male and Group 2 : Female.

6.2.2 Age

In the questionnaire instrument the age of respondents was categorised into six groups. The total number of respondents was 648 and the groups have different sizes. The numbers in each age group are as follows:

(1) Age 16~24: 204 respondents
(2) Age 25~29: 54 respondents
(3) Age 30~39: 133 respondents
(4) Age 40~49: 164 respondents
(5) Age 50~59: 79 respondents
(6) Age 60+: 14 respondents

In order to compare the means for more than two groups, ANOVA was employed to compare the scores. The results reveal no statistically significant difference at the p < 0.05 level in the dependent variables (CCRRF; CCRRM; and CCRCE) across six different ages, where F (5, 641) = 1.26, p = 0.28; F (5, 642) = 0.34, p = 0.89; and F (5, 642) = 1.91, p = 0.09 respectively. The result (p=0.09) between CCRCE and the six groups is close to the significant level (0.05). This means that age may affect customers’ choice of restaurant which relies on own experience.

6.2.3 The frequency of having a meal in a Chinese restaurant

The questionnaire provided four classifications for the frequency of having a meal in Chinese restaurants.

(A) Once a week or more: 217 respondents
(B) Two or three times a month: 219 respondents
(C) Once a month: 103 respondents
(D) Less than once a month: 109 respondents

The ANOVA test was also used to compare the scores. The result shows there was no significant differences at the p < 0.05 level in the dependent variables, where F (3, 643) = 0.49, p = 0.69; F (3, 644) = 0.93, p = 0.43; and F (3, 644) = 2.19, p = 0.09
respectively. Nevertheless, the result (p= 0.09) between CCRCE and the four groups is also close to 0.05. This means that the frequency of eating out may also affect customers’ choice of restaurant which relies on own experience.

For further analysis these four categories were recoded into two groups: higher frequency (group 1 and more than once a month) and low frequency (group 2 and monthly or less). There were 436 respondents in higher frequency group while 212 respondents in lower frequency group. The main objective for this split is that it can more easily discriminate the frequency of eating in a Chinese restaurant.

Table 6.4 The results of independent samples t-test by the frequency of having a meal in a Chinese restaurant

<table>
<thead>
<tr>
<th>Variable / Dependent variable</th>
<th>Number</th>
<th>Mean Group 1 / 2</th>
<th>S. D. Group 1 / 2</th>
<th>t</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>The frequency of having a meal in a Chinese restaurants / CCRRF</td>
<td>435 / 212</td>
<td>4.30 / 4.24</td>
<td>0.84 / 0.79</td>
<td>0.99</td>
<td>0.33</td>
</tr>
<tr>
<td>The frequency of having a meal in a Chinese restaurants / CCRRM</td>
<td>436 / 212</td>
<td>3.61 / 3.67</td>
<td>0.92 / 0.95</td>
<td>-0.88</td>
<td>0.34</td>
</tr>
<tr>
<td>The frequency of having a meal in a Chinese restaurants / CCRCE</td>
<td>436 / 212</td>
<td>4.30 / 4.15</td>
<td>0.78 / 0.86</td>
<td>2.17*</td>
<td>0.03</td>
</tr>
</tbody>
</table>

*Group 1: higher frequency of having a meal in a Chinese restaurant.
*Group 2: lower frequency of having a meal in a Chinese restaurant.

Table 6.4 shows there was a significance between the two groups and CCRCE; scores for higher frequency group (M = 4.30, SD = 0.78) and lower frequency group (M = 4.15, SD = 0.86), t (646) = 2.17, p = 0.03 (two-tailed). The value of Eta squared is 0.0072. Therefore, in percentage term, only 0.72% of the variance in the CCRCE was explained by the frequency.

An inspection of the means for the groups suggests for those who have a higher frequency of eating a meal in a Chinese restaurant, choice relies more on own experience. This result is similar to previous research that showed an association between customers’ prior experiences which have a direct effect on customers’ behaviour and the frequency of re-consumption (Bolton and Drew, 1991). Also, there is a positive relationship between frequency of patronage and customers’ satisfaction in a restaurant (Chow et al., 2007).
6.2.4 Average amount spent

The questionnaire provided five classifications for average amount spent ranging from NT200 to over NT2000.

(A) Less than NT200: 192 respondents
(B) Between NT 201 and NT 500: 274 respondents
(C) Between NT 501 and NT 1000: 109 respondents
(D) Between NT 1001 and NT 2000: 51 respondents
(E) More than NT2000: 22 respondents

The ANOVA test was also conducted to explore the impact of average amount spent on dependent variables. The result shows there was no significant differences at the p < 0.05 level in the dependent variables, where F (4, 642) = 0.83, p = 0.51; F (4, 643) = 1.23, p = 0.30; and F (4, 643) = 1.70, p = 0.15 respectively.

The analysis was again conducted after recoding into two groups. Options (A) and (B) above were grouped (less than NT500), and (C), (D) and (E) were grouped (higher than NT501). There were 466 respondents in Less than NT500 group while 182 respondents in Higher than NT501 group. Results show there was no significance in scores between the two groups and the dependent variables; t = 0.83, p = 0.41; t =-1.10, p = 0.27; and t = -1.49, p = 0.14 respectively.

6.2.5 Conclusions from testing for different behaviours

Two differences in behaviours were found to be statistically significant; these were gender and CCRRF, and frequency and CCRCE. These results indicate that female customers’ purchase behaviours are easily affected by the people that they know; and customers’ perceived experiences of restaurants have a direct effect on customers’ behaviour and the frequency of re-consumption. Although two of the differences in behaviours were found to be statistically significant, they were very weak relationships, with the values of Eta squared being 0.62% and 0.72% respectively. In other words, this study did not find notable differences between the groups.
6.3 Multiple regression

Although bivariate correlation analysis provides many interesting ways to explore the potential relationships, in order to evaluate the effects of multiple factors and to help the testing of the forwarded hypothesis, a multivariate analysis is required. It is suggested that regression analysis could be the most appropriate method (Hair et al., 2010). Multiple regression is typically used to develop a subset of independent variables that is helpful in predicting the dependent variable (Tabachnick and Fidell, 2007). Furthermore, “multiple regression is based on correlation analysis, but allows a more sophisticated exploration of the interrelationship among a set of variable” (Pallant, 2007, p146). It also “allow the simple relationship between the dependent variable and an independent variable to depend on the level of another independent variable” (Irwin and McClelland, 2001, p.100). In other words, regression shows “how much of variance in dependent variable can be explained by independent variables” (Pallant, 2007, p.151). Hair et al. (2010) point out that regression is the most widely used and applicable especially in business decision making. Pallant (2007) also indicates that multiple regression is an ideal investigation method in this complex real-life. Furthermore, Baron & Kenny (1986) and Ellen, Mohr & Webb (2000) suggest that regression was adopted to examine if the treatments affected purchasing-intent.

There are three major methods of multiple regression that can be adopted depending on nature of questions (Pallant, 2007), they are:

1. Standard multiple regression; where all independent variables are entered into the equation simultaneously. Each of these variables is evaluated by its predictive power.
2. Hierarchical multiple regression; also called sequential regression, where all independent variables are entered into the equation in the order based on the researcher and theoretical considerations.
3. Stepwise multiple regression; where a list of independent variables which will be entered into equation are selected and ordered by statistical program.

The first one, standard multiple regression, was selected for this research because, as Pallant, (2007, p.147) indicates, “standard multiple regression is the most commonly used multiple regression analysis”.
6.3.1 Assumption of multiple regression

Pallant (2007) provides three basic assumptions about multiple regression such as followed:

**Assumption 1: Multicollinearity and Singularity**

The regression analysis is based on the relationship among independent variables. Multicollinearity exists when there is a high correlation among independent variables ($r = 0.9$ or above). The tolerance and variance inflation factor (VIF) can determine the presence of multicollinearity, as indicated by a tolerance value of less than 0.1 and a VIF higher than 10 (Pallant, 2007). However, this still allows a high correlation between independent variables. Thus Pallant (2007) suggests that researchers should not ignore checking of the correlation matrix. Singularity means one independent variable is actually a combination of two or more independent variables. Both of them will not create a good regression model (Pallant, 2007).

**Assumption 2: Outliers**

Outliers can occur as a result of very high or very low scores. Tabachnick and Fidell (2007) indicate outliers can be defined by standardized residual values above 3.3 or less than -3.3. “Residuals are the difference between the obtained and the predicted dependent variable" (Pallant, 2007, p.149). Residuals can be detected via the output of Residuals statistics or via Mahahanobis distances by SPSS. Comparing the value of Mahahanobis distances and critical chi-square value ($\chi^2$), using the number of independent variables as degree of freedom and alpha level of 0.001, the value of Mahahanobis distances should higher than $\chi^2$.

Pallant (2007) summaries some of the key values in Table 6.5

<table>
<thead>
<tr>
<th>Table 6.5 Critical value of Mahalanobis distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of independent variables</td>
</tr>
<tr>
<td>-----------------------------------</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
</tbody>
</table>

Moreover, Cook’s Distance, given by the Residual Statistics table in SPSS output, can check for whether any potential problem would influence the results of the research. The value should not be higher than 1 (Tabachnick and Fidell, 2007).

**Assumption 3: Residual, Normality and linearity**

Normality means the residuals should be normally distributed and linearity indicates that the residuals should have a straight-line relationship with the predicted dependent variable. These all can be checked from the residuals statistics (Pallant, 2007).

### 6.3.2 The results of multiple regression analysis

The fifteen latent variables were derived from PCA and defined as independent variables. CCRRF; CCRRM; and CCRCE are the labels for the dependent variables. This is to assess what factors are important for each output variable. Multiple regression analysis was employed to obtain the entirety of effects between fifteen independent variables and Customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF); from the media (CCRRM); and customers’ own experience (CCRCE). The results show that of the fifteen relationships, only a few of them were found to be significantly directly related to customers’ choice of restaurant via the Enter method of multiple regression. In order to overcome limitations of correlation analysis and establish the requirements of governing the acceptability of regression, it is also necessary to test for the multicollinearity, linearity, homoscedasticity, and normality. For example, the loading values of correlations were not very high, for example lower than 0.3 (Pallant, 2007). Therefore, multicollinearity is tested using Tolerance and VIF scores, to test the assumptions of multiple regression. The cut-off points of violation of multicollinearity are Tolerance less than 0.1 and VIF scores greater than 10. According to Tables 6.6, 6.7, and 6.8, the results show that the values of multicollinearity were passed. In addition, singularity, outliers, linearity, homoscedasticity, and normality were performed at each table of regression and these assumptions were checked by residuals statistics (Pallant, 2007). Assumptions of multiple regressions of multicollinearity, linearity, and heteroscedasticity (Hair et al., 2010) were passed.
Chapter Six: Hypothesis Testing and Discussion

Table 6.6 Regression results for CCRRF (MR)

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct linkages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 1: Layout scale (LS)</td>
<td>0.001</td>
<td>0.026</td>
</tr>
<tr>
<td>Ambience scale (AS)</td>
<td>-0.012</td>
<td>-0.301</td>
</tr>
<tr>
<td>Hypothesis 2: Cleaning and car parking (CCP)</td>
<td>0.013</td>
<td>0.324</td>
</tr>
<tr>
<td>Cost of meal (COM)</td>
<td>0.046</td>
<td>1.357</td>
</tr>
<tr>
<td>Overall product and service quality (OPSQ)</td>
<td>0.057</td>
<td>1.390</td>
</tr>
<tr>
<td>Convenient location (CL)</td>
<td>0.009</td>
<td>0.262</td>
</tr>
<tr>
<td>Discount factors (DFs)</td>
<td>0.068</td>
<td>1.843</td>
</tr>
<tr>
<td>Hypothesis 3: Trust in process (TIP)</td>
<td>0.082</td>
<td>2.051*</td>
</tr>
<tr>
<td>Trust in institution (TII)</td>
<td>0.007</td>
<td>0.189</td>
</tr>
<tr>
<td>Hypothesis 4: Efficient process procedures (EPPs)</td>
<td>0.099</td>
<td>2.212*</td>
</tr>
<tr>
<td>Efficient communication policies (ECPs)</td>
<td>0.113</td>
<td>3.030**</td>
</tr>
<tr>
<td>Tangible special services (TSSs)</td>
<td>-0.020</td>
<td>-.520</td>
</tr>
<tr>
<td>Hypothesis 5: Social responsibility scale (SRS)</td>
<td>0.077</td>
<td>1.929</td>
</tr>
<tr>
<td>Hypothesis 6: Positive recommendations (PRs)</td>
<td>0.049</td>
<td>1.516</td>
</tr>
</tbody>
</table>

**Diagnostic statistics**

- \( R^2 = 0.170 \)
- Adjusted \( R^2 = 0.149 \)
- \( F (15, 578) = 7.919 \)
- Multicollinearity: Passed (checked via Tolerance and VIF)
- Linearity: Passed
- Heteroscedasticity: Passed

* Statistical significance at the 0.05 level;
** Statistical significance at the 0.01 level;
Multicollinearity\( \rightarrow \) Passed (checked via Tolerance and VIF)
Singularity\( \rightarrow \) Passed
Normality\( \rightarrow \) Passed
Outliers: checked by Residuals\( \rightarrow \) Passed
checked by Mahal. Distance\( \rightarrow \) Passed (over critical value)
Cook’s Distance\( \rightarrow \) Passed (less than 1)

Table 6.6 shows a significant overall relationship between the independent variables and CCRRF where \( F (15, 578) = 7.91, p < 0.001, R^2 = 0.17, B = 4.28, \) and \( t\)-statistic = 137.25. However, only four of the fifteen proposed relationships were revealed to be individually statistically significant. They are TIP, EPPs, ECPs, and NRs. The variable which made the strongest contribution to the prediction of CCRRF was Efficient communication policies (ECPs) with a B value of 0.11, t-statistic value of 3.03 and statistically significant at the 0.01 level. This result shows Efficient communication policies (ECPs) in the service quality have a strong association with a choice of restaurant which relies on recommendations from family or friends. This may be because customers want to look up additional information about the
restaurants that are recommended to them by their family or friends, before they actually go to them. Accordingly, the evidence suggests that the ECPs of a restaurant is a factor that restaurant managers should seriously consider by building up a well-designed and maintained Website homepage for this particular service quality. The other three significant elements are Trust in process (TII); Efficient process procedures (EPPs); and Negative recommendations (NRs) with t-statistic values of 2.05; 2.21; and 1.99 respectively. The importance of TII and EPPs in this model correspond to results from previous studies, see Chapter Three.

In Table 6.6, the results show that a number of variables, including ECPs, are important factors in explaining CCRCE. However, only 17% of the variance in CCRRF is explained by the fifteen independent variables considered in this study. This still leaves 83% unexplained. In other words, there are other additional variables that are important in explaining CCRRF that have not considered in this study. Further discussion about the literatures of low $R^2$ is presented in section 6.3.4.

Table 6.7 reveals a significant model, $F(15, 577) = 7.51, p < 0.001, R^2 = 0.16$, $B = 3.62$ and t-statistic = 103.05. There are five variables showed to be statistically significant. The variable which makes the largest contribution to the prediction of CCRRM is Efficient communication policies (ECPs), with a B value of 0.17, t-statistic of 4.08 and statistically significant at the 0.001 level. This result indicates that customers strongly consider the Efficient communication policies (ECPs) in the service quality to be a main determinant of their choice of restaurant which relies on recommendations from the media. This means that ECPs is the most important factor in this model. Accordingly, ECPs was a significant factor for both the CCRRF and CCRRM models. Customers may want to look up more information about a restaurant recommended to them by their family or friends, or the media. Hence, restaurant managers should not ignore the importance of the internet and a well-designed website homepage, in order to cater for this particular service quality.
### Table 6.7 Regression results for CCRRM (MR)

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.628</td>
<td></td>
</tr>
<tr>
<td><strong>Direct linkages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 1: Layout scale (LS)</td>
<td>0.073</td>
<td>1.551</td>
</tr>
<tr>
<td>Ambience scale (AS)</td>
<td>0.019</td>
<td>0.437</td>
</tr>
<tr>
<td>Cleaning and car parking (CCP)</td>
<td>-0.164</td>
<td>-3.652***</td>
</tr>
<tr>
<td>Cost of meal (COM)</td>
<td>-0.054</td>
<td>-1.427</td>
</tr>
<tr>
<td>Overall product and service quality (OPSQ)</td>
<td>0.042</td>
<td>0.913</td>
</tr>
<tr>
<td>Convenient location (CL)</td>
<td>0.115</td>
<td><strong>2.948</strong></td>
</tr>
<tr>
<td>Discount factors (DFs)</td>
<td>-0.021</td>
<td>-0.500</td>
</tr>
<tr>
<td>Hypothesis 2: Cleaning and car parking (CCP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust in process (TIP)</td>
<td>0.092</td>
<td><em>2.039</em></td>
</tr>
<tr>
<td>Trust in institution (TII)</td>
<td>0.086</td>
<td>1.920</td>
</tr>
<tr>
<td>Hypothesis 3: Efficient process procedures (EPPs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficient communication policies (ECPs)</td>
<td>0.172</td>
<td><strong>4.084</strong>*</td>
</tr>
<tr>
<td>Tangible special services (TSSs)</td>
<td>-0.001</td>
<td>-0.016</td>
</tr>
<tr>
<td>Trust in process (TIP)</td>
<td>0.092</td>
<td><em>2.039</em></td>
</tr>
<tr>
<td>Trust in institution (TII)</td>
<td>0.086</td>
<td>1.920</td>
</tr>
<tr>
<td>Hypothesis 4: Efficient process procedures (EPPs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficient communication policies (ECPs)</td>
<td>0.172</td>
<td><strong>4.084</strong>*</td>
</tr>
<tr>
<td>Tangible special services (TSSs)</td>
<td>-0.001</td>
<td>-0.016</td>
</tr>
<tr>
<td>Hypothesis 5: Social responsibility scale (SRS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social responsibility scale (SRS)</td>
<td>0.046</td>
<td>1.019</td>
</tr>
<tr>
<td>Hypothesis 6: Negative recommendations (NRs)</td>
<td>0.087</td>
<td><strong>2.232</strong></td>
</tr>
<tr>
<td>Positive recommendations (PRs)</td>
<td>0.055</td>
<td>1.487</td>
</tr>
</tbody>
</table>

**Diagnostic statistics**

- $R^2 = 0.164$
- Adjusted $R^2 = 0.142$
- $F (15, 578) = 7.549$

- **Multicollinearity**: Passed (checked via Tolerance and VIF)
- **Linearity**: Passed
- **Heteroscedasticity**: Passed

* Statistical significance at the 0.05 level;
** Statistical significance at the 0.01 level;
*** Statistical significance at the 0.00 level;

The variable which has the second strongest contribution is Cleaning and car parking (CCP). This result was surprising due to the nature of customers’ choice of restaurant under study, with a $B$ value of -0.16, t-statistic value of -3.65 and statistically significant at the 0.01 level. This result indicates that customers consider Convenient Location (CL) rather than Cleaning and Car Parking (CCP) if their choice of restaurant is reliant on recommendations from the media. This means that the more the customers’ choice of restaurant is based on the media, the less their choice of restaurant is based on cleaning and car parking. This may be because customers believe in the recommendations from the media; or that they want to try the restaurants that are suggested by the media. As shown on Table 6.1, the zero-order correlation between CCP and CCRRM was only 0.02. However, according to the
partial correlations provided by the result of regression, the correlation between CCP and CCRRM was 0.33 (see appendix VIII (9)). “The partial correlation denotes the incremental predictive effective, controlling for other variables in the regression model on both dependent and independent variables” (Hair et al., 2010, p.212). The other three significant elements are Convenient location (CL), Negative recommendations (NRs), and Trust in institution (TII) with t-statistic values of 2.95, 2.23 and 2.04 respectively. The $R^2$ is low. Only 16% of the variance in CCRRF is explained by the fifteen independent variables considered in this study, leaving 84% unexplained. Next, Table 6.8 depicts a significant model between independent variables and CCRCE where $F (15, 578) = 6.25$, $p < 0.001$, $R^2 = 0.14$, $B = 4.25$ and t-statistic = 135.99.

Table 6.8 Regression results for CCRCE (MR)

<table>
<thead>
<tr>
<th>Variables</th>
<th>$B$</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>4.249</td>
<td></td>
</tr>
<tr>
<td><strong>Direct linkages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 1: Layout scale (LS)</td>
<td>-0.020</td>
<td>-0.478</td>
</tr>
<tr>
<td>Ambience scale (AS)</td>
<td>-0.008</td>
<td>-0.193</td>
</tr>
<tr>
<td>Hypothesis 2: Cleaning and car parking (CCP)</td>
<td>0.125</td>
<td>3.155**</td>
</tr>
<tr>
<td>Cost of meal (COM)</td>
<td>0.070</td>
<td>2.066*</td>
</tr>
<tr>
<td>Overall product and service quality (OPSQ)</td>
<td>-0.021</td>
<td>-0.510</td>
</tr>
<tr>
<td>Convenient location (CL)</td>
<td>0.037</td>
<td>1.082</td>
</tr>
<tr>
<td>Discount factors (DFs)</td>
<td>0.026</td>
<td>0.703</td>
</tr>
<tr>
<td>Hypothesis 3: Trust in process (TIP)</td>
<td>0.142</td>
<td>3.538***</td>
</tr>
<tr>
<td>Trust in institution (TII)</td>
<td>0.020</td>
<td>0.494</td>
</tr>
<tr>
<td>Hypothesis 4: Efficient process procedures (EPPs)</td>
<td>0.063</td>
<td>1.409</td>
</tr>
<tr>
<td>Efficient communication policies (ECPs)</td>
<td>0.033</td>
<td>0.870</td>
</tr>
<tr>
<td>Tangible special services (TSSs)</td>
<td>-0.027</td>
<td>-0.716</td>
</tr>
<tr>
<td>Hypothesis 5: Social responsibility scale (SRS)</td>
<td>0.053</td>
<td>1.341</td>
</tr>
<tr>
<td>Hypothesis 6: Negative recommendations (NRs)</td>
<td>-0.050</td>
<td>-1.445</td>
</tr>
<tr>
<td>Positive recommendations (PRs)</td>
<td>0.063</td>
<td>1.939</td>
</tr>
</tbody>
</table>

**Diagnostic statistics**

- $R^2 = 0.140$
- Adjusted $R^2 = 0.117$
- $F (15, 578) = 6.253$
- Multicollinearity: Passed (checked via Tolerance and VIF)
- Linearity: Passed
- Heteroscedasticity: Passed

* Statistical significance at the 0.05 level;
** Statistical significance at the 0.01 level;
*** Statistical significance at the 0.00 level;
Multicollinearity: Passed (checked via Tolerance and VIF)
Singularity: Passed
Normality: Passed
Outliers: checked by Residuals: Passed
checked by Mahal. Distance: Passed (over critical value)
Cook’s Distance: Passed (less than 1)
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Three variables are revealed to be statistically significant. They are CCP, COM, TIP. The variable which made the largest contribution to the prediction of CCRCE was Trust in process (TIP), with a B value of 0.14, t-statistic value of 3.54 and statistically significant at the 0.001 level. This indicates that TIP is the most important factor in this model. The result suggests that trust in process of the restaurant is a major determinant of customers’ choice of restaurant which relies on customers’ own experience. The variable which had the second strongest contribution is Cleaning and car parking (CCP). The CCP in this part shows a positive direction, with a B value of 0.13, t-statistic value of 3.15 and statistically significance at the 0.01 level. This result indicates that customers do care about the Cleaning and car parking (CCP) if their choice of restaurant relies on their own experience. Consequently, the evidence suggests that CCP of a restaurant is a very important factor for customers to choose a restaurant. The importance of cleanliness is consistent with previous research, such as Jonge et al. (2004); Fitzsimmons (2003); Marinucci (2002); and Wakefield & Blodgett (1996). The other one significant element is Cost of meal (COM), with a t-statistic of 2.01. This suggests to that customers do care about the ‘price’ in the restaurant if their choice of restaurant which relies on their own experience (e.g., Chow et al., 2007; Auty, 1992; June & Smith, 1987; and Lewis, 1981). So price is an important element of having a good experience in the past.

On the other hand, compared with the previous two models, ECPs was not a significant factor in this model. As already discussed, customers may rely more on their own perceived experience when they are selecting a restaurant; thus this can explain the reason as to why the ECPs is not an important factor for CCRCE.

This model suggests that CCP, COM, and TIP are significant factors for customers’ choice of restaurant which relies on customers’ experience (CCRCE). Moreover, CCRCE can directly connect to customers’ satisfaction/dissatisfaction (Walsh et al., 2009; Snow & Skaggs, 2004; and Johnston, 1995), and customers’ satisfaction/dissatisfaction has a positive relationship with customer loyalty (Walsh et al., 2009; Lee et al., 2005; Fornell et al., 1996; Biong, 1993; and Stephens and Gwinner, 1998). Accordingly, in order to establish customers’ loyalty to a restaurant, owner-managers of restaurants should concentrate on cleanliness and pricing; provide car parking for customers; and try to establish customers’ trust (trust in process) for
their restaurants. In addition, it can be found that ECPs was a significant factor for both the CCRRF and CCRRM models. This suggests that owner-managers of restaurants should consider establishing a homepage in order to enable customers to consult more information about the restaurant. Overall, in spite of the different models having different significant factors for each dependent variable, Trust in Process (TIP) is the only significant factor for these three models. Accordingly, TIP may be defined as the most important factor when customers are selecting a restaurant.

6.3.3 The results of multiple regression analysis (trust and service quality to other I.V.s)

As already discussed in Chapter Four, trust and service quality are critically important variables in the ‘marketing pitch’. This study therefore investigates the use of different relationships. This section considers models where trust and service quality have relationships to other independent variables. According to the relationships, this study can understand customers’ points of view of ‘where do trust and service quality come from?’ among other independent variables using in this study.

Table 6.9 yields two significant regressions examining the relationships between the independent variables and TIP and TII (Trust), where \( F(10, 584) = 17.15 \) and 19.96, \( p < 0.001 \), \( R^2 = 0.23 \) and 0.26, \( B = 0 \) and -0.001 respectively. There are three individual variable associations shown as statistically significant. They are LS, OPSQ, and SRS with t-statistic values of 3.73; 5.04; and 2.48 (TIP), and 2.99; 7.22; and 2.95 (TII) respectively. This suggests that trust reputation may emerge from Overall product and service quality (OPSQ) and Social responsibility scale (SRS). In addition, the layout of a restaurant also contributes to customers’ trust in the restaurant. These significant relationships have been confirmed by previous studies. For example, Ohanian (1990) corroborates a positive association between LS and trust. More specifically, the physical provision (layout) is a factor contributing to customers’ satisfaction in restaurants (Johns and Pine, 2002). Also, customer satisfaction has a positive relationship with customer loyalty (Walsh et al., 2009). At the same time there is a positive and strong correlation between loyalty and trust. Therefore, an inference can be drawn that restaurant layout can contribute to customer satisfaction, and can help customers to trust that restaurant.
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Oliver (1997 & 1999) and Harris & Goode (2004) provide an idea that trust comes from quality. This can explain the significance of OPSQ in this model. Furthermore, a positive connection from social responsibility to trust was also found by Walsh and Beatty (2007).

### Table 6.9 Regression results for Trust (TIP and TII)

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>TIP B</th>
<th>t-statistics</th>
<th>TII B</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0</td>
<td>-0.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Layout scale (LS)</td>
<td>0.175</td>
<td><strong>3.727</strong>*</td>
<td>0.134</td>
<td><strong>2.987</strong></td>
</tr>
<tr>
<td>Ambience scale (AS)</td>
<td>0.053</td>
<td>1.170</td>
<td>0.080</td>
<td>1.808</td>
</tr>
<tr>
<td>Cleaning and car parking (CCP)</td>
<td>0.082</td>
<td>1.810</td>
<td>0.006</td>
<td>0.138</td>
</tr>
<tr>
<td>Cost of meal (COM)</td>
<td>-0.070</td>
<td>-1.780</td>
<td>-0.016</td>
<td>-0.417</td>
</tr>
<tr>
<td>Overall products and service quality (OPSQ)</td>
<td>0.227</td>
<td><strong>5.036</strong>*</td>
<td>0.032</td>
<td><strong>7.219</strong>*</td>
</tr>
<tr>
<td>Convenient location (CL)</td>
<td>-0.019</td>
<td>-0.478</td>
<td>0.002</td>
<td>0.050</td>
</tr>
<tr>
<td>Discount factors (DFs)</td>
<td>0.023</td>
<td>0.554</td>
<td>0.010</td>
<td>0.240</td>
</tr>
<tr>
<td>Social responsibility scale (SRS)</td>
<td>0.107</td>
<td><strong>2.480</strong></td>
<td>0.125</td>
<td><strong>2.952</strong></td>
</tr>
<tr>
<td>Negative recommendations (NRs)</td>
<td>0.040</td>
<td>0.986</td>
<td>0.000</td>
<td>-0.004</td>
</tr>
<tr>
<td>Positive recommendations (PRs)</td>
<td>0.025</td>
<td>0.668</td>
<td>-0.003</td>
<td>-0.081</td>
</tr>
</tbody>
</table>

#### Diagnostic statistics

- $R^2 = 0.23$; and 0.26
- Adjusted $R^2 = 0.21$; and 0.24
- $F(10, 584) = 17.15$ and 19.96
- Multicollinearity: Passed (checked via Tolerance and VIF) (Both)
- Linearity: Passed (Both)
- Heteroscedasticity: Passed (Both)

* * Statistical significance at the 0.05 level;
** Statistical significance at the 0.01 level;
*** Statistical significance at the 0.001 level;

Multicollinearity: Passed (checked via Tolerance and VIF)

Singularity: Passed

Normality: Passed

Outliers: checked by Residuals: Passed

checked by Mahal. Distance: Passed (over critical value)

Cook’s Distance: Passed (less than 1)

Tables 6.10 and 6.11 reveal three significant relationships between independent variables and EPPS, ECPs, and TSSs (Service quality), where $F(10, 583) = 32.74$; $14.93$; and $23.45$, $p < 0.001$, $R^2 = 0.36$; $0.20$; and $0.29$, $B = 0.001$; 0; and 0.001 respectively. There are three individual relationships shown as statistically significant to these three dependent variables. They are LS, OPSQ and SRS with t-
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statistics = 3.68, 4.54, and 5.74 (EPPs); 3.51, 3.35, and 1.99 (ECPs); and 2.84, 3.83, and 5.53 (TSSs) respectively.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>EPPs</th>
<th>t-statistics</th>
<th>ECPs</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.001</td>
<td>0</td>
<td>0.168</td>
<td>3.511***</td>
</tr>
<tr>
<td>Layout scale (LS)</td>
<td>0.157</td>
<td>3.657***</td>
<td>0.168</td>
<td>3.511***</td>
</tr>
<tr>
<td>Ambience scale (AS)</td>
<td>0.068</td>
<td>1.666</td>
<td>-0.022</td>
<td>-0.487</td>
</tr>
<tr>
<td>Cleaning and car parking (CCP)</td>
<td>0.173</td>
<td>4.190***</td>
<td>-0.008</td>
<td>-0.172</td>
</tr>
<tr>
<td>Cost of meal (COM)</td>
<td>-0.038</td>
<td>-1.060</td>
<td>-0.013</td>
<td>-0.338</td>
</tr>
<tr>
<td>Overall products and service quality (OPSQ)</td>
<td>0.187</td>
<td>4.539***</td>
<td>0.154</td>
<td>3.345***</td>
</tr>
<tr>
<td>Convenient location (CL)</td>
<td>0.034</td>
<td>0.947</td>
<td>0.006</td>
<td>0.142</td>
</tr>
<tr>
<td>Discount factors (DFs)</td>
<td>0.037</td>
<td>0.958</td>
<td>-0.224</td>
<td>-5.241***</td>
</tr>
<tr>
<td>Social responsibility scale (SRS)</td>
<td>0.227</td>
<td>5.743***</td>
<td>0.088</td>
<td>1.994*</td>
</tr>
<tr>
<td>Negative recommendations (NRs)</td>
<td>0.038</td>
<td>1.026</td>
<td>0.022</td>
<td>0.537</td>
</tr>
<tr>
<td>Positive recommendations (PRs)</td>
<td>-0.028</td>
<td>-0.818</td>
<td>0.034</td>
<td>0.889</td>
</tr>
</tbody>
</table>

Diagnóstic statistics
R² = 0.36; and 0.20
Adjusted R² = 0.35; and 0.19
F (10, 583) = 32.74 and 14.93

Multicollinearity  Passed (checked via Tolerance and VIF) (Both)
Linearity  Passed (Both)
Heteroscedasticity  Passed (Both)

* Statistical significance at the 0.05 level;
** Statistical significance at the 0.01 level;
*** Statistical significance at the 0.00 level;
Multicollinearity → Passed (checked via Tolerance and VIF)
Singularity → Passed
Normality → Passed
Outliers: checked by Residuals → Passed
          checked by Mahal. Distance → Passed (over critical value)
Cook’s Distance → Passed (less than 1)

The significant associations from OPSQ to EPPs; ECPs; and TSSs (service quality) were to be expected as they are essentially measures of a restaurant’s ‘quality’. Walsh and Beatty (2007) also confirm a high correlation between social responsibility and service quality. Next, as presented in Tables 6.6 to 6.8, it is found that LS was not a significant factor in those models. Nevertheless, LS has statistically significant associations with EPPs, ECPs, and TSSs. This is consistent with Reimer & Kuehn, (2005); John & Pine, (2002) and Wakefield & Blodgett, (1999 & 1996) who all show
a strong relationship between service quality and servicescape. Reimer and Kuehn (2005) suggest that service quality should include servicescape, and servicescape can strengthen customers’ attitudes of service quality that they experience in a restaurant. Moreover, the significant association between CCP (Cleaning and car parking) and EPPs was expected by this study. As already discussed, CCP can be defined as the most important factor when customers are selecting a restaurant. There is no doubt about the importance of sanitation for a restaurant (Fitzsimmons, 2003 and Johns and Pine, 2002). Another significant association is the negative relationship from DFs to ECPs, with t-statistic = -5.24, p < 0.001. This result indicates that there is a negative relationship between discount factors and ECPs (service quality). This suggests that for customers discount factors are not as important in their choice of restaurant if the restaurant has efficient communication processes, e.g. an up-to-date website which informs customers and thus they know what to expect before they come to the restaurant. On the other hand, customers may agree to an elevation in price in order to reinforce the expectations of quality (Tellis and Gaeth, 1990).

Table 6.11 Regression results for Service quality (TSSs)

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent variables</th>
<th>TSSs</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Layout scale (LS)</td>
<td>0.131</td>
<td>2.894**</td>
<td></td>
</tr>
<tr>
<td>Ambience scale (AS)</td>
<td>-0.075</td>
<td>-0.718</td>
<td></td>
</tr>
<tr>
<td>Cleaning and car parking (CCP)</td>
<td>0.059</td>
<td>1.346</td>
<td></td>
</tr>
<tr>
<td>Cost of meal (COM)</td>
<td>0.077</td>
<td>2.053*</td>
<td></td>
</tr>
<tr>
<td>Overall products and service quality (OPSQ)</td>
<td>0.166</td>
<td>3.825***</td>
<td></td>
</tr>
<tr>
<td>Convenient location (CL)</td>
<td>0.151</td>
<td>3.962***</td>
<td></td>
</tr>
<tr>
<td>Discount factors (DFs)</td>
<td>-0.069</td>
<td>-1.708</td>
<td></td>
</tr>
<tr>
<td>Social responsibility scale (SRS)</td>
<td>0.231</td>
<td>5.531***</td>
<td></td>
</tr>
<tr>
<td>Negative recommendations (NRs)</td>
<td>0.005</td>
<td>0.140</td>
<td></td>
</tr>
<tr>
<td>Positive recommendations (PRs)</td>
<td>-0.036</td>
<td>-0.999</td>
<td></td>
</tr>
</tbody>
</table>

**Diagnostic statistics**
- \( R^2 = 0.29 \)
- Adjusted \( R^2 = 0.28 \)
- \( F (10, 583) = 23.45 \)
- Multicollinearity: Passed (checked via Tolerance and VIF)
- Linearity: Passed
- Heteroscedasticity: Passed

* Statistical significance at the 0.05 level;
** Statistical significance at the 0.01 level;
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***Statistical significance at the 0.00 level;
Multicollinearity \( \Rightarrow \) Passed (checked via Tolerance and VIF)
Singularity \( \Rightarrow \) Passed
Normality \( \Rightarrow \) Passed
Outliers: checked by Residuals \( \Rightarrow \) Passed (the value was -3.137 > -3.3. However, according to Pallant (2007, p.157), it is not uncommon to find a number of outlying residuals, if you find only a few, it may not be necessary to take any action” and outliers can also be checked by Mahal. Distance) checked by Mahal. Distance \( \Rightarrow \) Passed (over critical value)
Cook’s Distance \( \Rightarrow \) Passed (less than 1)

In addition, SRS (Social Responsibility Scale), CL (Convenient Location), OPSQ (Overall Product and Service Quality), LS (Layout Scale), and COM (Cost of Meal) were found to be significant in the regression model of TSSs; with t-statistic values of 5.53, 3.96, 3.83, 2.89, and 2.05 respectively. The importance of OPSQ and COM was discussed in the previous section. As also discussed, the factors of TSSs are designed especially for particular groups; for example families with young children, or people with a disability. These groups may consider the social reputation and location convenience of a restaurant, as well as the appropriateness of the layout of the restaurant.

The \( R^2 \) values were higher than in the previous models (CCRRF, CCRRM, and CCRCE), which suggests that trust and service quality may fit in more with reputation building; and thus provokes a need for further research and discussion on this topic.

This study also adopted the use of mean scores for independent variables instead of component scores. The mean score can be seen as a single surrogate variable for a scale. For this study, the advantages of the mean instead of component score are not only that it is easy to undertake (Hair et al., 2010) but that it can also revise the scores of the distribution that do not fall within a normally distributed curve (Pallant, 2007).

However, \( R^2 \) values (0.16, 0.10, and 0.10 respectively) were lower than those obtained from using component scores extracted from PCA, which means these models here have a poorer fit than models in section 6.3.2. This approach is therefore not developed further. The correlation and regression output from ‘using of mean scores for independent variables’ are given in appendix VIII (13).
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6.3.4 Overall hypotheses results

According to the tabulations in Sections 6.1.1 and 6.3.2, the overall results of correlations and multiple regressions were shown in Table 6.12.

As can be seen in Table 6.1 (p. 169), generally the correlation coefficients were very low. This may create a low $R^2$ value in the regression model because, “the squared multiple correlation is $R^2$” (Tabachnick and Fidell, 2007, p.130). For further discussion see section 6.3.5, which deals with the limitations of correlation and multiple regression.

Table 6.12 Summary of hypotheses analysis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Correlations</th>
<th>Regression</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CCRF</td>
<td>CRRM</td>
</tr>
<tr>
<td>Hypothesis 1:</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>Hypothesis 2:</td>
<td>V</td>
<td>O</td>
</tr>
<tr>
<td>Hypothesis 3:</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>Hypothesis 4:</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>Hypothesis 5:</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>Hypothesis 6:</td>
<td>V</td>
<td>V</td>
</tr>
</tbody>
</table>

Notes: V means supported; O means partly supported and X means not supported.
V: Statistical significance at the 0.05 or 0.01 level;
O: Some variables are significant at the 0.05 or 0.01 level, and some of them are not.
X: Not supported as statistically significant.

Based on the Table 6.12 above, in general, no evidence fully supports Hypotheses 1 to 6 via multiple regression analysis, servicescape (H1), trust (H3), service quality (H4), and social responsibility (H5) were previously supported (significance) under correlation analysis. The lack of support for these hypotheses is possibly due to the aggregation procedure adopted in this study where different types of variables were assessed simultaneously.

It was not unexpected that the factors of TIP, TII, EPPs, and ECPs were significant in the above models. This is because TIP (Trust in process) and TII (Trust in institution) were included in trust, and EPPs and ECPs were included in service quality. The results presented for EPPs and ECPs correspond to those in previous studies, such as performance of service quality from a service provider leading to customer satisfaction/dissatisfaction, further affecting customers’ loyalty (Walsh et al., 2009;
Snow & Skaggs, 2004; and Anderson & Mittal, 2000). As mentioned in Chapter Three, trust is “confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt, 1994, p.1994); and has a positive influence on the behaviours and attitudes of a company’s customers (Agustin & Singh, 2005; Bredahl, 2001; Jap & Ganesan, 2000; and Grayson et al., 2008). For the food industry, trust is potentially an important factor influencing consumer behaviour (Frewer & Salter, 2003 and Bredahl, 2001). Jonge et al. (2004) conclude that a consumer’s concern for the safety of food provided by a restaurant is high, and this level of concern does not change over time. Furthermore, although service cannot be counted, measured, or verified in advance (Zeithaml, 1981), previous research has identified the importance of service quality in the service industry (for example, Nadiri & Hussain, 2005; Ekinci et al., 2003; Parasuraman, Zeithaml, and Berry, 1988); and e-service quality (for example, Harris and Goode, 2004; Cronin and Taylor, 1992; and Zeithaml, Parasuraman, and Malhotra, 2002).

CCP (Cleaning and car parking) was also expected to be a very important element for customers’ choice of restaurant (CCRCE). The importance of cleanliness or sanitation in the restaurant is not in doubt (e.g. Jonge, et al., 2004; Fitzsimmons, 2003; Marinucci, 2002; and Wakefield and Blodgett, 1996). Moreover in regards to car parking it is believed that if a restaurant provides a free parking area for customers, especially in the city centre; it may extremely attractive to customers, in particular people with limited time or from out of town. This point is further discussed in Chapter Seven, where comments on this matter are included from the owner-managers of the restaurants.

6.3.5 The limitations of correlation and multiple regression
Most of the relationships in the correlation matrix were somewhat small, even if they were suggested as being so by previous study or extracted from principal factor analysis. Moreover, the low correlations of servicescape with restaurant choice were the most unexpected result of this study. For further discussion see section 6.5.1 page 213. This may be because this study concentrated on reputation arising from servicescape, choice of restaurant factors, trust, service quality, social responsibility, and recommendations and ignored ‘variety seeking behaviour’. This factor allows customers to choose from a large number of different opportunities when allowed to
select more than one restaurant, even if they have a favoured one (Ratner & Kahn, 2002; Kemperman et al., 2000 and Kahn, 1995). In this situation, customers may have a wide and varied choice of different restaurants and they may not find it easy to make a decision on a preferred restaurant, preferring instead to exercise the availability of variety in choice. In other words, when customers were answering the questionnaire for this research, they might think about more than one restaurant and different restaurants may provide them with different experiences from which to draw when answering the questions.

Secondly, $R^2$ figures were fairly low in the three regression models; with values around 0.16. This was not unexpected after the weak results that emerged in the correlation matrix, since $R^2$ is statistically related to the overall level of regression significant. “The squared multiple correlation is $R^2$” (Tabachnick and Fidell, 2007, p.130). “Another way of looking at $R^2$ is in terms of the correlations between each of the IVs and the DV. The squared multiple correlation is the sum across all IVs of the product of the correlation between the DV and IV and the (standardised) regression coefficient for the IV” (Tabachnick and Fidell, 2007, p.130). In a word, low correlation values were discovered in this study and the low values of $R^2$ were expected.

Overall, customers may display variety seeking behaviour in looking for alternative restaurants not because they are dissatisfied with a restaurant, but because they have the desire to try somewhere new, to take advantage of a bargain prices or good value offer, or to test received recommendations from their family, friends, or the media. Previously research has also suggested that this kind of behaviour typically produces low values of $R^2$ (e.g., Harris and Ezch, 2008). Although the results of Harris and Ezch (2008) reveal a very high $R^2$ value of 0.59, their study focused on restaurant patrons and matched samples of restaurants and customers. They concluded that variety seeking behaviour is a factor that appears to reduce the impact of servicescape variables upon loyalty intentions of a restaurant (Harris and Ezch, 2008). As explained in Chapter Four, this study did not collect data from ‘appointed’ restaurants and their customers. Thus, respondents might have more than two or three images from different restaurants and different restaurants provided them different experiences. Those experiences may influence their decisions when they were
answering the questionnaire. Specifically, Lin and Mattila (2008) find that “Taiwanese consumers (i.e., college-aged) are more likely to switch restaurant providers and to exhibit exploratory behaviours” than the students from the United States. This can be considered to constitute idiosyncrasy behaviour.

Moreover, a low value of $R^2$ was sometimes found in the studies of customer behaviour in a competitive market industry (e.g. Martinez-Ruiz et al., 2010 and Ryu et al., 2008). For example, a low $R^2$ (around 0.12) was obtained by a study conducted by Martinez-Ruiz et al. (2010) which analysed the relationships between factors of the establishment perceived by customers (including store atmospherics; opening time; quality; price; promotion, and so forth) and customer satisfaction in grocery shops. In addition, a low value of $R^2$ (0.24) was also obtained from an association between restaurant image (including food quality; cleanliness; price; interior design; professional appearance of staff; location and so forth) and perceived value of restaurant from customers point of view (Ryu et al., 2008). As both grocery shops and small restaurants are in a very competitive market place (Martinez-Ruiz et al., 2010; Leszczyc et al., 2000; and Mack et al., 2000), the low values of the $R^2$ (around 12%) are reasonable (Martinez-Ruiz et al., 2010). The definitions of a competitive market such as infinite buyers and sellers, ease of entry and exit, costless transactions, and homogeneous products (Mas-Colell et al., 1995). These can refer to variety seeking behaviour where customers find it easy to discover different restaurants in a short time.

Furthermore, service or service quality cannot be saved and stored (Zeithaml, Parasuraman & Berry 1985 and Thomas 1978), and for restaurants even advertising or gaining positive recommendations in the media is less likely to increase customers’ consumption than with lower priced, lower involvement purchases where benefits are more immediate (Zeithaml, Parasuraman and Berry, 1985). These explanations may explain why very low values of $R^2$ are obtained in this sector.
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6.4 Moderated Multiple Regression (MMR)

Although very useful information is provided by correlation and regression analysis, in order to evaluate the effects of moderator between two variables (independent variables and dependent variables), as discussed in Chapter Four, a moderated regression is required.

In spite of increased use of MMR in previous research (see Aguinis, 1995), there are many concerns or problems that have been discussed regarding difficulties associated with its use. Some of the issues arising in previous research are listed as follows:

1. In general, “the effects of moderators often have very low statistical power” (Aguinis, 1995, p.1142). If the power is low, the researcher may ignore the moderating effects.
2. On the other hand, researchers may be likely to be misled by the results of MMR (Dunlap and Kemery, 1988).
3. The moderating variable is sometimes “artificial”, and sometimes they result from dichotomization and polychotomization (Cohen, 1983).
4. Sample size. This has a positive association with statistical power in testing (Cohen, 1988). In addition, “the size of the sample on which the MMR analysis is performed is perhaps one of the most important single factors affecting the power” (Aguinis, 1995, p.1147). Stone-Romero and Anderson (1994) suggest that sample sizes of 120 is the minimum for MMR.
5. Although a MMR model is significant, the individual factor in the model may not be meaningfully interpreted unless the overall $R^2$ for the model is significant (Bedeian and Mossholder, 1994). Cohen and Cohen (1983, p. 277) suggest that “any significant effects should be ignored when an overall $R^2$ is not significant”. However, there are no critical values for $R^2$ and it is chosen arbitrarily for illustrative purposes. Bedeian and Mossholder (1994) state that the higher the values of $R^2$, the higher the variance which is attributable to the interaction term. On the other hand, Kenny (1993, p.163 in Bedeian and Mossholder, 1994) indicates that “Although I would certainly prefer that $R^2$ squared for the equation be significant, I would not be as troubled by it not being significant in moderated regression. The key coefficient is the product and if the main effects are small a non-significant $R^2$ is not really worrisome”.

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Hair et al. (2010) also suggest that moderated multiple regression needs to be tested for multicollinearity, linearity, and heteroscedasticity as these assumptive violations may seriously affect the results. The assumptions of multiple regression for multicollinearity and linearity had been discussed in Section 6.3.1 on page 182.

Heteroscedasticity is also one of the most common assumption violations of regression (Hair et al., 2010). This occurs when there is the presence of unequal variance. Homoscedasticity means “the variances of a single metric variable are equal across any number of groups” (Hair et al., 2010, p.74). This refers to the aspects of the distribution of scores and the nature of the relationship between variables. This assumption can also be checked from residuals scatterplots provided by the output of multiple regression using, for example, Mahahanobis distances, standardized residuals, and Cook’s distance (Pallant, 2007).

6.4.1 Moderating factors
This study has generated some valuable insights into the dynamics of servicescape, choice of restaurant factors, trust, service quality, social responsibility and restaurant recommendation. However, such analysis focuses on direct linkages. In this regard, the research desires to test the relationships between independent variable and dependent variable moderated through the role of other inferences.

As discussed previously in Chapter Four, trust and service quality are employed as moderating variables to examine whether they affect the relationship between exogenous factors (servicescape, choice of restaurant factors, social responsibility and recommendations) and dependent variables. Moreover, as shown in Section 6.2, there is a significant association between Gender and CCRRF. So it could be suggested from this result that gender should act as a dummy variable in MMR models. “A dummy variable is a dichotomous variable that represents one category of a nonmetric independent variable” (Hair et al., 2010, p.86). However, only 0.62% of the variance in CCRRF is explained by gender. In addition, this study did not find any distinguishable difference between other groups. Consequently, the use of a dummy gender variable is regarded as not necessary for this research. So, we investigate only trust (TIP & TII) and service quality (EPPS; ECPs & TSSs) as moderating variables
in this study. The hypotheses 7 to 12 established in Chapter Four can be adopted as follows:

**Hypothesis 7A:** TIP moderates the relationship between other independent variables and customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF).

**Hypothesis 7B:** TII moderates the relationship between other independent variables and customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF).

**Hypothesis 8A:** TIP moderates the relationship between other independent variables and customers’ choice of restaurant which relies on recommendations from the media (CCRRM).

**Hypothesis 8B:** TII moderates the relationship between other independent variables and customers’ choice of restaurant which relies on recommendations from the media (CCRRM).

**Hypothesis 9A:** TIP moderates the relationship between other independent variables and customers’ choice of restaurant which relies on own experience (CCRCE).

**Hypothesis 9B:** TII moderates the relationship between other independent variables and customers’ choice of restaurant which relies on own experience (CCRCE).

**Hypothesis 10A:** EPPs moderates the relationship between other independent variables and customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF).

**Hypothesis 10B:** ECPs moderates the relationship between other independent variables and customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF).

**Hypothesis 10C:** TSSs moderates the relationship between other independent variables and customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF).

**Hypothesis 11A:** EPPs moderates the relationship between other independent variables and customers’ choice of restaurant which relies on recommendations from the media (CCRRM).

**Hypothesis 11B:** ECPs moderates the relationship between other independent variables and customers’ choice of restaurant which relies on recommendations from the media (CCRRM).
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**Hypothesis 11C:** TSSs moderates the relationship between other independent variables and customers’ choice of restaurant which relies on recommendations from the media (CCRRM).

**Hypothesis 12A:** EPPs moderates the relationship between other independent variables and customers’ choice of restaurant which relies on own experience (CCRCE).

**Hypothesis 12B:** ECPs moderates the relationship between other independent variables and customers’ choice of restaurant which relies on own experience (CCRCE).

**Hypothesis 12C:** TSSs moderates the relationship between other independent variables and customers’ choice of restaurant which relies on own experience (CCRCE).

### 6.4.2 The results of moderated multiple regression

Tables 6.13, 6.14, and 6.15 summarise the results of the moderated multiple regression for the dependent variables, CCRRF; CCRRM; and CCRCE respectively.

It needs to be noted that four variables (TIP x CCP; TII x CCP; EPPs x CCP; and EPPs x OPSQ) were shown to be multicollinear; with VIF higher than 10 and Tolerance lower than 0.1 (Appendix VIII (10)). According to the suggestions for remedies for multicollinearity from Hair et al. (2010), these four variables were omitted from the model (Appendix VIII (11)).

#### Table 6.13 Regression results for CCRRF (MMR)

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
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<td></td>
</tr>
<tr>
<td><strong>Direct linkages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 1: Layout scale (LS)</td>
<td>-0.005</td>
<td>-0.111</td>
</tr>
<tr>
<td>Hypothesis 1: Ambience scale (AS)</td>
<td>-0.011</td>
<td>-0.269</td>
</tr>
<tr>
<td>Hypothesis 2: Cleaning and car parking (CCP)</td>
<td>-0.031</td>
<td>-0.674</td>
</tr>
<tr>
<td>Hypothesis 2: Cost of meal (COM)</td>
<td>0.054</td>
<td>1.470</td>
</tr>
<tr>
<td>Hypothesis 2: Overall product and service quality (OPSQ)</td>
<td>0.074</td>
<td>1.556</td>
</tr>
<tr>
<td>Hypothesis 2: Convenient location (CL)</td>
<td>0.019</td>
<td>0.510</td>
</tr>
<tr>
<td>Hypothesis 2: Discount factors (DFs)</td>
<td>0.069</td>
<td>1.687</td>
</tr>
<tr>
<td>Hypothesis 3: Trust in process (TIP)</td>
<td>0.110</td>
<td><strong>2.376</strong>*</td>
</tr>
<tr>
<td>Hypothesis 3: Trust in institution (TII)</td>
<td>0.024</td>
<td>0.539</td>
</tr>
<tr>
<td>Hypothesis 4: Efficient process procedures (EPPs)</td>
<td>0.120</td>
<td><strong>2.362</strong>*</td>
</tr>
<tr>
<td>Hypothesis 4: Efficient communication policies (ECPs)</td>
<td>0.098</td>
<td><strong>2.378</strong>*</td>
</tr>
<tr>
<td>Hypothesis 4: Tangible special services (TSSs)</td>
<td>-0.019</td>
<td>-0.449</td>
</tr>
<tr>
<td>Hypothesis 5: Social responsibility scale (SRS)</td>
<td>0.039</td>
<td>0.877</td>
</tr>
<tr>
<td>Hypothesis 6: Negative recommendations (NRs)</td>
<td>0.071</td>
<td>1.923</td>
</tr>
</tbody>
</table>
## Positive recommendations (PRs)

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Effect Size</th>
<th>z Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive Recommendations (PRs) × TIP</td>
<td>0.050</td>
<td>1.447</td>
</tr>
</tbody>
</table>

### Moderators - Trust in process (TIP)

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Effect Size</th>
<th>z Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 7Aa: Layout scale (LS) × TIP</td>
<td>-0.076</td>
<td>-1.484</td>
</tr>
<tr>
<td>Hypothesis 7Ab: Ambience scale (AS) × TIP</td>
<td>-0.039</td>
<td>-0.669</td>
</tr>
<tr>
<td>Hypothesis 7Ad: Cost of meal (COM) × TIP</td>
<td>-0.008</td>
<td>-0.162</td>
</tr>
<tr>
<td>Hypothesis 7Ae: Overall product and service quality (OPSQ) × TIP</td>
<td>-0.025</td>
<td>-0.573</td>
</tr>
<tr>
<td>Hypothesis 7Af: Convenient location (CL) × TIP</td>
<td>0.048</td>
<td>1.028</td>
</tr>
<tr>
<td>Hypothesis 7Ag: Discount factors (DFs) × TIP</td>
<td>-0.029</td>
<td>-0.648</td>
</tr>
<tr>
<td>Hypothesis 7Ae: Efficient communication policies (ECPs) × TIP</td>
<td>0.057</td>
<td>1.165</td>
</tr>
<tr>
<td>Hypothesis 7Ae: Social responsibility scale (SRS) × TIP</td>
<td>-0.005</td>
<td>-0.095</td>
</tr>
<tr>
<td>Hypothesis 7Ae: Negative recommendations (NRs) × TIP</td>
<td>-0.042</td>
<td>-0.857</td>
</tr>
<tr>
<td>Hypothesis 7Ae: Positive recommendations (PRs) × TIP</td>
<td>0.029</td>
<td>0.633</td>
</tr>
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</table>

### Moderators - Trust in institution (TII)

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Effect Size</th>
<th>z Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 7Ba: Layout scale (LS) × TII</td>
<td>-0.021</td>
<td>-0.425</td>
</tr>
<tr>
<td>Hypothesis 7Bb: Ambience scale (AS) × TII</td>
<td>0.116</td>
<td>2.116*</td>
</tr>
<tr>
<td>Hypothesis 7Bd: Cost of meal (COM) × TII</td>
<td>0.088</td>
<td>1.741</td>
</tr>
<tr>
<td>Hypothesis 7Be: Overall product and service quality (OPSQ) × TII</td>
<td>0.039</td>
<td>0.890</td>
</tr>
<tr>
<td>Hypothesis 7Bf: Convenient location (CL) × TII</td>
<td>-0.063</td>
<td>-1.475</td>
</tr>
<tr>
<td>Hypothesis 7Bg: Discount factors (DFs) × TII</td>
<td>0.143</td>
<td>2.830**</td>
</tr>
<tr>
<td>Hypothesis 7Bi: Efficient communication policies (ECPs) × TII</td>
<td>-0.003</td>
<td>-0.062</td>
</tr>
<tr>
<td>Hypothesis 7Bj: Social responsibility scale (SRS) × TII</td>
<td>-0.026</td>
<td>-0.526</td>
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<tr>
<td>Hypothesis 7Bl: Negative recommendations (NRs) × TII</td>
<td>0.000</td>
<td>0.007</td>
</tr>
<tr>
<td>Hypothesis 7Bm: Positive recommendations (PRs) × TII</td>
<td>0.008</td>
<td>0.214</td>
</tr>
</tbody>
</table>

### Moderators – Efficient process procedures (EPPs)

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Effect Size</th>
<th>z Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 10Aa: Layout Scale (LS) × EPPs</td>
<td>0.126</td>
<td>2.159*</td>
</tr>
<tr>
<td>Hypothesis 10Ab: Ambience scale (AS) × EPPs</td>
<td>-0.109</td>
<td>-1.921</td>
</tr>
<tr>
<td>Hypothesis 10Ad: Cost of meal (COM) × EPPs</td>
<td>0.011</td>
<td>0.214</td>
</tr>
<tr>
<td>Hypothesis 10Af: Convenient location (CL) × EPPs</td>
<td>-0.056</td>
<td>-1.199</td>
</tr>
<tr>
<td>Hypothesis 10Ag: Discount factors (DFs) × EPPs</td>
<td>-0.060</td>
<td>-1.134</td>
</tr>
<tr>
<td>Hypothesis 10Ah: Trust in process (TIP) × EPPs</td>
<td>0.057</td>
<td>1.717</td>
</tr>
<tr>
<td>Hypothesis 10Aj: Trust in institution (TII) × EPPs</td>
<td>-0.045</td>
<td>-0.991</td>
</tr>
<tr>
<td>Hypothesis 10Al: Social responsibility scale (SRS) × EPPs</td>
<td>-0.007</td>
<td>-0.118</td>
</tr>
<tr>
<td>Hypothesis 10Am: Negative recommendations (NRs) × EPPs</td>
<td>-0.024</td>
<td>-0.473</td>
</tr>
<tr>
<td>Hypothesis 10An: Positive recommendations (PRs) × EPPs</td>
<td>-0.019</td>
<td>-0.363</td>
</tr>
</tbody>
</table>

### Moderators - Efficient communication policies (ECPs)

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Effect Size</th>
<th>z Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 10Ba: Layout Scale (LS) × ECPs</td>
<td>0.024</td>
<td>0.480</td>
</tr>
<tr>
<td>Hypothesis 10Bb: Ambience scale (AS) × ECPs</td>
<td>-0.038</td>
<td>-0.770</td>
</tr>
<tr>
<td>Hypothesis 10Bc: Cleaning and car parking (CCP) × ECPs</td>
<td>-0.034</td>
<td>-0.888</td>
</tr>
<tr>
<td>Hypothesis 10Bd: Cost of meal (COM) × ECPs</td>
<td>-0.025</td>
<td>-0.632</td>
</tr>
<tr>
<td>Hypothesis 10Be: Overall product and service quality (OPSQ) × ECPs</td>
<td>0.046</td>
<td>0.846</td>
</tr>
</tbody>
</table>
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ECPs

Hypothesis 10Bf: Convenient location (CL) x ECPs  0.018  0.465
Hypothesis 10Bg: Discount factors (DFs) x ECPs  -0.043  -1.077
Hypothesis 10 Bj: Social responsibility scale (SRS) x ECPs  -0.018  -0.368
Hypothesis 10Bk: Negative recommendations (NRs) x ECPs  -0.055  -1.276
Hypothesis 10Bl: Positive recommendations (PRs) x ECPs  0.043  1.122

Moderators – Tangible special services (TSSs)

Hypothesis 10Ca: Layout Scale (LS) x TSSs  -0.032  -0.612
Hypothesis 10Cb: Ambience scale (AS) X TSSs  0.006  0.128
Hypothesis 10Cc: Cleaning and car parking (CCP) x TSSs  -0.052  -0.947
Hypothesis 10Cd: Cost of meal (COM) x TSSs  0.015  0.380
Hypothesis 10Ce: Overall product and service quality (OPSQ) x TSSs  -0.008  -0.149
Hypothesis 10 Cf: Convenient location (CL) x TSSs  0.039  0.971
Hypothesis 10Cg: Discount factors (DFs) x TSSs  0.050  1.104
Hypothesis 10Ch: Trust in process (TIP) x TSSs  -0.013  -0.265
Hypothesis 10Ci: Trust in institution (TII) x TSSs  0.124  2.741*
Hypothesis 10Cj: Social responsibility scale (SRS) x TSSs  -0.028  -0.629
Hypothesis 10Ck: Negative recommendations (NRs) x TSSs  0.096  2.310*
Hypothesis 10Cl: Positive recommendations (PRs) x TSSs  -0.01  -0.273

Diagnostic statistics

R² = 0.27
Adjusted R² = 0.17
F (67, 525) = 2.85
Multicollinearity Passed (checked via Tolerance and VIF)
Linearity Passed
Heteroscedasticity Passed

* Statistical significance at the 0.05 level;
**Statistical significance at the 0.01 level;
Multicollinearity Passed (checked via Tolerance and VIF)
Singularity Passed
Normality Passed
Outliers: checked by Residuals Passed
Outliers checked by Mahal. Distance Passed (over critical value)
Cook’s Distance Passed (less than 1)

Table 6.13 shows a significant model, F (5, 208) = 2.85, p < 0.001, R² = 0.27, B= 4.27 and t-statistic = 111.59. Tests for the classical assumptions of multiple regressions for multicollinearity, linearity, and heteroscedasticity were passed. Three variables (TIP, EPPs, and ECPs) were shown to be significant in this model, the same result as in the earlier regression model. LS and AS did not show significance in the earlier model, but now show significance when moderated by EPPs and TII.
Five moderated associations are seen to be statistically significant as follows: The first significant relationship is that from LS to CCRRF moderated by TII, with t-statistic = 2.12, p < 0.05. This significant relationship is not surprising in this study, because TII was shown to be significant in the earlier models. This result specifically shows that the higher the level of TII (Trust in institution), the higher the impact of ambience on customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF).

The second relationship was also moderated by TII and, with t-statistic = 2.83, p < 0.005. This result shows that even though DFs (discounts factors) were not an attractive factor for customers, this factor will be more attractive to customers if customers trust a restaurant. So customers may not view discounting on its own as an attractive feature, but they will respond to discounting if for other reasons they already trust the restaurant.

The third significant relationship moderated by EPPs was that between LS and CCRRF, with t-statistic = 2.16, p < 0.05.

The result indicates that the higher the level of EPPs (Efficient process procedures), the greater the impact of LS on customers’ choice of restaurant which relies on recommendations from family or friends. This suggests that if customers are enjoying the EPPs of a restaurant, they also agree the layout in the restaurant is appropriate.

The fourth and fifth relationships moderated by TSSs, with t-statistic = 2.74 and 2.31 respectively, and p < 0.05, show that the higher the level of TSSs (Tangible special services), the higher the impact of TII and NRs on customers’ choice of restaurant which relies on recommendations from family or friends (CCRRF). This suggests that
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if a restaurant provides facilities (e.g., baby seat and disabled facility) for special
groups, customers may trust that restaurant in the future and do care the negative
recommendations from other people. Convenience of being able to be comfortable
with children or disabled friends and family is more important than views of others.

(4) TII → CCRRF (5) NRs → CCRRF

TSSs TSSs

Next, Table 6.14 shows a significant model for choice affected by the media, with F
(67, 525) = 2.63, p < 0.001, $R^2 = 0.25$, $B = 3.61$ and t-statistic = 83.06. Tests for
multicollinearity, linearity, and heteroscedasticity were all passed. There are three
significant moderated relationships showed in the model.

Table 6.14 Regression results for CCRRM (MMR)

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.609</td>
<td></td>
</tr>
<tr>
<td><strong>Direct linkages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 1: Layout Scale (LS)</td>
<td>0.114</td>
<td>2.266*</td>
</tr>
<tr>
<td>Ambience scale (AS)</td>
<td>-0.010</td>
<td>-0.023</td>
</tr>
<tr>
<td>Hypothesis 2: Cleaning and car parking (CCP)</td>
<td>-0.200</td>
<td>-3.836***</td>
</tr>
<tr>
<td>Cost of meal (COM)</td>
<td>-0.052</td>
<td>-1.242</td>
</tr>
<tr>
<td>Overall product and service quality (OPSQ)</td>
<td>0.000</td>
<td>-0.004</td>
</tr>
<tr>
<td>Convenient location (CL)</td>
<td>0.078</td>
<td>1.830</td>
</tr>
<tr>
<td>Discount factors (DFs)</td>
<td>-0.027</td>
<td>-0.596</td>
</tr>
<tr>
<td>Hypothesis 3: Trust in process (TIP)</td>
<td>0.059</td>
<td>1.119</td>
</tr>
<tr>
<td>Trust in institution (TII)</td>
<td>0.112</td>
<td>2.243*</td>
</tr>
<tr>
<td>Hypothesis 4: Efficient process procedures (EPPs)</td>
<td>-0.103</td>
<td>-1.789</td>
</tr>
<tr>
<td>Efficient communication policies (ECPs)</td>
<td>0.190</td>
<td>4.408***</td>
</tr>
<tr>
<td>Tangible special services (TSSs)</td>
<td>-0.011</td>
<td>-0.223</td>
</tr>
<tr>
<td>Hypothesis 5: Social responsibility scale (SRS)</td>
<td>0.086</td>
<td>1.683</td>
</tr>
<tr>
<td>Hypothesis 6: Negative recommendations (NRs)</td>
<td>0.058</td>
<td>1.398</td>
</tr>
<tr>
<td>Positive recommendations (PRs)</td>
<td>0.046</td>
<td>1.185</td>
</tr>
</tbody>
</table>

**Moderators - Trust in process (TIP)**

| Hypothesis 8Aa: Layout Scale (LS) x TIP       | -0.036| -0.611 |
| Hypothesis 8Ab: Ambience scale (AS) x TIP    | -0.053| -0.793 |
| Hypothesis 8Ad: Cost of meal (COM) x TIP     | 0.022 | 0.395  |
| Hypothesis 8Ae: Overall product and service quality (OPSQ) x TIP | -0.036| -0.710 |
| Hypothesis 8Af: Convenient location (CL) x TIP | -0.058| -1.007 |
| Hypothesis 8Ag: Discount factors (DFs) x TIP | -0.076| -1.466 |
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### Hypothesis Testing

**Moderators - Trust in Institution (TII)**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variable Interaction</th>
<th>Coefficient</th>
<th>T-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>8Aa</td>
<td>Efficient communication polices (ECPs) x TIP</td>
<td>-0.026</td>
<td>-0.477</td>
</tr>
<tr>
<td>8Ak</td>
<td>Social responsibility scale (SRS) x TIP</td>
<td>0.102</td>
<td>1.635</td>
</tr>
<tr>
<td>8Al</td>
<td>Negative recommendations (NRs) x TIP</td>
<td>-0.022</td>
<td>-0.413</td>
</tr>
<tr>
<td>8Am</td>
<td>Positive recommendations (PRs) x TIP</td>
<td>-0.037</td>
<td>-0.701</td>
</tr>
</tbody>
</table>

**Moderators - Efficient Process Procedures (EPPs)**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variable Interaction</th>
<th>Coefficient</th>
<th>T-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>11Aa</td>
<td>Layout Scale (LS) x EPPs</td>
<td>0.048</td>
<td>0.718</td>
</tr>
<tr>
<td>11Ab</td>
<td>Ambience scale (AS) x EPPs</td>
<td>0.029</td>
<td>0.455</td>
</tr>
<tr>
<td>11Ad</td>
<td>Cost of meal (COM) x EPPs</td>
<td>-0.050</td>
<td>-0.833</td>
</tr>
<tr>
<td>11Af</td>
<td>Convenient location (CL) x EPPs</td>
<td>0.001</td>
<td>0.021</td>
</tr>
<tr>
<td>11Ag</td>
<td>Discount factors (DFs) x EPPs</td>
<td>-0.071</td>
<td>-1.182</td>
</tr>
<tr>
<td>11Ah</td>
<td>Trust in process (TIP) x EPPs</td>
<td>0.026</td>
<td>0.689</td>
</tr>
<tr>
<td>11Ai</td>
<td>Trust in institution (TII) x EPPs</td>
<td>-0.078</td>
<td>-1.533</td>
</tr>
<tr>
<td>11Aj</td>
<td>Social responsibility scale (SRS) x EPPs</td>
<td>-0.137</td>
<td><strong>-2.091</strong>*</td>
</tr>
<tr>
<td>11Ak</td>
<td>Negative recommendations (NRs) x EPPs</td>
<td>0.036</td>
<td>0.624</td>
</tr>
<tr>
<td>11Al</td>
<td>Positive recommendations (PRs) x EPPs</td>
<td>0.061</td>
<td>1.030</td>
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</table>

**Moderators - Efficient Communication Policies (ECPs)**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variable Interaction</th>
<th>Coefficient</th>
<th>T-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>11Ba</td>
<td>Layout Scale (LS) x ECPs</td>
<td>0.041</td>
<td>0.714</td>
</tr>
<tr>
<td>11Bb</td>
<td>Ambience scale (AS) x ECPs</td>
<td>-0.052</td>
<td>-0.918</td>
</tr>
<tr>
<td>11Bc</td>
<td>Cleaning and car parking (CCP) x ECPs</td>
<td>-0.049</td>
<td>-1.120</td>
</tr>
<tr>
<td>11Bd</td>
<td>Cost of meal (COM) x ECPs</td>
<td>-0.084</td>
<td>-1.877</td>
</tr>
<tr>
<td>11Be</td>
<td>Overall product and service quality (OPSQ) x ECPs</td>
<td>0.011</td>
<td>0.181</td>
</tr>
<tr>
<td>11Bf</td>
<td>Convenient location (CL) x ECPs</td>
<td>0.040</td>
<td>0.943</td>
</tr>
<tr>
<td>11Bg</td>
<td>Discount factors (DFs) x ECPs</td>
<td>-0.035</td>
<td>-0.781</td>
</tr>
<tr>
<td>11Bj</td>
<td>Social responsibility scale (SRS) x ECPs</td>
<td>0.057</td>
<td>1.044</td>
</tr>
<tr>
<td>11Bk</td>
<td>Negative recommendations (NRs) x ECPs</td>
<td>-0.043</td>
<td>-0.870</td>
</tr>
<tr>
<td>11Bl</td>
<td>Positive recommendations (PRs) x ECPs</td>
<td>0.032</td>
<td>0.739</td>
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**Moderators - Tangible Special Services (TSSs)**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variable Interaction</th>
<th>Coefficient</th>
<th>T-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>11Ca</td>
<td>Layout Scale (LS) x TSSs</td>
<td>-0.021</td>
<td>-0.349</td>
</tr>
<tr>
<td>11Cb</td>
<td>Ambience scale (AS) x TSSs</td>
<td>-0.019</td>
<td>-0.342</td>
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</tbody>
</table>
Chapter Six: Hypothesis Testing and Discussion

<table>
<thead>
<tr>
<th>Hypothesis 11Cc:</th>
<th>Cleaning and car parking (CCP) x TSSs</th>
<th>-0.038</th>
<th>-0.614</th>
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<tbody>
<tr>
<td>Hypothesis 11Cd:</td>
<td>Cost of meal (COM) x TSSs</td>
<td>0.018</td>
<td>0.391</td>
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<tr>
<td>Hypothesis 11Ce:</td>
<td>Overall product and service quality (OPSQ) x TSSs</td>
<td>0.022</td>
<td>0.370</td>
</tr>
<tr>
<td>Hypothesis 11Cf:</td>
<td>Convenient location (CL) x TSSs</td>
<td>0.037</td>
<td>0.817</td>
</tr>
<tr>
<td>Hypothesis 11Cg:</td>
<td>Discount factors (DFs) x TSSs</td>
<td>-0.046</td>
<td>-0.890</td>
</tr>
<tr>
<td>Hypothesis 11Ch:</td>
<td>Trust in process (TIP) x TSSs</td>
<td>-0.009</td>
<td>-0.155</td>
</tr>
<tr>
<td>Hypothesis 11Ci:</td>
<td>Trust in institution (TII) x TSSs</td>
<td>-0.002</td>
<td>-0.043</td>
</tr>
<tr>
<td>Hypothesis 11Cj:</td>
<td>Social responsibility scale (SRS) x TSSs</td>
<td>0.074</td>
<td>1.454</td>
</tr>
<tr>
<td>Hypothesis 11Ck:</td>
<td>Negative recommendations (NRs) x TSSs</td>
<td>0.030</td>
<td>0.645</td>
</tr>
<tr>
<td>Hypothesis 11Cl:</td>
<td>Positive recommendations (PRs) x TSSs</td>
<td>-0.052</td>
<td>-1.162</td>
</tr>
</tbody>
</table>

**Diagnostic statistics**

- $R^2 = 0.25$
- Adjusted $R^2 = 0.16$
- $F (67, 525) = 2.68$

<table>
<thead>
<tr>
<th>Statistical test</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multicollinearity</td>
<td>Passed (checked via Tolerance and VIF)</td>
</tr>
<tr>
<td>Linearity</td>
<td>Passed</td>
</tr>
<tr>
<td>Heteroscedasticity</td>
<td>Passed</td>
</tr>
</tbody>
</table>

* Statistical significance at the 0.05 level;
** Statistical significance at the 0.001 level;
Multicollinearity → Passed (checked via Tolerance and VIF)
Singularity → Passed
Normality → Passed
Outliers: checked by Residuals → Passed
checked by Mahal. Distance → Passed (over critical value)
Cook’s Distance → Passed (less than 1)

Four variables (LS; CCP, TII, and ECPs) are significant in this model, and with two of these CCP and ECPs also seen to be as significant variables in the earlier regression model. The importance of trust has already been discussed. It was expected that TII (Trust in institution) would be a significant factor in this model. On the other hand, LS (Layout scale) is also a significant variable here, with t-statistic = 2.27, $p < 0.05$. Layout is an important factor if customers’ choice of restaurant relies on recommendations from the media.

There are three moderated associations shown to be statistically significant in this model. The first relationship was that between COM (Cost of meal) and CCRRM moderated by TII, with t-statistics = 2.73, $p < 0.05$. The result suggests that COM is of higher importance when TII is higher, when choice is based on media recommendation. This means that if a customer’s choice of restaurant relies upon recommendations from the media, and he/she also trusts the restaurant, the customer will still be concerned about the cost of a meal in the restaurant. Moreover, the second
Chapter Six: Hypothesis Testing and Discussion

relationship was also moderated by TII, with t-statistic = 1.96, p < 0.05. This result was similar to the result in the regression model of CCRRF as dependent variable. This can also be explained that even though DFs (discounts factors) are not an important factor for customers, discount factors will be more attractive to customers if customers trust a restaurant.

(1) COM  \rightarrow CCRRM  \\
TII

(2) DFs  \rightarrow CCRRM  \\
TII

(3) SRS  \rightarrow CCRRM  \\
EPPs

The third association, moderated by EPPs, was that between SRS and CCRRM. This is a negative relationship, with t-statistics = 2.09, p < 0.05. The reason for the significance of EPPs mediated through SRS is likely due to the fact that the more customers enjoy EPPs (Efficient process procedures) the lower the impact of social responsibility scale (SRS) on customers’ choice of the restaurant which relies from the media. In other word, if customers like the EPPs of a restaurant, they may neglect the commitment to social responsibility in that restaurant.

The next regression model was shown in Table 6.15. This shows a significant model, F (67, 524) = 2.52, p < 0.001, R^2 = 0.24, B = 4.21 and t-statistic = 110.16. Tests for multicollinearity, linearity, and heteroscedasticity were all passed. One score of Cook’s distance was higher than 1 and this observation was removed from the model, as the degree of freedom from 525 to 524 (Hair et al., 2010).

Four variables are significant in this model: such as CCP, COM, TIP, and NRs. As NRs is shown a significant variable, with t-statistics = -1.99, p < 0.05. This suggests that the more customers’ choice of restaurant relies upon customers’ own experience, the less the customer will take negative recommendations into account. In other words, customers believe in their own perceived experience of the restaurants, rather than recommendations from other communications.
### Table 6.15 Regression results for CCRCE (MMR)

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct linkages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>4.209</td>
<td></td>
</tr>
<tr>
<td><strong>Hypothesis 1:</strong> Layout Scale (LS)</td>
<td>-0.008</td>
<td>-0.169</td>
</tr>
<tr>
<td><strong>Ambience scale (AS)</strong></td>
<td>-0.041</td>
<td>-0.982</td>
</tr>
<tr>
<td><strong>Hypothesis 2:</strong> Cleaning and car parking (CCP)</td>
<td>0.121</td>
<td><strong>2.615</strong>**</td>
</tr>
<tr>
<td><strong>Cost of meal (COM)</strong></td>
<td>0.079</td>
<td><strong>2.127</strong>*</td>
</tr>
<tr>
<td><strong>Overall product and service quality (OPSQ)</strong></td>
<td>-0.025</td>
<td>-0.533</td>
</tr>
<tr>
<td><strong>Convenient location (CL)</strong></td>
<td>0.045</td>
<td>1.190</td>
</tr>
<tr>
<td><strong>Discount factors (DFs)</strong></td>
<td>0.036</td>
<td>0.875</td>
</tr>
<tr>
<td><strong>Hypothesis 3:</strong> Trust in process (TIP)</td>
<td>0.180</td>
<td><strong>3.894</strong>*</td>
</tr>
<tr>
<td><strong>Trust in institution (TII)</strong></td>
<td>0.038</td>
<td>0.874</td>
</tr>
<tr>
<td><strong>Hypothesis 4:</strong> Efficient process procedures (EPPs)</td>
<td>0.099</td>
<td>1.952</td>
</tr>
<tr>
<td><strong>Efficient communication policies (ECPs)</strong></td>
<td>0.018</td>
<td>0.426</td>
</tr>
<tr>
<td><strong>Tangible special services (TSSs)</strong></td>
<td>-0.009</td>
<td>-0.207</td>
</tr>
<tr>
<td><strong>Hypothesis 5:</strong> Social responsibility scale (SRS)</td>
<td>0.022</td>
<td>0.491</td>
</tr>
<tr>
<td><strong>Hypothesis 6:</strong> Negative recommendations (NRs)</td>
<td>-0.073</td>
<td><strong>-1.990</strong>*</td>
</tr>
<tr>
<td><strong>Positive recommendations (PRs)</strong></td>
<td>0.054</td>
<td>1.575</td>
</tr>
<tr>
<td><strong>Moderators - Trust in process (TIP)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hypothesis 9Aa:</strong> Layout Scale (LS) x TIP</td>
<td>-0.069</td>
<td>-1.341</td>
</tr>
<tr>
<td><strong>Hypothesis 9Ab:</strong> Ambience scale (AS) x TIP</td>
<td>-0.051</td>
<td>-0.849</td>
</tr>
<tr>
<td><strong>Hypothesis 9Ad:</strong> Cost of meal (COM) x TIP</td>
<td>-0.026</td>
<td>-0.531</td>
</tr>
<tr>
<td><strong>Hypothesis 9Ae:</strong> Overall product and service quality (OPSQ) x TIP</td>
<td>0.053</td>
<td>1.123</td>
</tr>
<tr>
<td><strong>Hypothesis 9Af:</strong> Convenient location (CL) x TIP</td>
<td>-0.059</td>
<td>-1.263</td>
</tr>
<tr>
<td><strong>Hypothesis 9Ag:</strong> Discount factors (DFs) x TIP</td>
<td>-0.047</td>
<td>-1.029</td>
</tr>
<tr>
<td><strong>Hypothesis 9Ah:</strong> Efficient communication policies (ECPs) x TIP</td>
<td>0.083</td>
<td>1.695</td>
</tr>
<tr>
<td><strong>Hypothesis 9Ak:</strong> Social responsibility scale (SRS) x TIP</td>
<td>-0.020</td>
<td>-0.343</td>
</tr>
<tr>
<td><strong>Hypothesis 9Al:</strong> Negative recommendations (NRs) x TIP</td>
<td>0.025</td>
<td>0.499</td>
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<tr>
<td><strong>Hypothesis 9Am:</strong> Positive recommendations (PRs) x TIP</td>
<td>-0.071</td>
<td>-1.550</td>
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<td><strong>Moderators - Trust in institution (TII)</strong></td>
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<tr>
<td><strong>Hypothesis 9Ba:</strong> Layout Scale (LS) x TII</td>
<td>-0.032</td>
<td>-0.650</td>
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<td><strong>Hypothesis 9Bb:</strong> Ambience scale (AS) x TII</td>
<td>0.050</td>
<td>0.902</td>
</tr>
<tr>
<td><strong>Hypothesis 9Bd:</strong> Cost of meal (COM) x TII</td>
<td>0.032</td>
<td>0.631</td>
</tr>
<tr>
<td><strong>Hypothesis 9Be:</strong> Overall product and service quality (OPSQ) x TII</td>
<td>-0.003</td>
<td>-0.071</td>
</tr>
<tr>
<td><strong>Hypothesis 9Bf:</strong> Convenient location (CL) x TII</td>
<td>0.052</td>
<td>1.222</td>
</tr>
<tr>
<td><strong>Hypothesis 9Bg:</strong> Discount factors (DFs) x TII</td>
<td>0.081</td>
<td>1.594</td>
</tr>
<tr>
<td><strong>Hypothesis 9Bh:</strong> Efficient communication policies (ECPs) x TII</td>
<td>-0.037</td>
<td>-0.755</td>
</tr>
<tr>
<td><strong>Hypothesis 9Bk:</strong> Social responsibility scale (SRS) x TII</td>
<td>-0.010</td>
<td>-0.203</td>
</tr>
<tr>
<td><strong>Hypothesis 9Bi:</strong> Negative recommendations (NRs) x TII</td>
<td>-0.005</td>
<td>-0.105</td>
</tr>
<tr>
<td><strong>Hypothesis 9Bm:</strong> Positive recommendations (PRs) x TII</td>
<td>0.040</td>
<td>1.024</td>
</tr>
</tbody>
</table>
### Moderators – Efficient process procedures (EPPs)

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
<th>Coefficient</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>12Aa</td>
<td>Layout Scale (LS) x EPPs</td>
<td>0.029</td>
<td>0.489</td>
</tr>
<tr>
<td>12Ab</td>
<td>Ambience scale (AS) x EPPs</td>
<td>-0.024</td>
<td>0.420</td>
</tr>
<tr>
<td>12Ad</td>
<td>Cost of meal (COM) x EPPs</td>
<td>-0.006</td>
<td>0.114</td>
</tr>
<tr>
<td>12Af</td>
<td>Convenient location (CL) x EPPs</td>
<td>-0.059</td>
<td>1.235</td>
</tr>
<tr>
<td>12Ag</td>
<td>Discount factors (DFs) x EPPs</td>
<td>-0.087</td>
<td>1.634</td>
</tr>
<tr>
<td>12Ah</td>
<td>Trust in process (TIP) x EPPs</td>
<td>-0.046</td>
<td>0.923</td>
</tr>
<tr>
<td>12Ai</td>
<td>Trust in institution (TII) x EPPs</td>
<td>0.149</td>
<td>2.997**</td>
</tr>
<tr>
<td>12Aj</td>
<td>Social responsibility scale (SRS) x EPPs</td>
<td>-0.138</td>
<td>2.321*</td>
</tr>
<tr>
<td>12Ak</td>
<td>Negative recommendations (NRs) x EPPs</td>
<td>-0.003</td>
<td>0.056</td>
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<tr>
<td>12Al</td>
<td>Positive recommendations (PRs) x EPPs</td>
<td>-0.022</td>
<td>0.430</td>
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</table>

### Moderators - Efficient communication policies (ECPs)

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
<th>Coefficient</th>
<th>p-value</th>
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</thead>
<tbody>
<tr>
<td>12Ba</td>
<td>Layout Scale (LS) x ECPs</td>
<td>0.057</td>
<td>1.142</td>
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<tr>
<td>12Bb</td>
<td>Ambience scale (AS) x ECPs</td>
<td>-0.015</td>
<td>-0.311</td>
</tr>
<tr>
<td>12Bc</td>
<td>Cleaning and car parking (CCP) x ECPs</td>
<td>0.002</td>
<td>0.054</td>
</tr>
<tr>
<td>12Bd</td>
<td>Cost of meal (COM) x ECPs</td>
<td>-0.072</td>
<td>1.797</td>
</tr>
<tr>
<td>12Be</td>
<td>Overall product and service quality (OPSQ) x ECPs</td>
<td>-0.069</td>
<td>1.264</td>
</tr>
<tr>
<td>12Bf</td>
<td>Convenient location (CL) x ECPs</td>
<td>0.026</td>
<td>0.697</td>
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<tr>
<td>12Bh</td>
<td>Discount factors (DFs) x ECPs</td>
<td>0.015</td>
<td>0.367</td>
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<tr>
<td>12Bi</td>
<td>Social responsibility scale (SRS) x ECPs</td>
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<td>1.114</td>
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<tr>
<td>12Bk</td>
<td>Negative recommendations (NRs) x ECPs</td>
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<td>0.313</td>
</tr>
<tr>
<td>12Bj</td>
<td>Positive recommendations (PRs) x ECPs</td>
<td>0.040</td>
<td>1.061</td>
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</table>

### Moderators – Tangible special services (TSSs)

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
<th>Coefficient</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>12Ca</td>
<td>Layout Scale (LS) x TSSs</td>
<td>-0.001</td>
<td>-0.024</td>
</tr>
<tr>
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<td>Ambience scale (AS) x TSSs</td>
<td>-0.001</td>
<td>0.030</td>
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<td>Cleaning and car parking (CCP) x TSSs</td>
<td>-0.070</td>
<td>1.281</td>
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<td>Cost of meal (COM) x TSSs</td>
<td>0.044</td>
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<td>12Ce</td>
<td>Overall product and service quality (OPSQ) x TSSs</td>
<td>0.038</td>
<td>0.735</td>
</tr>
<tr>
<td>12Cf</td>
<td>Convenient location (CL) x TSSs</td>
<td>0.084</td>
<td>2.093*</td>
</tr>
<tr>
<td>12Ch</td>
<td>Discount factors (DFs) x TSSs</td>
<td>-0.006</td>
<td>-0.126</td>
</tr>
<tr>
<td>12Ci</td>
<td>Trust in process (TIP) x TSSs</td>
<td>0.052</td>
<td>1.028</td>
</tr>
<tr>
<td>12Cj</td>
<td>Trust in institution (TII) x TSSs</td>
<td>-0.062</td>
<td>-1.359</td>
</tr>
<tr>
<td>12Ck</td>
<td>Social responsibility scale (SRS) x TSSs</td>
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<td>-0.895</td>
</tr>
<tr>
<td>12Cl</td>
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<tr>
<td>12Cm</td>
<td>Positive recommendations (PRs) x TSSs</td>
<td>0.008</td>
<td>0.202</td>
</tr>
</tbody>
</table>

### Diagnostic statistics

- $R^2 = 0.24$
- Adjusted $R^2 = 0.15$
- $F(67, 524) = 2.52$
- Multicollinearity: Passed (checked via Tolerance and VIF)
- Linearity: Passed
- Heteroscedasticity: Passed
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* Statistical significance at the 0.05 level;
**Statistical significance at the 0.01 level;
***Statistical significance at the 0.001 level;
Multicollinearity Passed (checked via Tolerance and VIF)
Singularity Passed
Normality Passed
Outliers: checked by Residuals Passed
  checked by Mahal. Distance Passed (over critical value)
Cook’s Distance Passed (less than 1)

There were three significant moderated associations in this model. The first association is from TII (Trust in institution) to CCRCE through EPPs, with t-statistic = 3.00, p < 0.005. The result suggests that the higher the level of EPPs (Efficient process procedures), the higher the impact of TII (Trust in institution) on CCRCE. In other words, if a customer is enjoying the EPPs of a restaurant, he/she will trust that restaurant in the future. The second association moderated by EPPs was that between SRS and CCRCE, with t-statistics = -2.32, p < 0.05. The reason for this significance is likely due to the higher the customers enjoy the EPPs (Efficient process procedures) the lower the impact of social responsibility scale (SRS) on customers’ choice of the restaurant which relies customers’ own experience. As mentioned earlier, if customers are enjoying the EPPs from a restaurant, they may neglect the social responsibility of that restaurant.

(1) TII \[\rightarrow\] CCRCE
  EPPs

(2) SRS \[\rightarrow\] CCRCE
  EPPs

The third significant relationship moderated by TSSs was that between CL and CCRCE, with t-statistic = 2.09, p < 0.05.

(3) CL \[\rightarrow\] CCRCE
  TSSs

This result indicates that the higher the level of TSSs (Tangible special service), the greater the impact of CL on customers’ choice of restaurant which relies on CCRCE.

Overall, Tables 6.13, 6.14 and 6.15 show the results of moderated regression models. The statistical power of the models is still low, \(R^2 = 0.27, 0.25,\) and 0.24 respectively, but around 10% higher than the previous regression models where \(R^2 = 0.17, 0.16,\)
and 0.14 respectively. This suggests that the moderating variables strengthen the previous models (Tables 6.6, 6.7, and 6.8), and these moderators sometimes play important roles when customers are selecting small Chinese restaurants.

### 6.4.3 Overall results of moderated multiple regression

The results of MMR are presented in Table 6.16. Based on this tabulation of the significant relationships, an interesting observation is that both servicescape elements (LS and AS) which were previously found non-significant in multiple regression analysis, are seen to be significant when moderated with TII (Trust in institution); or EPPs (Efficient process procedures); or TSSs (Tangible special services) were considered. Similarly, the elements of COM (Cost of meal); DFs (Discount factors); and SRS (Social responsibility scale) which were insignificant in the multiple regression with CCRRM was found significant as moderate effects.

Table 6.16 Summary of hypotheses analysis (MMR)

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Associations</th>
<th>D.V.</th>
<th>Hypothesis analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 7</td>
<td>TII x AS</td>
<td>CCRRF</td>
<td>Partially supported</td>
</tr>
<tr>
<td></td>
<td>TII x DFs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 8</td>
<td>TII x COM</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TII x DFs</td>
<td>CCRRM</td>
<td>Partially supported</td>
</tr>
<tr>
<td>Hypothesis 9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPPs x LS</td>
<td>CCRCE</td>
<td>Not supported</td>
</tr>
<tr>
<td></td>
<td>TSSs x TII</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 10</td>
<td>TSSs x NRs</td>
<td>CCRRF</td>
<td>Partially supported</td>
</tr>
<tr>
<td>Hypothesis 11</td>
<td>EPPs x SRS</td>
<td>CCRRM</td>
<td>Partially supported</td>
</tr>
<tr>
<td></td>
<td>EPPs x TII</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPPs x SRS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 12</td>
<td>TSSs x CL</td>
<td>CCRCE</td>
<td>Partially supported</td>
</tr>
</tbody>
</table>
Chapter Six: Hypothesis Testing and Discussion

6.5 Findings and discussion

After a series of statistical testing of the hypotheses, the overall results of the hypothesis were presented in Table 6.17. A discussion of the results, together with previous research and consideration of the contributions made by this research, are the aims of this section.

Table 6.17 Overall results of hypotheses testing

<table>
<thead>
<tr>
<th>D.V</th>
<th>H1</th>
<th>H2</th>
<th>H3</th>
<th>H4</th>
<th>H5</th>
<th>H6</th>
<th>H7</th>
<th>H8</th>
<th>H9</th>
<th>H10</th>
<th>H11</th>
<th>H12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlations</td>
<td>CCRRF</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td></td>
<td>CCRRM</td>
<td>V</td>
<td>O</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td></td>
<td>CCRCE</td>
<td>V</td>
<td>O</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Regression</td>
<td>CCRRF</td>
<td>X</td>
<td>X</td>
<td>O</td>
<td>O</td>
<td>X</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td></td>
<td>CCRRM</td>
<td>X</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>X</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td></td>
<td>CCRCE</td>
<td>X</td>
<td>O</td>
<td>O</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Notes: V means supported; O means partly supported and X means not supported

Section 6.5 is separated into seven sub-sections to consider in term the range of constructs. They are (1) servicescape, (2) choice of restaurant factors, (3) trust, (4) service quality, (5) social reputation; (6) recommendations; and (7) different behaviours.

6.5.1 Servicescape

The results show that servicescape factors (LS and AS) are not statistically significant elements in the multiple regression models predicting CCEE, CCRRM and CCRCE. Servicescape has been commended since it was established by Booms and Bitner in 1981. Generally speaking, there is a positive relationship between servicescape and customers’ image (Baker, 1987; Bitner, 1986 & 1992; Booms & Bitner, 1982; Kotler, 1973; Shostack, 1977; Upah, & Fulton, 1985, and Zeithaml, Parasuraman & Berry, 1985; Roy & Tai, 2003; and Harris & Ezeh, 2008) and this has a strong influence on customers’ purchasing behaviour (Bitner, 1992 and Turley & Milliman, 2000). However, in this study, the relationships between reputation arising from servicescape and three dependent variables were only significant in correlation analysis, and here the correlations were weak ($r \leq 0.2$).
Chapter Six: Hypothesis Testing and Discussion

This finding is very unusual compared to the American and British literature. This may be because this study focuses on “small” Chinese restaurants, or on the different eating cultures between that of Chinese society and Western countries, with the most relevant literature coming from Western culture. The importance of servicescape is very dependent on culture and may be applicable only in Western, high income economies. There are six potential reasons as to why servicescape is not a necessarily special factor for a Chinese restaurant in Taiwan or Greater Chinese society.

1. Further group activity. Chow et al., (2007, p.706) illustrate an example provided by Becker et al., (1999) that “in hospitality services, socially oriented activities and exchanges often provide the primary impetus for visiting one hospitality establishment over another, and this is particularly true of the restaurant industry in the Chinese context” (Chow et al., 2007, p.706). Eckhards and Houston (1998) also conclude that Chinese people engage in most consumption activities, such as having a meal with family, friends, and colleagues ‘frontstage’ or in public. In the ethnic Chinese or Taiwanese eating culture, people like to go to a restaurant with people they know and sit at a round table conversing and eating together. Thus, the built environment or the ‘atmospherics’ of the restaurant may not be an important point for the attention of customers when choosing such a restaurant. Customers value the entertainment and cheerfulness of their friends rather than the atmospherics of the restaurant. On the other hand, it can be accepted that if one customer or a small group just go for a meal, they usually spend a short amount of time in a small restaurant. Therefore, the servicescape of the restaurant is not a point for them in choosing a restaurant. This kind of customers care more about the price, sanitation, speed of service or the convenience aspects of location or car parking at the restaurant.

Kivela (1997) also indicates that the role or importance of ambience in the restaurants changes with different restaurant styles. For example, in Hong Kong only engineering/technical group or business occasion respondents selected ambience as an importance factor for restaurant selection. On the other hand, dining-out for a family or for convenience, ambience and comfort
level in the restaurants are not as determinant factors for their choices of restaurant.

2. Similarity and functional design. Most small Chinese restaurants in Taiwan are similar. The internal decoration is designed for function, not for comfort. For example; Chinese restaurants in Taiwan mostly provide round tables and stools. This kind of furniture is easy for conversing and drinking with known people; and they are easy to clean and long lasting. In this circumstance, customers concentrate more on the quality and the price of the food rather than the built environment within the restaurant.

3. Cost consideration. In providing a positive and interesting servicescape within a restaurant, owner-managers require the expenditure of time and effort. Accordingly, the price of meals will increase and customers will have to pay more for food. However, as discussed above, the eating culture in Taiwan constitutes customers enjoy a cordial atmosphere with family or friends rather than the ‘atmospherics’ of a restaurant. In other eating cultures, for example the French culture or some luxury market customers, they would be longing for comfort in a restaurant and the ambience or atmosphere of the restaurant may be key factors for them when choosing a restaurant. In the American fast food culture, for example McDonald’s and KFC, a customer may choose this kind of restaurant not only for the characteristics of speed or convenience but also for the environment and congenial atmosphere provided.

4. Watson (1997) describes the experience that McDonald’s has had on local markets in Southeast-Asia; for example, in Taiwan French fries (chips) have become the snack food for young people. Interestingly, Taiwanese customers may prefer to stay in McDonald’s or KFC longer than in a Chinese restaurant on the weekend or holidays, because they enjoy the cheerful atmosphere and air conditioning provided in the summer.

5. Servicescape is not important for all service delivery scenarios. For example, in betting shops, “servicescape does not matter much” (Cockrill et al., 2008), on the other hand staff knowledge is more important in gambling industry (Cockrill et al., 2008).

6. Another piece of research conducted by Venkatraman and Nelson (2008) indicates the existence of a ‘New China consumer’ (Thomson, 1997). These are consumers that have recently received a degree from a prestigious Beijing
university. They tend to appreciate the built environment or servicescape of the Starbucks chain in Beijing. There are four reasons that Starbucks have captured these ‘New China consumers’ (Venkatraman and Nelson, 2008), two of these relate to servicescape which are as follows:

(1) Starbucks as ‘Home’: the furniture provided inside allows customers to feel comfortable, free, to relax and be at peace, in contrast to the noise and crowds on the outside.

(2) Starbucks as a ‘Constellation’ of personal space: inside Starbucks they feel they have a ‘personal world’ and a ‘personal space’, and they can have conversation with friends. In addition, they can do homework, read books, conduct business, surf the internet with their own laptop, etc. These ‘New China consumers’ are captured deeply by this ‘private world’ and ‘world brand’.

From the above description, this study can express that when Chinese or Taiwanese consumers want to enjoy a restaurant with good servicescape, they may look for restaurants from different non-Chinese cultures. This is an most important and unique finding in this study. Hence, this study overall suggests that the impact of servicescape seems to be more complex than expected from the literature, for example, layout is a significant factor predicting CCRRM in moderated regression, also ambience and layout are significant when moderated by trust and service quality. However, both layout and ambience are not significant when predicting CCRCE. This result can also respond to the foregoing discussion that servicescape may not be a particularly special element when customers are selecting a restaurant based on their own experience.

6.5.1.1 The different results of servicescape from the relationships with trust and service quality

It was found that servicescape (LS and AS) had positive and fairly high correlations with trust (TIP & TII) and service quality (EPPs; ECPs; & TSs) in Table 6.13. Moreover, LS was shown to be statistically significant in Tables 6.9; 6.10; and 6.11, with t-statistics = 3.73; 2.99; 3.66; 3.51; and 2.89 respectively. The results correspond to previous studies that highlight the importance of layout in a service environment
and servicescape, leading to trust and service quality (e.g., Reimer & Kuehn, 2005; Johns & Pine, 2002; Wakefield & Blodgett, 1999 & 1996; Bitner, 1992; and Ohanian, 1990). This also suggests that the layout in the restaurant contributes to customers’
trust in a restaurant (Ohanian, 1990). Therefore, an inference can be made that
restaurant layout may contribute to customer satisfaction (Johns and Pine, 2002), and
then further affect customers’ loyalty (Walsh et al., 2009 and Snow & Skaggs, 2004).

The role of servicescape described in section 6.5.1.1 contradicted the earlier role of
servicescape described in section 6.5.1. For example, servicescape was not a
necessary element in customers’ choice of restaurant in section 6.5.1. On the other
hand, the importance of layout described in section 6.5.1.1 suggests that the layout of
the restaurant contributes towards customers’ trust, and therefore can connect to
customers’ satisfaction and loyalty. Accordingly, this can also correspond to the
impact of servicescape being more complex than was expected from the literature;
especially in Taiwanese or Chinese societies.

6.5.2 Choice of restaurant factors
Correlation analysis shows there were three factors which showed important
correlation, they were the relationships between CCRRF and CCP (Cleaning and car
parking), CCRRF and OPSQ (Overall Product and service quality), and CCRCE and
CCP. Moreover, two factors show as significant in the regression models; they are
CCP and CL (Convenient location).

The above descriptions suggest that cleaning and easy car parking (CCP) is the main
factor that influences customers’ choice of restaurant which relies on customers’ own
experience. Surprisingly, the results suggest that CCP had a negative relationship with
CCRRM. This might be explained because customers do not believe the
recommendations from the media. However, this was an implausible result and needs
more discussion and further research. Furthermore, CL was also a significant factor in
the regression model of CCRRM. The value of location has also been suggested by
6.5.2.1 The different results of choice of restaurant factors from the relationships with trust and service quality

Based on the Table 6.13, OPSQ (Overall product and service quality) was found to have positive and fairly high correlations with trust (TIP & TII) and service quality (EPPs; ECPs; & TSs). Moreover, OPSQ was shown to be statistically significant in the regressions in Tables 6.14; 6.15; and 6.16, with t-statistics = 5.04; 7.22; 4.54; 3.35; and 3.83 respectively. The results are consistent with other studies showing a strong connection between quality and service quality; and trust (e.g., Walsh et al., 2009; Walsh and Beatty, 2007; Oliver, 1997 & 1999; and Parasuraman, Zeithaml, & Berry, 1988).

Next, CCP (Cleaning and car parking) and DFs (Discount factors) were found to be statistically significant in regression models of EPPs and ECPs, with t-statistics = 4.19; -5.24 (Table 6.10). The importance of CCPs has been discussed in this study. This is an important characteristic when customers’ choice of restaurant is under study (e.g., Jonge, et al. 2004; Fitzsimmons, 2003; Marinucci, 2002; and Wakefield & Blodgett 1996). The negative association between DFs and ECPs can be partly explained by the suggestion that customers do not believe the discounts being shown on a restaurant’s webpage; or customers disagree that restaurants can provide them discounts and service quality at the same time.

Finally, the other two significant factors, COM (Cost of meal) and CL (Convenient location) were presented in the regression model of TSSs with t-statistic values of 2.05 and 3.96 respectively. TSSs are designed especially for special groups. Thus, for these groups, they may care as much about price and convenience.

6.5.3 Trust

According to both correlation and regression analyses, trust was the only variable which was found to be significant. Trust is a key element when customers’ choice of restaurant relies on their own experience. This is similar to the previous research of Frewer & Salter (2003) and Bredahl (2001); trust is potentially an important factor influencing consumer behaviour. In addition, the relationship from AS to CCRRF, moderated by TII (Trust in institution) was shown to be significant. This significant relationship specifically shows that the higher the level of TII (Trust in institution),
the higher the impact of AS (Ambience scale) on customers’ choice of restaurant which relies on recommendations from family or friends. This suggests that if customers trust a restaurant, they also agree that the ambience in the restaurant is appropriate. DFs (Discount factors) and COM (Cost of meal) were also shown to be significant if moderated by trust in different MMR models. This shows that trust is a very important factor in Chinese society.

6.5.3.1 The different results of trust from the relationships with trust and service quality
Trust has statistically significant relationships with LS, OPSQ, and SRS. For more detail, see sections 6.5.2.1 and 6.5.5.1.

6.5.4 Service quality
There were three latent variables of service quality used in this study. The variables EPPs and ECPs were extracted from Parasuraman, Zeithaml and Berry (1988) and Cronin and Taylor (1992). They demonstrated relatively high correlations and had significant relationships with CCRRF and CCRRM. On the other hand, TSSs was suggested by a focus group interview. However, this did not show as a significant factor for the three dependent variables in regression models. We have concluded that TSSs were only important for special groups, for example a family with young children; or people with disability.

Service quality is similar to trust in that it is shown to act as a moderator for some variables, even when these variables are not significant on their own in the regression models. For example, the association between LS and CCRRF, moderated by EPPs (Efficient process procedures) was shown to be significant in MMR model. This significant relationship suggests that the higher the level of EPPs, the higher the impact of LS (Layout scale) on customers’ choice of restaurant which relies on recommendations from family or friends. This result suggests that if customers are enjoying the EPPs of a restaurant, they also agree the layout in the restaurant is appropriate. In addition, SRS (Social responsibility scale) and NRs (Negative recommendations) were also significant if moderated by service quality. Thus, the results corroborate existing studies of the service quality and satisfaction (e.g., Chow et al., 2007; Cronin et al., 2000; and Parasuraman & Grewal, 2000). Customers may
ignore negative recommendations if they experience good service quality in a restaurant.

6.5.4.1 The different results of service quality from different outcome variables
Service quality have statistically significant relationships with LS; OPSQ; SRS; CCP; DFs; and CL. This is addressed in see sections 6.5.2.1 and 6.5.5.1.

6.5.5 Social reputation
Next, the research provides insights into the ethical issues. Pruzan (2001) shows that more than half of the Danish consumers surveyed belong to the category of ethical consumers. Although the correlation coefficients show that Social responsibility scale (SRS) was significantly associated with the dependent variables, SRS was not a significant factor in the regression models. So, this research cannot define Taiwanese as ethical customers. This result was unexpected, because Taiwan has great strengths in its well-educated population (Cooper et al., 1994) and the target samples were highly educated people, who therefore may have been expected to be ethical. The reason for no significance may be because this study focuses on small restaurants, and customers do not consider social responsibility issues when they are selecting a small restaurant.

6.5.5.1 The different results of social reputation from the relationships with trust and service quality
SRS (Social responsibility scale) was another factor which found to have positive and fairly high correlations with trust (TIP and TII) and service quality (EPPs, ECPs and TSs) in Table 6.13. Furthermore, SRS was shown to be a statistically significant element in Tables 6.9, 6.10 and 6.11, with t-statistics = 2.48; 2.95 for TIP and TII; and 5.74; 1.99; and 5.31 for EPPs, ECPs and TSSs. Positive relationships between social responsibility and trust and service quality were also suggested by Walsh and Beatty (2007).

6.5.6 Recommendations
The research has looked into the relationship between the customers’ choice of restaurant and recommendations (positive and negative) from family or friends; and the media. The results show that when customers’ choice of restaurant relies on
recommendations from family or friends (CCRRF), they accept negative recommendations more than positive ones, \( r = 0.21 \) and 0.13 respectively. This result was also similar to that when customers’ choice of restaurant relies on recommendations from the media (CCR RM), \( r = 0.16 \) and 0.13 respectively. Furthermore, negative recommendations (NRs) are also a significant factor in the regression models, with dependent variables of CCRRF and CCR RM. This indicates that customers accept negative recommendations rather than positive recommendations. Furthermore, both NRs and PRs were not significant factors in section 6.3.3 (trust and service quality to other I.Vs).

6.5.7 Testing the behaviour of different groups

There is no specific variable which can be defined as the most effective in the testing the behaviour of different groups in the study. However, three variables had been found which may have different behaviours. One is the significance between gender and CCRRF, and suggests that the female group had the higher scores of acceptance of recommendations from family or friends. This suggests that female customers are more easily influenced by recommendations from their family or friends than male customers. This result is consistent with Slama and Tashchian (1985) that the female customers’ purchase behaviours are easily affected by recommendations from their family or friends.

The other two variables (age and frequency of having a meal in a Chinese restaurant) are showed very close to the significant level. The first group is the age. This means that the age may have an effect on customers’ choice of restaurant which relies on own experience. The other group examined is the frequency of having a meal in a Chinese restaurant. This indicates that for those with a higher frequency of having a meal in a Chinese restaurant, customers’ choice of restaurant relies more on their own experience (CCRCE). This result is similar to previous research that showed that customers’ prior experiences have a direct effect on customers’ behaviour and the frequency of accepting service (Bolton and Drew, 1991). Also, there is a positive relationship between frequency of patronage and customers’ satisfaction in a restaurant (Chow et al., 2007).
6.6 Conclusions

After a multiplicity of statistical tests in Chapter Five, this chapter sets out a series of quantitative techniques to test the hypotheses. The testing stages of this study include bivariate correlation and two types of regression. The overall results are shown in Table 6.14. Although, this study cannot find servicescape, choice of restaurant factors, trust, service quality, social responsibility, and recommendations as having direct and significant relationships with customers’ choice of restaurant (CCRRF, CCRRM, and CCRCE), the study can provide many knowledgeable suggestions for further research. For example, EPPs is the most important factor when customers’ choice of restaurant relies on recommendations from the media (CCRRM) and from family or friends (CCRRF). Trust is also a key element when customers select a restaurant, and if a customer trusts a restaurant, they may not worry about the built environment (servicescape) in that restaurant. In a word, this study provides similar results to numerous previous publications and studies which show that trust and service quality can have a positive influence on the behaviours and attitudes of a company’s customers (Grayson, Johnson & Chen, 2008; Agustin & Singh, 2005; Maltz & Kohli, 1996; and Ganesan, 1994).

The next contribution concerns the importance of servicescape. Previous studies have shown that it is a very important factor for customers’ purchasing behaviour especially in the service sector. However, in this study there were no direct effects but moderated by trust and service quality when customers select a restaurant, as discussed in Section 6.5.1. This could be because of cultural diversity and needs more discussion and further research into Chinese society. Furthermore, it was unexpected that social responsibility was an insignificant factor in the regression model. Thus, Taiwanese people cannot be defined as ethical customers. Nevertheless, compared with other factors, on the average the coefficients of SRS were relatively high in the correlation analysis. Thus, this also needs further research to analysis consumer purchasing behaviour and social responsibility in Taiwan. In a word, this chapter provides useful information about business reputation from customers’ valuations. The next chapter will focus on qualitative research, through interviews with thirty owner-managers of Chinese restaurants, to discuss business reputation from a different angle, from the managers’ points of view.
Chapter Seven: Qualitative Analysis of Owner-Managers’ Perceptions of Reputation

After a series of quantitative techniques tested the hypotheses set out in Chapter Six, the study defines the relationships between customers’ choice of restaurant (CCRRF; CCRRM; and CCRCE) and reputation arising from the servicescape; choice of restaurant factors; trust; service quality; social responsibility, and recommendations. However, the opinions on reputation from owner-managers may differ from those of customers. This chapter employs qualitative research methods to look inside the points of view on reputation from the owner-managers of Chinese restaurants.

In order to compare the different points of view on reputation from both customers and owner-managers of Chinese restaurants, the questions presented to owner-managers in the semi-structured interview questionnaire virtually resembled those in the quantitative questionnaire, for example, when discussing reputation established via service, personal contact, media, the internet, and so forth. Although all owner-managers were given exactly the same interview questionnaire, one of the specific characteristics of a structured interview, the owner-managers were asked not only to answer the designed questions but also to explain “why” and provide their reasons. Moreover, the research was conducted by way of face to face interview. Thus, the interview can be defined as a semi-structured interview. An open-ended or more conversation-based interaction with interviewees was encouraged in the process of the interviews.
Chapter Seven: Qualitative Analysis of Owner-Managers’ Perceptions of Reputation

Introduction:
As described in Chapter Four, in order to provide a suitable type of service interaction, one specific service industry in one specific country was selected; the case of the small scale-restaurant sector in Southern Taiwan were conducted. As a result, 30 semi-structured interviews with owner-managers in Southern Taiwan, which included Chinese restaurants and snack bars (but not luxury 4 or 5 star hotel restaurants). The respondents must have a ‘store’; those who operated a stall were not included in this research. All restaurants that were interviewed must have been legally registered with the Health Department of the City or County Government. The interviews were undertaken between June and August 2007, which means that the time period was the same as that of the quantitative data collection. In other words, both qualitative research and quantitative data collection were undertaken in the same period.

In addition, this study re-interviewed eight owner-managers in January 2010 who had been interviewed in 2007, and a brief presentation was given to show the results of the quantitative analysis to the owner-managers. The aim of this re-interview was to discuss whether the owner-managers agreed with the results of quantitative research.

The objectives of the interviews being conducted were the following:
1. To discover their points of view regarding the business reputation of owner-managers;
2. To provide an analysis of the findings of semi-structured interviews;
3. To compare the findings of the semi-structured interviews (re-interviews) with quantitative research.

The structure of this chapter is as follows:
7.1 The nature of qualitative research
7.2 Personal interview (Semi-structured interview)
7.3 Preparing interviews
7.4 Sample choice
7.5 Discussing the data and the findings
7.6 Re-interviews with the owner-managers of restaurants
7.7 Summary of the key themes of the chapter
7.8 Conclusion
7.1 The nature of qualitative research

Unlike a deductive approach of quantitative research which accentuates in the collection and analysis of data to test the relationship between theory and research, a qualitative research study usually places emphasis on words rather than quantification. This provides inductive, interpretive, or constructive ways to interpret the relationships between theory and research (Bryman and Bell, 2003). Moreover, according to Bryman and Bell (2007), three other features of qualitative research are also particularly noteworthy. They are:

1. “an inductive way of the relationship between theory and research, whereby the former is generated out of later” (Bryman and Bell, 2007, p.402);
2. An epistemological position which means understanding the social world or reality through an examination with its participants;
3. An ontological position indicating that the reality emerges out of the interactions between individuals.

Furthermore, there are four traditions of qualitative research suggested by Gubrium and Holstein (1997), namely naturalism, ethnomethodology, emotionalism, and postmodernism, as shown in Table 7.1.

Table 7.1 Four traditions of qualitative research

<table>
<thead>
<tr>
<th>Tradition</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Naturalism</td>
<td>seeks to understand social reality in its own terms; 'as it really is'; provide a rich description of people and interaction in natural settings.</td>
</tr>
<tr>
<td>Ethnomethodology</td>
<td>seeks to understand how social order is created through talk and interaction; has naturalistic orientation.</td>
</tr>
<tr>
<td>Emotionalism</td>
<td>exhibits a concern with subjectivity and gaining access to 'inside' experience; concern with the inner reality of humans.</td>
</tr>
<tr>
<td>Postmodernism</td>
<td>there is an emphasis on 'method talk'; sensitive to the different ways social reality can be constructed.</td>
</tr>
</tbody>
</table>

Information quoted from Bryman (2001, p. 265)
7.1.1 The advantages of qualitative research

Data from qualitative methods is generated from the broad answers given to specific questions in in-depth interview; from responses to open-ended questions in a questionnaire; through observation; film and video; archival data; case study and so on. Over the past decade, qualitative research has been the selected research method used in exploratory research designs (Hair, Bush and Ortinau, 2006). “One of the main objectives of qualitative research is to gain preliminary insights into research problem” (Hair, Bush and Ortinau, 2006, p.173). Silverman (2001) emphasises that the greatest strength of qualitative research is its ability to analyse what actually happens in a naturally occurring setting, while quantitative research will often turn this phenomenon into a box. Crespi (1977, p.285) also indicates “there are still many to whom attitudinal data are more interesting than meaningful”. This is a criticism but it can assist researchers in accurately recording behaviour rather than just reporting results.

Bryman and Bell (2003) attempt to draw out the chief contrasting features between quantitative and qualitative research. Compared with quantitative research, some contrasts can also be seen as the advantages of qualitative research. For example:

1. Qualitative research concerns the words, the process of the research, and the point of view of participants. This allows researchers to gain an insight into the meaning of research questions. While quantitative researchers are more interested in numbers and are thus concerned with the results of quantitative analysis.

2. Quantitative research typically collects the data to test the theory and concepts, whereas in qualitative research concepts and theoretical elaboration emerge from data collection.

3. Whereas an unambiguous and reliable data is provided by quantitative research through the precision offered by measurement, rich and deep data may be depicted by the process of qualitative research.

4. It is widely accepted that the quantitative researcher is concerned with people’s behaviour, while a qualitative researcher is investigating the meaning of action.

5. A quantitative researcher conducts research in a contrived context; by contrast a qualitative researcher investigates people in a natural environment or social reality.
According to these five areas of contrast, it would be very difficult to state which method is better than the other. Even so, the main advantage of a qualitative survey for this research is not only the richness of the data, but also in providing the researcher with an opportunity to gain an insight into the subject’s behaviour; such as emotion, attitude, and owner-managers’ practical behaviours in their restaurants. Barbour (2008, p.13) concludes that “qualitative method can allow us to access these ‘embedded’ process by focusing on the context of people’s everyday”.

### 7.1.2 The disadvantages of qualitative research

As the advantages of qualitative data research have been discussed, by contrast the disadvantages also need to be considered in this section. Bryman and Bell (2003) address five critiques that quantitative researchers use to criticise qualitative research. Firstly, qualitative research is sometimes too subjective and impressionistic to make a real judgment. This is because the qualitative findings rely too much on the researcher’s unsystematic attitudes about what is significant and important. Secondly, by using qualitative research it is almost impossible to conduct a true replication due to its unstructured and usual reliance on researchers’ ingenuities. Thirdly, respondents are likely to be affected by the different characteristics of qualitative researchers; for example, age, gender, personality, and so forth. Next, when observation methods are used in a company or organisation (or unstructured interviews with small number of participants in a locality), it is believed that the findings cannot be applied to other settings. Finally, qualitative research incurs a lack of transparency. For instance, it is sometimes difficult to know what a piece of qualitative research actually did and how the conclusions drawn from it were reached. In addition, qualitative research reports sometimes do not provide an unequivocal reason regarding such matters as how people or organisations were chosen for interview or observation.

Furthermore, Hair, Bush and Ortinau (2006) suggest that there are two main potential disadvantages; sample size limitations and the need for well-trained interviewers or observers. In other words, due to the use of small samples, the information generated by qualitative research may not be representative of the target population. Another disadvantage is whether the interviewers and observers are well-trained. In general, the nature of information collected via qualitative research is unstructured. Using small samples of subjects to provide critical information does not allow the researcher to evaluate the impact of small differences and access for reliability. However, small numbers of participants or samples is one of the
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natures of qualitative research. Unlike quantitative research where the emphasis is on a large amount of data collection and testing the relationship between the theory and people’s behaviour, a qualitative study is more interested in the meaning of behaviour by the process of the research. For further discussion on the disadvantages of qualitative research and personal interviews, see section 7.2.2.

7.2 Personal interview (Semi-structured interview)

“The quality of interview depends largely on the interviewer developing a relationship with the respondent which will encourage good communication” (Chisnall, 1997, p.161). This is if both interviewer and respondent play their particular roles effectively. Chisnall (1997) quoted Bingham and Moore (1941), indicating that in order to be successful, an interviewer must be “fairly well put together himself”, “capable of reacting empathically to the respondents”, “unhampered by personal predispositions” and “be extremely thoughtful about personality and its dynamics” (Chisnall, 1997, p.169).

As mentioned previously, the aim of the interviews conducted for this study focused on aspects of reputation, that is the identification and investigation of the business reputations of owner-managers. The starting point of the interviews was to identify that the respondents may have differing points of view on reputation from customers. Consequently, the interviewer had a list of questions on fairly specific topics to be covered, which can be referred to as a quantitative questionnaire.

7.2.1 The advantage of personal interview (and Semi-structured interview)

Holstein and Gubrium (2003, p.3) emphasise that “as we move into 21st century, interviewing is more commonplace than ever”. That is because an interview provides a way of collecting data about social life by communicating with people. Saunders, Lewis and Thornhill (1997) also indicate that one of the advantages of the personal interview is an opportunity to establish rapport. In order to obtain honest information from the interviewees, the interviewer should establish rapport and trust with them.

Saunders, Lewis and Thornhill (1997); Healey (1991); and North et al., (1983) have found that managers are more likely to be interviewed, rather than complete a questionnaire, especially when the topic is seen to be interesting and relevant to their own current work. A
good method of building rapport is to be pleasant, honest, sensitive, and non-judgemental. Showing a genuine interest in the responses will help interviewees to feel more comfortable with the research (Jones, 2006; Denzin & Lincoln, 2005; Sekaran, 2003; Saunders, Lewis & Thornhill, 1997; and Bryman, 1988).

For this study, the interviewer had a framework of themes to be explored. A semi-structured interview allows new questions to be discussed, for instance what respondents did or what they are going to do to build reputation, during the interview as a result of what they said. Another benefit of using this method was that the information obtained from the interviews provided not only the answers to formalized questions, but also for the reasons behind the answers. In addition, a rich data stream can be collected by the researcher via the advantages of a personal interview, such as those that “clarify the questions, clear doubts, add new question, read nonverbal cues” (Sekaran, 2003, p.251), and by providing an insight into both owner-managers’ attitudes and their practical behaviours in the restaurant.

### 7.2.2 The disadvantages of personal interview (and semi-structured interview)

Several of these are similar to the disadvantages of qualitative research. For example, the findings sometimes largely rely upon the researchers’ subjective and impressionistic attitudes, and also depend upon their skills. The respondents are also likely to be affected by the different characteristics of qualitative researchers. Next, as samples are usually small, the findings may not be applied to other settings or be used to represent the whole population (Bryman and Bell, 2003). Moreover, Sekaran (2003, p251) summarises six disadvantages of personal interviews. They are: “it takes personal time, costs more when a wide geographic region is covered, respondents may be concerned about confidentially of information given, interviewers need to be trained, interviewers’ biases, and respondents can terminate the interview at any time”.

In particular, conducting an interview in Chinese society would meet more barriers and need more patience to overcome them. For example, small firms are less willing to cooperate in research surveys and are often quite reluctant to open up the company to an unknown researcher to carry out their research (Siu, 2002). Another troublesome problem to be faced is that in Chinese society there is a strong preference for secrecy regarding profits and business operations, the reasons for which are not altogether clear (Davis, Hills & La Forge, 1985; Siu,
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Fang & Lin, 2004; and Siu & Liu, 2005). In summation, Chinese owner-managers prefer to maintain a low profile (Siu, 2005).

Therefore for this study, when undertaking a personal interview in a Chinese society, the first important step is to make those target respondents clearly understand that the research or the results are only for the purpose of academic research. Showing a professional attitude, enthusiasm, and confidence when accessing the interview would be good methods to overcome this barrier. The second issue is whether the interviewer is well-trained. The only way in which this problem might be overcome is for the interviewer himself to refer to textbooks of research methods, or academic journals or short-term training for qualitative research and so on. Next, it is difficult to distinguish between small differences amongst respondents. It could be a possible method of trying to overcome this by asking more detailed questions. For instance, this might occur when the interviewer meets questions from respondents or confuses some answers, or wants to understand more. Finally, the small number of the sample is one of the characteristics of qualitative research, and this cannot be overcome in such research.

7.3 Preparing interviews

In preparing for qualitative interviews, Lofland et al. (2006, p.99) recommend researchers ask themselves a question, “just what about this thing is puzzling me?” or ‘just which part is confusing me?’”. This can be applied to each of the questions that the researchers have designed or this may be a good way for generating new questions. Other basic guidelines provided by Bryman (2001) that need to be considered before conducting interviews are:

- The interviewer should also consider, “what do I need to know in order to answer each of the research questions I’m interested in” (Byman, 2001, p.317);
- Coding of the questions, so that they can flow reasonably well;
- Ensure the use of comprehensible language to interviewees;
- To make sure that the researcher asks or records ‘factsheet’ information of both a general kind (name, age, gender and so on) and a specific kind (in this study for example: the reasons that owner-managers have given for starting their business, number of years operated, size of restaurant, number of employees, and whether the restaurant is part of a chain), because such information is helpful for contextualizing interviewees’ answers;
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- To make sure that the interview takes place in a setting that is both quiet and private;
- To obtain a good recorder and microphone.

These various guidelines provide good suggestions for an interview. For this research, all of the interviews were conducted using a face-to-face method in each restaurant. Both the interviewer and interviewees were Chinese speakers. The questions presented in the semi-structured interview questionnaire were coded when they were designed. The interviewer understood that the purpose of this research was to compare the differing points of view of owner-managers regarding their reputation with customers. For more details about information of both a general and specific kind, see the questionnaire in appendix V, p.355ff.

However, the researcher did not record the voices of respondents due to the first interviewee being unhappy with the recording of his voice during the process of the interview. He said:

“I feel quite strange and uncomfortable if you record my voice. We have respect for each other; please do not record my voice”.

Accordingly, the interviewer did not record the process on the first interview. The following few respondents were also asked the question of “Can I record our conversation?” at the beginning of each interview. However it is not surprising that all of them did not agree, tended to say “no”, or were not happy with this behaviour. As discussed previously, although the owner-managers are more likely to be happy to be interviewed, in Chinese society owner-managers also always want to keep a low profile and keep confidential information regarding their business operations. Hence, the research did not record any of the interviews. The interviewer did however listen actively and noted down the answers given by respondents directly, substituting for the recording of the conversation.

7.3.1 Survey instrument

A semi-structured questionnaire was designed before the interviews took place. All of the same questions were asked and the same wording was used from one interviewee to another. According to each of the answers or replications given by the different interviewees, the interviewer extended different questions to different respondents; such as those prompting for the “reasons” or “how would you achieve this in your restaurant?” with the respondents then being allowed to reply freely. The questions were divided into four sections. They were:
7.3.1.1 General questions
In order to understand the background of the owner-managers of the target restaurants, some basic questions were designed for information collection. These included: age, academic achievement, attendance at related training, how long the restaurant had operated. The research also needed to confirm that the target restaurant is in line with the topic of the research and to obtain some general information related to the restaurant. Thus the interviewer asked some general questions about the restaurant. The questions were as follows:

1. Size of restaurant-number of tables, seats.
2. How did you start this business?
3. Number of employees. This divided into two groups: full time and part time.
4. How long has this restaurant been established?
5. How long have you operated this restaurant?
6. Is this restaurant part of a chain?

Next, Lewellyn (2002) emphasises that future research needs to answer three very basic questions. They are Reputation for what? Reputation for what purpose? and Reputation for whom? This study extends the understanding of small firms’ reputations by addressing these three basic questions.

7.3.1.2 Reputation for What?
The different companies would have different characteristics establishing their reputation. For example, a good financial situation (Barnett, Jermier and Lafferty, 2005; Mahon, 2002; Fombrun, Gardberg & Sever, 1999 and Badenhausen, 1998), an excellence performance in innovation, or high quality products or services (Castro et al., 2006) and so forth. However, those studies were focused on large or multinational companies, whereas very few studies are concerned with small firms. Personal influence is one of the criteria which describes of small firms, which means a small firm is managed in a personalised way and this person (owner-manager of the small firm) is involved in all aspects of the management of the business, and thus in most major decision-making (Burns, 2007).
Therefore in this section the interviewer wished to know for instance, ‘have owner-managers thought about the reputation of the restaurant?}; ‘how long have they thought about the reputation of the restaurant?’; ‘the notions of the reputation by owner-managers of the restaurant’; and of, ‘what kind of assessments are you most proud of about your restaurant?’.

7.3.1.3 Reputation for What purpose?

According to Berger and Udell’s Financial Growth Cycle Model (1998), small firms are difficult to finance through public markets, and rely a great deal on private capital markets. Thus, managers can only assign resources to improve social responsibility when a financial surplus will be available. Moreover, Gomolka (1978) indicates that both small and medium-sized enterprises lack the motives to practice social responsibility. Understandably small firms ordinarily consider profitability as their first priority. Using the internet would be a good way to improve their business with low expenditure. Also, “the internet was probably the most important innovation affecting business at the end of twentieth century” (Burns, 2007, p.153). It also creates major and large opportunities for new and small firms to strengthen their business. However, as Numazaki (1997) and Liu & Brookfield (2000) also indicate, Taiwanese owner-managers do not use formal commissioned research, but they tend to rely on their own personal contact networks; using offline and informal communications in information gathering and collecting subjective information by themselves. Raisian (2001) confirmed this opinion and the conclusion of her research was that Asian people doubted that a website, without the personal touch, could win more business for firms; since customers would refuse to negotiate with the internet.

Furthermore, Barney (1991) indicates that a media reputation is valuable, rare, non-substitutable, and not easy to imitate. Deephouse (2000) indicates a more favourable reputation in the public media can increase a firm’s business performance. A positive reputation is a resource leading to competitive advantage. Pruzan (2001) also looks at this viewpoint in another way. He said: “throughout the world the media keep a wary eye on corporate behaviour and zoom in sharply on suspected corporate misdeeds” (p.51). This has increased pressure on companies to build their image carefully. For example, environmental, social/human rights and fair wages have become important recently. Such matters ‘always or often’ influence consumers’ purchasing behaviour. Research surveys, time after time, provide an ideal of “while shareholders are principally concerned with corporate profitability,
consumers, the primary source of corporate income, are increasingly concerned with the environmental, social, and the ethical responsibility of business” (Pruzan 2001, p.51).

Deephouse (2000) has also confirmed the result of the research of Palmgreen & Clarke (1997) and Stempel (1991) that show people obtain news via local newspapers, television, and radio; and recollection of this information relating to firms may influence purchase decision-making.

For small firms, they are typically short of money and likely to operate in a single or local market. Consequently, one of the characteristics of small firms is that the managers tend to develop close relationships with customers rather than cost-expensive advertising and promotional campaigns (Burns, 2007). Nevertheless, it is believed that financial surplus and marketing themselves to customers are two of their primary targets. This part of the study concentrated on the methods of restaurants ‘marketing themselves’ by building their reputations through personal contact, the internet, the media and social responsibility. By drawing out the data collected, the study may reveal the purpose of good reputation for small firms.

7.2.3.4 Reputation for Whom?

In general, all people with a perception of the business should be taken into account. Van Riel (1997) is primarily interested in employees; Davies et al. (2003) concentrated on both customers and employees. A good reputation attracts better employees (Fombrun & Gardberg, 2000; and Fombrun et al., 2000) and can help to retain an employee and attract customer loyalty in the market (Davies et al., 2003). Gaines-Ross (1998) agreed similarly about such benefits, stating that employees will be proud if they are working in a firm with a positive reputation. The components of reputation here involve many perceptions and interfaces. For example, a high quality of food or service, sanitation, good atmosphere, ability to innovate, environmental protection, transparent finance, and so on. The opposite is even more true; employees are not proud of their employer’s lack of trust or confidence, and are not willing to offer their best.

In addition, a company having a good or bad reputation in the media influences a company’s image in customers’ mind (Deephouse, 2000). There are many strong examples to prove that corporate reputation plays a significant role in the investment decisions made by large numbers of individuals and financial institutions (See Pruzan, 2001). In a word, customers
obtain information on a company via TV programmes, newspapers, magazines, and other mass communications. Thus, the purchasing behaviour of customers would be influenced by those media. An interesting piece of research, published in 2001 by Pruzan, indicates that the “ethical consumer not only makes their point via decisions as to what not to purchase, but also by making positive choices as to which products, production forms, and companies to support” (p.51). For example, once a company has made a mistake regarding an ethical issue and this has been found by the media’s wary eye, the company may suffer a reputational disaster for years.

Overall, previous research has largely focused on the reputation of big companies; few empirical studies have concentrated on small firms. As most small firms are likely to do business in a single market and rely on a small numbers of customers (Bruns, 2007), this study examines the points of view of the owner-managers of small Chinese restaurants when they are building their restaurants’ reputations. They build reputation for whom, for customers, for employees, or for the media.

7.4 Samples choice

A non-probability convenience sampling method was used for this study. As its name implies, in non-probability sampling designs, “the elements in the population do not have any probabilities attached to their being chosen as sample subjects”, and “convenience sampling refers to the collection of information from members of population who are conveniently” (Sekaran, 2003, p.276). This means the findings from such methods as sampling strategy cannot be confidently generalised to the whole population, because the sample chosen by the research may or may not be representative of the population (Bryman & Bell, 2007 and Moutinho et al., 1998). However, it is not suggested that non-probability convenience samples should never be used. This sampling method is one that is simply available to the researcher by virtue of its accessibility and it is quick, convenient, and less expensive (Bryman & Bell, 2007 and Sekaran, 2003).

For this study, we simply wanted to know points of view about reputation or the building of reputation of owner-managers of Chinese restaurants. Non-probability convenience sampling is perhaps the best way of getting some primary information quickly and efficiently. Bryman (1989, p.113-114) also present that “certainly, in the field of business and management,
convenience samples are very common and indeed are more prominent than are samples based on probability sampling”.

**7.4.1 Sample chosen**

As referred to in Chapter Four, a six-step procedure for drawing a sample can be used as a model of sample choice in qualitative research. The target of the research is the owner-managers of small Chinese restaurants.

For Pingtung County, a list of restaurants was provided by Dr. Ching-Hsu Huang, Department of Hotel and Restaurant Management, National Pingtung University of Science and Technology, Pingtung Taiwan. These were businesses who had contact with this university department. There are 53 restaurants on the list and all of these restaurants are located in Pingtung County. However, some restaurants had to be discarded, either because they were 5-star hotels, vegetarian restaurants, Japanese-style restaurants, or because their remote location would have meant taking a ferry across the sea or a road up a high mountain. Thus 11 restaurants were discounted, and of the remainder 10 were chosen randomly.

For the choice of restaurants in Kaohsiung city and county, first of all the interviewer tried to obtain recommendations or suggestions from friends and relatives. Then, the interviewer made a decision as to “whether the restaurant is suitable for the research or not?”. As a result, 10 sample restaurants were obtained in Pingtung County, with 10 located in Kaohsiung City, and 10 in Kaohsiung County identified on the basis of personal contact or networking with the business owner-managers. In fact, these 30 owner-managers cannot be classed as representative of all owner-managers in Taiwan. This is because 30 was a very small number of the whole total of owner-managers of restaurants in Taiwan, and the small number is one of the disadvantages of qualitative research (Hair, Bush and Ortinau, 2006) and cannot be applied to represent the whole population (Bryman and Bell, 2003). However, according to the interviews, this study can provide a sensitive discussion of business reputation from owner-managers; help to understand the real situation in the restaurants; and also to gain an opportunity to take a close look into the owner-managers’ practical behaviours’ in their restaurants. The translations of all 30 interviews were presented in appendix VI, p.364ff.
7.5 Discussion of the data and the findings

A narrative analysis was used in this study to examine the ‘stories’ that owner-managers’ tell about the ‘real ideas’ for their restaurants. This method attempts to understand the real social life of the interviewees and overcomes the possibility that the data collected may neglect the facts that interviewees perceived in terms of continuity and process (Bryman and Bell, 2007). Narrative analysis has become popular in the fields of management and business (Bryman and Bell, 2007; Boje, 2001; and Czarniawska 1998). It is extremely useful in providing a springboard to understand what Weick (1995) has noted as being ‘organizational sensemaking’ (Bryman and Bell, 2007). If a researcher is interested in the culture of an institution, the information supplied from that institution can help the interviewer to understand the owner-managers’ current situation (Bryman and Bell, 2007 and Boje, 2001). In order to understand the points of view from owner-managers of small Chinese restaurants, narrative analysis was employed by this study. The translations of these 30 interviews were presented in appendix VI, p.364ff.

Ideally in qualitative research the interview is usually recorded and transcribed whenever possible, because the research is not just only interested in what respondents said but also in the way that they said it. However as noted previously the research did not record the process of the interviews, and a problem with transcribing is that it is very time consuming (Bryman and Bell, 2007). Alternatively, the research abstracted the main points on reputation or reputation building from owner-managers, from notes taken at the time of interview. These are presented in sections 7.5.2~7.5.8.

7.5.1 General background of the respondents

Before discussing the data reviewing the general background of owner-managers can build a preliminary knowledge of the respondents. The information was briefly listed as followed:

- The majority of respondents were of prime age between 40 and 59 years of age (21 respondents).
- Middle or low academic achievement was present (high school degree or lower, and nearly all respondents who graduated from senior high school were from a vocational school).
Respondents had related training only in forms of short-term training for restaurant management, short-term training in sanitation, and vocational-training.

Respondents chose to become an entrepreneur because of economic stress (11 respondents), own experience (9 respondents), and interest (6 respondents).

Nearly half of the restaurants have operated for more than 5 years (14 restaurants).

Only 3 of the restaurants are part of a branded chain.

The main original financial resources for the founding of the business were: loan from bank (8 respondents), personal finance (9 respondents), and joint venture (6 respondents).

The size of the restaurants: most of them were between 200 and 500 seats, and had about 20 employees (part-time employees were needed for special events only).

Overall, the percentage of owner-managers of restaurants who were aged between 40 and 59 years old corresponds to the findings of the research survey conducted by the National Youth Commission, NYC Taiwan (2006) which states that this particular kind of service industry has the easiest entry and low entry-threshold. This result is also partly similar to research undertaken by Curran and Burrows (1988) which points out that the 35-50 age group are the most likely ages for owner-management. This refers to the owner-managers needing related experience, stability of background and financial assets (Stokes and Wilson, 2002). More recently in the UK, entrepreneurs in the 25-34 age range are becoming more common (Harding, 2004).

Moreover, middle or low academic achievement, in addition to short-term training, corresponds to traditional views of small business (Stokes and Wilson, 2002). Most respondents graduated from vocational school. As described previously in Chapter Two, the most important marketing issue for Taiwanese traditional industries is the lack of professional marketing managers (Horng and Chen, 1998). Even so, 19 owner-managers said that they had attended related training. However, those training courses were not related to marketing and would merely cover as either restaurant management or cooking skills. Next, fourteen restaurants have been in business for less than five years, which accounted for nearly 50% of the total sample. This percentage is evidently higher than the result (around 40%) of enterprise age survey conducted by the Taiwanese government (White Paper 2007). Moreover, according to the GEM High-Expectation Entrepreneurship report (2005), and Autio (2005) the five-year point can be seen as a threshold. If companies have existed for
more than five years then they can be defined as achieving their first target. Thus, the research may conclude that half of the small Chinese restaurants in Taiwan have not passed the first barrier and are not established businesses. The restaurant industry is one of ‘easy entry’ but it is also one of ‘easy out’ under a very fiercely competitive market. Additionally, about one-third of owner-managers had become so due to economic pressure, rather than to be the owner of a restaurant. This also refers to Carland et al. (1984) that not all new entrepreneurs started their businesses intentionally. Finally, there were only eight of the owner-managers who had a loan from the bank. This is a response to the statement by Berger and Udell (1998) that younger or smaller firms are heavily financed by internal debt, personal collateral or guarantee.

7.5.2 Reputation for what?
Most respondents have thought about their restaurants’ reputation. Of those respondents who said: “they have not thought about reputation”, only one (male, aged 58) went on to answer “he is not sure whether the restaurant has a good reputation” after the interviewer explained “what does reputation mean?”.

Accordingly, this indicates that most owner-managers agree that their restaurant has a good reputation with customers. To go into more detail, nearly all owner-managers agree or strongly agree they are proud of the quality and sanitation of their restaurants. Some of them agreed that the price of eating in the restaurant is reasonable. About the service and atmosphere, only around two third respondents agreed that they can provide good service, atmosphere and decoration. Less than half respondents agree they are in a convenient or good physical location.

7.5.3 Reputation for what purpose?
The aim of this part is to understand the function of the internet for restaurants; the value of social reputation and influence from the media.

Table 7.2 Results of reputation for what purpose?

<table>
<thead>
<tr>
<th>Function</th>
<th>Agree /</th>
<th>Disagree /</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website Home page</td>
<td>8/22</td>
<td></td>
</tr>
<tr>
<td>Personal contact is more helpful for business</td>
<td>Agree or Strongly agree / 30</td>
<td></td>
</tr>
<tr>
<td>Establishing reputation for social responsibility</td>
<td>Yes / 25</td>
<td>No / 5</td>
</tr>
<tr>
<td>Profit is more important than social reputation</td>
<td>Yes / 23</td>
<td>No / 7</td>
</tr>
<tr>
<td>Reports from the media would influence business</td>
<td>Yes / 26</td>
<td>No / 4</td>
</tr>
<tr>
<td>Managing relationship between restaurant and media</td>
<td>Yes / 15</td>
<td>No / 13 and Not Sure / 2</td>
</tr>
</tbody>
</table>
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According to Table 7.2, it is important for the interviewer to understand the notions of owner-managers. All of them agree that personal contact is more helpful in strengthening a good image among customers than internet presentation. Most of them agree that social responsibility can improve their reputation; however, profit is more important than social reputation. They also agree that reports in the media would influence their business. Nevertheless, only half the respondents indicated they would like to manage the relationship between their restaurant and the media.

Those results and descriptions by the respondents were not unexpected by this study that the owner-managers of restaurants do agree that personal contact is more important than the power of the internet. Most of them also believe that a positive report from the media can strengthen their business. However, not all of the managers desire to manage the relationship with the media. This is very similar to the result of Siu (2005) that Chinese managers prefer to maintain a low profile.

7.5.4 Reputation for whom?
This refers to reputation with the customer, reputation with employees, and reputation in the media.

To the Customer and employees:
All of these 30 respondents agree or strongly agree that the ‘reputation’ is important to the customer and the employee. They all believe it is a good way to strengthen their business by establishing a good reputation in customers’ minds. Owner-managers also agree employees will be proud of a business with a good reputation.

To the Media:
The results of this part are shown in Table 7.2 as well. Although managers agree that recommendations from the media will positively affect their business, only just under half of owner-managers agree or strongly agree that their reputation is due to the media. The other respondents answered ‘not agree’ or ‘not sure’.
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7.5.5 The importance of business reputation

There were nearly four fifths of respondents who agreed that they had thought about the reputation of their restaurants.

Many owner-managers made statements such as “I of course think about my restaurant’s reputation. Good reputation can attract more customers”.

One owner-manager (male, aged 55) even said more clearly: “Good reputation can attract more customers’ attentiveness on our restaurant. The more attentiveness from customers the better the business”

Another owner-manager (female, aged 45) said proudly: “I know customers who have been here before, they all tell their friends my restaurant is delicious and cheap.”

On the other hand, a minority of respondents indicated that they do not think about reputation.

Three owner-managers said: “I do not know what reputation is? I am just running a small business and do not need to consider such a vexatious problem.”

One owner-manager (male, aged 58) even said: “Reputation is not important in this small and rural area, so I do not need to consider it.”

Three restaurants are part of a branded chain. One of them (male, aged 38) said: I joined an alliance because I know that the branded name has a good reputation.

One owner-manager (female, aged 43) said: “I am a manager and employed by head-office. I think about the reputation of this restaurant I manage, but actually I do not need to worry about this because the head-office will think about this”.

Overall, most owner-managers have thought about the reputation of their restaurants. According to the above descriptions and Section 7.5.2, in owner-managers’ point of view, good reputation in the restaurant includes factors such as “price is acceptable”, “the food tastes good”, “the service is not too bad”, and “cleanliness”. In truth, these elements are very
important for small restaurants. Nevertheless, they are not enough to establish a positive reputation. Thus, more discussion takes place in the next section.

### 7.5.6 The relative importance of personal contact and the internet

Next, we discuss the relationship between personal contact and internet presentation. According to Table 7.2; only eight restaurants have set up or have under installation their website homepage for promoting the restaurant. The other twenty two restaurants do not have any plan to do that. At the same time, all owner-managers do agree that personal contact is much more important and helpful for business than the internet.

One owner-manager (male, aged 55) said: “I think personal contact or just saying ‘Hello’ is more helpful for establishing a good image in customers’ mind”.

One owner-manager (male, aged 48) said: “Do you want to go to a restaurant just because they have a website homepage designed by themselves saying: we are fantastic? All I have to do is to make sure the food we provide is of good quality and tastes good…and so on”.

One owner-manager (female, aged 43) just asked the interviewer: “Do you believe information from the internet? Do you go to a restaurant you have never been to because you find their homepage?”

One owner-manager (female, aged 45) said: “I do agree personal contact is more important than the internet and our restaurant does not have website pages. However, we do not ignore the power of the internet, I always tell our customers if you like our restaurant please advertise or recommend our restaurant on discussion pages.

On the other hand, for restaurants that have their own website homepage, generally speaking they want to attract more “white collar” customers and students.

One owner-manager (female, aged 43) said: “We designed a website page in hope that customers will have a primary idea of my restaurant. It is very helpful for people who are working in an office and want to have a dinner together. They might search new restaurants
via the internet before they make a decision on where to go. We have a website page, they may find us, and so this may be one of our advantages.”

One owner-manager (male, aged 41) said: “Although my restaurant is located in Kaohsiung city centre, there are numerous restaurants around us. The internet would be a good way to attract more attention from customers, especially for white collar level and students. Otherwise, you know that there are four or five universities in Kaohsiung city. The frequency of students surfing the internet is higher than other people, thus we have a well-designed website page for my restaurant, and then we may be noted by students”.

Interestingly, the opportunities of the internet for restaurants have divided into two opposing extremes. Most owner-managers do not believe that the internet can establish a reputation, which confirms the opinions provided by Raisian (2001) and Leong et al. (1998). On the other hand, there are owner-managers who believe that the internet can improve their business. Nonetheless, these restaurants which have their own web pages are not using them in order to establish reputation, but for attracting more customers.

7.5.6.1 The effect of personal contact on reputation
This section will discuss the results of observation demonstrated by the interviewer in two Chinese restaurants. These two examples can strongly verify how owner-managers pay a great deal of attention to personal contact.

Restaurant One: It was found that the owner-manager (male, aged 55) always tries to say “Hello” or “How are you?” and show “an enthusiastic welcome” to his customers, especially for new customers. For existing customers, he said: “I do my best to remember their surname; job title; and their favourite drinks”.

Restaurant Two: The chef is also the owner-manager (male, aged 48) and cooks food in front of customers. While he was cooking for the customers he was also chatting to them. He said: “This is the best way to establish a good personal relationship with customers”.

Therefore, Taiwanese owner-managers not only trust the personal contact with customers but also practice what they preach. This kind of result indeed indicates that the most important or used way for owner-managers to improve their business or reputation is by having a good
relationship with their customers. Previous research has indicated that the owner-managers of small businesses do not have a related marketing background, thus they prefer to establish personal contact relationships with customers, especially in a small geographic market (Stokes & Wilson, 2002, and Carson et al., 1995).

7.5.7 The relationship between profit and social responsibility

It is widely believed that the main or only target of business behaviour is making money. Thus, when discussing the topic of establishing a reputation for social responsibility and whether profit is more important than social reputation, the interviewees always had to think hard about it. They all agreed that nowadays environmental consciousness (eco-awareness) is on the rise and there is an obligation to do some pollution prevention. The Bureau of Environmental Protection of local government checks their waste management, food waste recycling, management of sewage systems, and waste water and so on, in some cases regularly and in others occasionally.

However, there still were five owner-managers who do not support establishing a reputation for social responsibility and with social responsibility as a matter of compliance rather than opportunity.

One owner-manager (male, aged 38) said: “We are running a small business; I do not want to spend a lot of money on this kind of invisible issue; all I have to do is following the related law and enactment, and not be fined.”

One owner-manager (female, aged 43) said: “Yes, social responsibility and social reputation are very important, but this must be based on the financial surplus. For example, if the cost of implementing an improvement to the sewerage system is too high or higher than the profit, then I would like to close my restaurant”.

One owner-manager (male, aged 36) said: “if the costs of environmental protection led to my business losing money, I would prefer to close my restaurant.”

Hence, it was not unexpected that most owner-managers know and understand the importance of social reputation. However this must be based on profit.
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7.5.8 The relationship between reputation and the media
Even though it is “fifteen minutes of fame”, most owner-managers still indicate that a good reputation in the media would affect their business, more than it used to. Only four respondents do not agree with this kind of opinion. Two owner-managers explained why it is useful for their business.

One owner-manager (female, aged 40) said: “The customers receive good opinions of my restaurant from the media; maybe, they would want to try our food or service.”

The other owner-manager (male, aged 55) said: “Please do not ignore the power of the media, information from the media could have as much influence as a huge advertising campaign. It would be just a temporary influence; however we can indulge customers with our services, and then establish a good reputation.”

On the other hand, owner-managers who do not identify with this opinion indicate the reasons why not:

One owner-manager (male, aged 38) said: “It is just fifteen minutes of fame; personal contact is more helpful than the media. If the media report us with good recommendations, after few days, we may have good business. In a few weeks time, customers may all forget that news. We do care that our customers have good recommendations of my restaurant and then tell their friends. Kou er xiang chuan (word of mouth) is more helpful”.

One owner-manager (male, aged 58) said: “Our restaurant is located in a rural village, personal contact is more important than the media.”

Furthermore, managing the relationship between the restaurant and the media, as the study indicates, there were 26 owner-managers who agreed that the restaurant’s reputation in the media would influence their business. However, only half of respondents said: ‘they manage the relationship with the media’. This would be a controversial question.

One owner-manager (male, aged 36) said: “Managing the relationship with the media or restaurant reviewers is very important; they probably pay more attention to our restaurant and give good reviews to their readers.”
One owner-manager (female, aged 42) said: “I am afraid of the reviewer giving a negative review or drawing my restaurant’s defects to their readers’ attention. I am careful always to have a good relationship with restaurant reviewers.”

On the other hand, opinions from respondents giving the opposite view. One owner-manager (male, aged 50) said: “We are a small business and we pay more attention to our relationship with our customers rather than to the media or restaurant reviewers.”

One owner-manager (male, aged 38) said: “I do not like those reviewers who visit my restaurant and tell me: I am a reviewer and I can give your restaurant a good notice. That means they hope they will receive something in return.”

One owner-manager (female, aged 48) said: “Our customers are our best advertisement and opinion formers. I am not interested in having any relationship with the media or reviewers, especially an illicit relationship. Otherwise, we are small business; we do not need to cultivate or maintain relationships with the media. Making friends with our customers is the key point to our business”.

The last topic of the qualitative research is to define ‘whether the own managers will think about reputation more in the future. Nearly all respondents agree that they will consider the reputation of their restaurants more; however this has to based on the level of profit. An appropriate answer provided by one respondent (male, aged 58) can be a final conclusion to this topic.

One owner-manager (male, aged 58) said: “I do understand the importance of a good reputation of social responsibility for our restaurant. I do and I will do my best to prevent any pollution happening from my restaurant, but it is absolutely essential we make a profit”.

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7.5.9 Overall findings of personal interview

There are seven main conclusions to emerge, as follows,

1. All owner-managers do agree that reputation is important to both customers and employees. However, in the interviews, owner-managers only think about and discuss their reputation to customers. They did not consider their employees. This study cannot state that the owner-managers do not take care of their employees, but they may ignore their employees.

2. Although most owner-managers confided that their restaurants have positive reputation in various aspects (for example, sanitation, good tasting food, inexpensive, satisfactory service, and so forth). These factors are not regarded as being special and are seen as very basic for small restaurants. This also refers to a common weakness in owner-managers running of small firms, that of confidence of success (Stokes and Wilson, 2002).

3. In spite of Burns (2007) suggesting that using the internet may be a good way to improve small firms’ business, create more opportunities, and decrease the costs; most owner-manages do not trust the internet. Instead they prefer the personal contact with customers to that of the internet. On the other hand, for the owner-managers who established their own website pages, they do believe that this can improve their business and increase the restaurants’ range of visibility. For those who do not trust the internet, perhaps they are right for their position as a “small” restaurant. However, this may also respond to their failure to understand key marketing issues. This can also apply to the owner-managers of small restaurant in that they are too confident of their recent marketing issues.

4. According to the observations made in two restaurants, the owner-managers do believe that the best way to improve their business is by creating a personal relationship with the customers. This is unexpected in the study, but it is surprising that the owner-manager attentively tries to remember the customers’ surname, job title, and the favourite drinks. This suggests that the owner-managers of restaurants believe that personal contact and private relationships can strengthen their businesses. This also corresponds to personal contact is often seen as an effective method for a business in emerging economics (Ahlstrom & Bruton, 2006 and Xin & Pearce, 1996) and owner-managers adopt what Carroll (1979) calls a defensive approach to social responsibility.
5. Although most owner-managers do agree that social responsibility is an important factor for improving their businesses, some of them do worry that the cost of the ‘responsibility’ may decrease their profit and lose money, possibly forcing a closure of the restaurant.

6. There is no doubt that any restaurant is by definition operating in the service sector, and the media may be the simplest method in achieving a place in customers’ knowledge. Forming relationships with the media is a controversial issue for owner-managers of small restaurants. Most owner-managers do agree that the media may help more customers to know their restaurants; nevertheless, they do not want to have relationships with the media.

7. According to the above description, although the owner-managers of small restaurants in Taiwan are confident of success, they put themselves in an uncertain environment. They are confusing many of the critical issues, for example in the cases of social responsibility and profit, the range of visibility and formation of relationships with the media, a well-designed website page or focusing on personal contact, having too much concentration on their customers and ignoring their employees, and so forth.
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7.6 Re-interviews with the owner-managers of restaurants

After the results of our quantitative research had been analysed, we decided to re-interview the owner-managers who had been interviewed in 2007. The objective of using the key findings of the questionnaire was to validate the results in a real world selling and to see how those results could affect owner-manager value judgments. These interviews could be used to re-explore the theoretical foundation of the study and provide key areas which restaurants must address if they wish to be successful in the future.

7.6.1 Semi-structured interview

For the follow-up interview, this research study re-designed a semi-structured questionnaire (see appendix VII, p.385) and gave a short presentation to each of the owner-managers to show the results of the quantitative research. The aim of this interview was to discuss whether the owner-managers agreed with the results of the quantitative analysis.

7.6.2 The results of the semi-structured interview

There were eight personal re-interviews carried out in January 2010. For most questions, we received many different comments. These comments can help this study in achieving further uses in the real world. There were eight questions in the re-interview semi-structured questionnaire, as shown in sections 7.6.2.1 to 7.6.2.8.

7.6.2.1 Servicescape is not an important factor when customers select a restaurant.

At the beginning of each interview, it was explained to the interviewee that servicescape means the lighting, scent, music, noise, temperature, interior decoration, the painted colour, visual features and so forth.

One owner-manager (male, aged 58) said: “Yes, I probably agree that they are not important factors but I doubt about the temperature. That is because it will be very very hot and humid during the summer in Taiwan. I do not believe that customers would like to eat their lunch or dinner whilst sweating”.

One owner-manager (female, aged 48) said: “Actually, lighting, scent, music and noise are not important but they are basic necessities of a restaurant, because we have to provide our customer with a comfortable environment for their meal. Otherwise, I have no ideas about
interior decoration, the painted colour, visual features because we are small restaurant. However, we have to consider the temperature due to the weather in Taiwan. In winter, that is ok, but in summer, it is very hot in Taiwan. So, I turn on the air conditioners during opening time in summer. I know it would cost me a lot in electricity, but if I do not do that, no customer would like to have a meal in my restaurant”.

One owner-manager (male, aged 39) said: “We are a chain restaurant. The purpose of the head-office is that customers pay more and we provide customers a higher quality of food and environment. Thus, the lighting, scent, music, noise, temperature are basic requirements for the restaurant. In addition, our head-office pays more attention to interior decoration, the painted colour and visual features in the restaurant. We hope once our customers come into the restaurant, they will immediately know they are in a ‘Chinese’ restaurant”.

Overall, all individual owner-managers generally agreed that the servicescape is not an important factor when customers select a restaurant, with the exception of internal temperature. On the other hand, a restaurant which is part of a chain had considered the interior decoration, the painted colour, and visual features. This finding was surprising in the research. Although the results of the quantitative analysis that both LS and AS (servicescape) were not significant factors when customers select a restaurant, the owner-managers did not show consideration for servicescape either. Previous research which is related to servicescape may not apply to Chinese restaurant culture or small Chinese restaurants in Chinese society.

**7.6.2.2 When customers select a restaurant, they would consider CCP (Cleaning and car parking) and CL (Convenient location).**

This question also had many different comments from owner-managers. Generally speaking, all owner-managers re-interviewed agreed that CCP (Cleaning and car parking) is essential to a restaurant; even those who cannot guarantee easy car parking. On the other hand, the CL (Convenient location) received different agreements. For example:

One owner-manager (male, aged 31) said: “There is no doubt that cleanliness is the principal factor in the restaurant. Customers also do care about the sanitation of the food or cutlery in the restaurant. I pay much attention to the sanitation of my restaurant. I do not want to see any customer being affected by food poisoning because of food eaten here. I do not want to go to jail. As to the easy car parking, yes, it would be an important factor for customers’
choice of restaurant. However, my restaurant is just a small restaurant and I do not think that I need to provide our customers places for car parking”.

“I believe that the convenient location is also an important factor for customers’ choice of restaurant. But, my restaurant is a small restaurant; actually I have no choice of the location of my restaurant. I have lived here more than 10 years, this is my house, we live on the second floor and the ground floor and first floor is my restaurant”.

One owner-manager (female, aged 40) said: “There is nothing wrong with the statement that cleanliness is the most important factor in the restaurant. My restaurant is located in a rural area, so it is not difficult for customers to find a place to park their car. However, I agree easy car parking would be a factor when customers select a restaurant”.

“Actually, I do not know how to discuss the convenient location; my restaurant is not in a convenient location. Nevertheless, I believe in the city centre, convenient location would be a factor when customers consider different restaurants”.

One owner-manager (male, aged 39) said: “As you know, this restaurant is a chain restaurant. Our head-office does care about the sanitation of the restaurants. Thus, not only the Bureau of Environmental Protection of local government checks the sanitation of the restaurants, but also head-office checks this from time to time. One of our advantages is that we provide a small parking area for our customers in the city centre; even though it does not always have enough space for our customers, it is not easy to find a large car parking place for a small restaurant”.

“Yes, I agree the convenient location is a factor for customers’ choice of restaurants. For example, our restaurant is in the city centre and we also provide a car parking service. So, we are actively striving to take advantage of the Wei Ya market before Chinese New Year”.

*Wei Ya: Every business owner entertains all employees at a dinner party before the Chinese Lunar Year.

One owner-manager (male, aged 41) said: “I agree that sanitation is the most important factor for customers’ choice of restaurant. I also do my best to maintain cleanliness in my
restaurant. I also agree the convenient location may influence the business of the restaurant. However, my restaurant is in the Kaohsiung city centre; and it is impossible to provide a car parking area for customers. You know the price of land is very high in Kaohsiung city centre, and I am just running a restaurant, it is impossible for me to buy or hire a piece of land for car parking.”.

7.6.2.3 OPSQ (Overall product and service quality) and DFs (Discount factors) are not important factors when customers select a restaurant.

One owner-manager (female, aged 43) said: “I understand that customers do not think DFs is an important factor when they are selecting restaurants, because the membership discount and take away discount are not popular ways to attract more customers in Taiwan. I believe that some customers have never heard of a Chinese restaurant in Taiwan providing these kinds of discounts. Otherwise, birthday discount, just once a year, may attract a birthday boy/girl and his/her friends to have a birthday dinner in my restaurant. This might be a good idea for my further business, I will think about this. However, I do wonder why customers do not agree that OPSQ is an important factor for their choice of restaurant. They should always think about for example the fresh produce or source of the ingredients and so on”.

One owner-manager (male, aged 58) said: “In my opinion, discount factors are not important factors for customers’ choice of restaurant. Let me give you an example, if you do not like my restaurant, will you come and consume in my restaurant just because I give you a discount. If you do not like a restaurant, you will not want to be a member of that restaurant and have a birthday party in that restaurant. But, if I know today is one of my customer’s birthday and have dinner in my restaurant, I will treat him/her to one free dish and say ‘Happy birthday with my best wishes to that customer’. However, I feel quite confused why customers think that OPSQ is not important factor for selecting a restaurant, that should be an important factor for both customers’ and owner-managers’ concern”.

One owner-manager (female, aged 48) said: “I do not understand why customers do not agree that OPSQ is not important for their choice of restaurant in your study. I do not have any idea about this. However, I understand that the discount factors are not important. Firstly, they are not a common marketing method in the restaurant sector especially for Chinese restaurants. Secondly, there are numerous restaurants in Taiwan or in this city, and
customers will not like your restaurant just because the restaurant provides these kinds of discounts”.

In summary, the owner-managers disagreed that OPSQ (Overall product and service quality) is not an important factor for customers; and agreed that DFs (Discount factors) were not an important factor when customers select a restaurant.

7.6.2.4 EPPs (Efficient process procedures) and ECPs (Efficient communication policies) are important factors when customers select a restaurant.

One owner-manager (male, aged 58) said: “Yes, I do agree the EPPs are an important factor for customers’ choice of restaurant, especially for ‘the appearance of employees is well dressed and appears neat’, ‘providing service at the correct time’, ‘employees show politeness and friendliness’, and ‘employees who are always willing to help customers’. We also ask our employees to achieve these aims. However, my restaurant does not have a website page, so no comment about the ECPs. Next, about the conventional opening hours for all customers, I think restaurants in Taiwan all provide conventional opening hours for customers”.

One owner-manager (male, aged 41) said: “I agree EPPs are important, but I disagree ECPs are important for small restaurants and I do not have the time and related knowledge about the internet. In my opinion, I do not believe a customer’s choice of restaurant will rely on the internet.”

One owner-manager (female, aged 48) said: “I agree the EPPs are an important factor for customers. I can also understand why customers think that ECPs are important, too. I know the power of the internet, but I do not have a designed website for my restaurant. I tried to create a website page for my restaurant, but I do not have the time to maintain the pages and the pages have been closed”.

One owner-manager (male, aged 41) said: “EPPs can be seen as a general idea of a restaurant and it is very important for not only customers but also all owner-managers. I always ask our employees to smile and show politeness to customers. Otherwise, we provide clean uniforms to our employees everyday to make sure the appearance of employees is neat. Otherwise, I also understand the ECPs are an important factor for customers. As I said: we
have a well-designed webpage to attract more customers. According to your research, my idea is correct”.

One owner-manager (female, aged 46) said: “Yes, EPPs are an important factor when customers are considering a restaurant and this will influence their choice. I also agree that ECPs will influence customers’ choice of restaurant. That is the reason why I created a website page for my restaurant. Actually, not many small restaurants provide this kind of service; I think I was right to make this decision a few years ago”.

It is believed that owner-managers agreed that EPPs are an important factor and they all pay attention to the EPPs in their restaurants. According to the above evidence, restaurants with their own WebPages agreed that ECPs are an important factor for customers’ choice of restaurant. Nonetheless, where restaurants did not have website pages, the owner-managers disagreed with the result or had no ideas about this.

7.6.2.5 If customers are satisfied with the EPPs of a restaurant, servicescape is not regarded as being special.

One owner-manager (male, aged 58) said: “Yes, as I said that the EPPs are a very important factor for customers’ choice of restaurant and Servicescape is not important for customers. I believe if customers are satisfied with the EPPs in my restaurant, even though they do not like the layout and ambience in my restaurant, they will forgive us. However, I have to emphasise again that the temperature in the restaurant needs to be controlled. Eating a meal in a place with temperatures higher than 35 or 36 degrees definitely cannot be accepted by most customers”.

One owner-manager (male, aged 41) said: “I do agree EPPs are important. In my opinion, I am running a small restaurant and I just need to focus on the sanitation and cleanliness in the restaurant and provide customers fresh food. I do not have time and extra money to re-decorate my restaurant. Otherwise, I do not think I need to have some visual features in my restaurant. Thus, I totally agree this result”.

One owner-manager (female, aged 48) said: “I agree with this statement because EPPs are an important factor for customers’ choice of restaurant. However, when customers select a restaurant, the servicescape may not be an important factor for them. Then, I agree the result
from your research. However, I need to tell you again that I have to think about the temperature in the restaurant”.

One owner-manager (male, aged 39) said: “Of course, EPPs are most important for customers’ choice of restaurant. However, as I told you, our restaurant is part of a chain. Servicescape also plays an important role for our restaurant, and we provide our customers with a comfortable place to have their meal. We do want to customers to enjoy their meal in our restaurant. Nevertheless, I agree with your result that if customers are satisfied with the EPPs of a restaurant, servicescape is not regarded as being important. That is because in the comparison between EPPs and servicescape, the EPPs are more important than servicescape”.

Overall, this conclusion was agreed by owner-managers when re-interviewed. The owner-managers agreed that if customers are satisfied with the EPPs of a restaurant, servicescape is not regarded as being important. Thus, this research can conclude that in Chinese society, EPPs are more important than the servicescape.

7.6.2.6 When customers select a restaurant they do not consider the social responsibility.

One owner-manager (male, aged 58) said: “No, they will not consider social responsibility, because they are just looking for a restaurant, not for a restaurant in a five-star hotel. Customers may also agree we are running a restaurant just for life or economic pleasure, they do not think too much about social responsibility issues”.

One owner-manager (female, aged 48) said: “I do not think customers will think about the social responsibility of a small restaurant. In my opinion, the social responsibilities of small restaurants are providing fresh food. Otherwise, do not cheat customers, for example, price and source of the ingredients. Of course, we have to follow the related law; for example, to prevent any pollution happening in my restaurant and not be fined”.

One owner-manager (male, aged 39) said: “Actually, I agree that when customers select a restaurant, they do not consider the social responsibility of the restaurants. However, this restaurant is a part of chain, our head-office supports some activities to increase the range of visibility of the restaurants, for example carnivals for children or special holidays. Of course,
our head-office donates money to some charities. We also do our best to prevent any pollution happening from our restaurant”.

Generally speaking, owner-managers agreed that when customers select a restaurant, they do not consider the social responsibility of the restaurant. On the other hand, the head-office of chain restaurants support particular activities and make donations to various charities with the name of the “restaurant”. Although this result is similar to the quantitative research, this was unexpected by the study.

7.6.2.7 Customers believe negative recommendations more than positive recommendations.

One owner-manager (female, aged 46) said: “I agree with this sentence. Actually, not only for customers’ choice of restaurant, but also for everything. Most people believe negative thinking rather than positive thinking. Thus, we have to prevent any unhappy experience happening in my restaurant”.

One owner-manager (male, aged 41) said: “I sometime surf the internet and want to see the comments on the discussion pages of my restaurant from customers. One of our customers told me that she is interested in one negative recommendation rather than ten positive recommendations which are presented in discussion pages”.

One owner-manager (female, aged 48) said: “I believe this sentence. Customers always accept negative recommendations rather than positive recommendations. I do believe the power of kou er xiang chuan (word of mouth) is very helpful or harmful for service industries. I always tell our customers if you like our restaurant please tell your friends or recommend our restaurant on discussion pages”.

One owner-manager (male, aged 58) said: “Yes, I agree with this sentence. If customers received good recommendations of a restaurant from the media or friends, they might want to try that restaurant. However, if they received negative recommendations, they definitely would not want to try that restaurant. Actually, I do not know every customer’s appetite and different customers with different sense of taste. Thus, I always do my best to make good relationships with my customers. I hope at least that the boss is a good and enthusiastic guy in the customers’ mind”.
There is no doubt that owner-managers agreed that customers believe negative recommendations more than positive recommendations. Accordingly, this result is similar to the results of quantitative analysis.

### 7.6.2.8 Overall, trust is the most important factor for customers’ choice of restaurant.

One owner-manager (male, aged 58) said: “Yes, I totally agree with this sentence. The most important issue for owner-managers is to let customers trust the food and the restaurant. This would be difficult to achieve, but I have to do my best to achieve it. In addition, trust is the most important factor between different relationships in Chinese society. Actually, in my opinion, my restaurant has a good reputation in this city, because customers trust my restaurant to provide them with good dishes and high quality of service. Thus, the good reputation of my restaurant is established on trust”.

One owner-manager (female, 43) said: “Yes, I agree with this result. I think that trust is established on a relationship or a longstanding relationship. As you know 14th February is Chinese New Year of 2010. All governmental organisations, personal companies, and institutions will hold Wei Ya before 13th February. If the organiser trusts me, he/she just needs to tell me how many people will be there and what kind of equipment they need for their entertainment, they do not need to remind me to take care of the sanitation, food, and service quality, and to give them a discount. The organisers of Wei Ya trust our restaurant will not cause them to lose face”.

One owner-manager (male, aged 41) said: “I agree with this sentence too. If customers trust my restaurant, they do not need to worry about the food, and sanitation in the restaurant, and the price of food. There are many methods to establish trust; for example, making friends and having good relationships with customers. Trust me and then trust my restaurant. Customers have had a good experience here”.

To conclude, trust does play an important role in Chinese society. According to the above descriptions, the owner-managers re-interviewed did agree that trust is the most important factor for customers’ choice of restaurant. Consequently, this is similar to the findings of the quantitative research.
7.6.3 Overall findings and discussion of re-interviews

1. It was surprising for the study that not only customers, but also owner-managers when re-interviewed, agreed that servicescape is not an important factor for a restaurant. Previous research has identified servicescape as having a strong influence on customers’ emotional responses, and particularly apparent in the service industry (for example, Bitner, 1992 & 1986; Zeithaml, Parasuraman & Berry, 1985; and Upah, & Fulton, 1985). For a restaurant, servicescape can affect customers’ intent to have a meal in a particular restaurant (Arora and Singer, 2006); there is also a positive relationship between servicescape and customers’ loyalty to a restaurant (Harris and Ezch, 2008). Nevertheless, this study proves that both customers and owner-managers disagreed with this argument. Owner-managers may only think of the temperature in the restaurant due to the weather in Taiwan.

The following two bar charts for London and Taipei (capital of Taiwan) show the years average weather condition readings covering rain, average maximum daily temperature and average minimum temperature. Compared to London, the weather is very hot and humid in Taiwan; the average degree is higher than 30 between May and September, in July and August it is around 36 degrees. This can explain the reason as to why the owner-managers concentrate on the air-conditioning in their restaurants.

Source from BBC – Weather Centre – World Weather – Average Conditions
2. As discussed in section 6.6.1 in Chapter Six, the eating culture in Taiwan indicates that the servicescape of a Chinese restaurant may not be an important factor for the attention of customers. In addition, further comments from the owner-managers also agree with this result. Consequently, several key themes or reasons behind this phenomenon can be derived from the study.

(1) Customers agreed that the servicescape is not an important factor for their choice of restaurant. This can infer that the owner-managers also understand this and in their opinion the cost of servicescape is unnecessary.

(2) The owner-managers of Chinese restaurants believe that they are “small”. It is not necessary therefore to provide several artifacts or to have a fish tank in the restaurant. These are perceived by the owner-managers as being unessential costs of a restaurant.

(3) The literature indicates, “the notion that aspects of servicescapes may have a strong influence on customers’ loyalty intentions” (Harris and Ezch, 2008, p. 390) and customers may want to stay longer in an environment with good servicescape (Bitner, 1992). However, in Taiwan the owner-managers of the Chinese restaurants do not want their customers to spend too much time in the restaurant. The reasons are as follows:

- The Average Earning (2009): the average income in Taiwan is 16,178 US dollars, per person, per year (according to the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R. O. C., Taiwan). Generally speaking, the average price of a dish in a small Chinese restaurant in Taiwan is less than NT 100 (about 3 US dollars) and usually includes a free soup. The prices of different kinds of bottled beverages are mostly lower than 1 US dollar. In order to have a good financial surplus, the owner-managers indeed want to or have to serve more customers. The strategy for most Chinese restaurants is to reduce the price of the meals, decreasing the expenditure of the cost and attracting more customers. This comment may also correspond to the quantitative approach in Chapter Six, as to why the ‘price or additional cost of meal’ was an insignificant factor for customers’ choice of restaurant; because the price in a small restaurant in Taiwan is not expensive. In this circumstance, sanitation, trust and service quality may play important roles in the Chinese restaurants.

- Price sensitive customers: older people do not like eating outside. In general, people can imagine that the foods in a Chinese restaurant are ‘heavy’ tasting due to the use of
a lot of salt and sauces. Due to health problems, it is not common for older people to go out and have a meal in a Chinese restaurant in Taiwan (excluding a family dinner). Consequently in this age demographic segment, the number of customers is relatively low compared with that of other countries. The best way to attract more and relatively young customers is for owner-manager to occasionally reduce the price of the meals. Therefore, they may not be able to afford the cost of an elaborate or expensive servicescape. On the other hand, if a restaurant provides a good physical environment for their customers, the costs of running the restaurant will go up. Owner-managers would therefore have to adjust the prices of the food. The high price of meals or dishes is a shortcoming for a small restaurant.

As discussed in Chapter Six, the small restaurant market is a very competitive place. One of the definitions of a competitive market is that both customers and service providers are ‘price takers’ (Mas-Colell et al., 1995). A good servicescape will increase costs and reduce the profits of a small restaurant. Hence, it can be concluded that owner-managers in Taiwan do not want to provide a good servicescape in the restaurants. Although Mills (2000) found that customers desire a good overall experience in a restaurant, according to a study about American customers’ perception of Asian foods, “dinning atmospherics has not received much attention in Chinese restaurant segment” (Liu and Jang, 2009, p.501). Therefore, Chinese restaurants may lose their traditional strengths (e.g. good, tasty and low prices) to attract more customers. Accordingly, servicescape is not an important element in Chinese restaurants, it could be suggested that this is because of the entrepreneurship of the Chinese restaurants’ owner-managers.

3. It was expected that the cleanliness and car parking are the main factors when customers are selecting a restaurant and owner-managers agreed with this statement. There is no doubt of the cleanliness. However, due to the location of the restaurants, those restaurants located in the city centre cannot guarantee the easy car parking. In addition, there are many different comments on convenient location, as some of the owner-managers agreed with this. On the other hand some of them disagreed or had no choice of a convenient location. Overall, sanitation and cleanliness are essential factors for a restaurant; both customers and owner-managers of small restaurants agreed with this statement.
Chapter Seven: Qualitative Analysis of Owner-Managers’ Perceptions of Reputation

4. Although the results of correlation analysis OPSQ (Overall product and service quality) were statistically significant, regression analysis showed that OPSQ was not a significant factor for three dependent variables. This was unexpected. Accordingly, this was an important question for the re-interviews with owner-managers of Chinese restaurants. All owner-managers re-interviewed did believe that OPSQ is an important factor when customers are selecting a restaurant. They did confuse this result, and in their opinions OPSQ should be an important factor for both customers and owner-managers. Consequently, this result needs further research to clarify the importance of OPSQ in customers’ mind.

5. The case of DFs (Discount factors) not being an important factor is accepted by the research. The owner-managers re-interviewed also described their opinions of DFs. In their opinions providing various discounts, for example, take away discount, birthday discount, and membership discount, are not popular ways to attract more customers and thus are not used by Chinese restaurants in Taiwan.

6. The variables included by EPPs (Efficient process procedures) were provided by Parasuraman, Zeithaml and Berry (1988). According to the research, both customers and owner-managers agreed that EPPs were an important factor for a restaurant. In addition, they also agreed with the statement that if customers are satisfied with the EPPs of a restaurant, servicescape is not regarded as being important. On the other hand, there were many different comments about ECPs (Efficient communication policies) from re-interviews. If a restaurant had its own website pages, the owner-manager believed that the internet presentation can improve the business of the restaurant. However, for the restaurants without website pages, the owner-managers did not trust the internet.

The results of ECPs indicate that the owner-managers do not trust the internet. This is because they do not have the time and related knowledge to maintain website pages, and that they trust personal contact as the only way to preserve their businesses. This can be related to the characteristics of entrepreneurship in small business, for example the middle or low academic achievement of owner-managers, and the fact that they have not attended any management or marketing training courses. However, they are confident about their marketing issues and success.
On the other hand, owner-managers of small Chinese restaurants do not trust the internet. They may be right to do this. Friedman (2002) proposed three reasons as to why not all companies should depend upon the internet for their business.

1. “Your customers do not use internet, and will not be using it at any time in the foreseeable future” (Friedman, 2002, p.47). For example, it cannot be imagined that when a customer is looking for a small restaurant in a local area, even if he/she wants to try somewhere new, they will not always in their daily life search for one via the internet.

2. “Poorly suited products are those that require or strongly benefit from face-to-face interaction and personal transaction processing in the sales process” (Friedman, 2002, p.51). For instance in the restaurant industry, it can be believed that when customers are eating outside they want to enjoy the ‘atmosphere’ of eating in a restaurant with family or friends, the service provided, or the speed at which the food is served. Moreover, customers sometimes need to talk and ask questions to the waiters/waitress about the ingredients of the foods.

3. If the web does not create additional value for the customers in the form of lower prices, greater convenience, or a better product worth paying a premium for, it is probably not a good idea for firms to strengthen their businesses through the web (Friedman, 2002). A well-designed website page increases the expenditure of a restaurant, the costs include not only the monetary aspect, but also huge amounts of time and energy.

7. It was interesting to note that in the first interviews carried out in 2007, all owner-managers accepted that environmental consciousness (eco-awareness) was on the rise and most of them also agreed that social responsibility is a very important factor for a restaurant. Unexpectedly, they agreed with the results of the quantitative research conducted for the study that social responsibility, or social reputation, is not a factor when customers are selecting a restaurant.

Whether or not a contradiction is presented in this topic, owner-managers are genuinely understanding about protecting the environment and self-respecting themselves. They do care about social responsibility even though they agreed it is not an important factor when customers select a restaurant. On the other hand, they may say one thing but do another; or exaggerate on how much social responsibility they actually perform. This may be because they are afraid that the cost of social responsibility will erode their financial performance. For
owner-managers of small restaurants, the only way to achieve social responsibility may be not to be found out and face being fined.

8. It was expected that both customers and owner-managers agreed that customers accept negative recommendations more than positive recommendations of a restaurant. This may provide the owner-managers of small restaurants with a sense of vigilance that does not ignore the complaints from their customers. In addition, the owner-managers believed in the strong power of *kou er xiang chuan* (word of mouth). For this study, the importance of word of mouth (WOM) is the same as, “word of mouth recommendation can be critical to the continued success of many types of restaurant.” (Palmer *et al.*, 2000, p.518).

In fact, WOM has been acknowledged for many years, “as a major influence on what people know, feel and do” (Buttle, 1998, p.241). Moreover, the WOM communication process is one of the most powerful forces in the marketplace (e.g., Buttle, 1998; Henricks, 1998; and Marney, 1995). Bansal and Voyer (2000) even emphasised that the relationship between the WOM sender and the receiver is strong, and that WOM will have a strong and significant effect on the receiver’s purchasing behaviour. Indeed, WOM has been shown to affect a variety of conditions; such as, “…awareness, expectations, perceptions, attitudes, behavioural intentions and behaviour” (Buttle, 1998, p.242). This is because personal trust is viewed as more trustworthy (Murray, 1991).

9. Overall, the owner-managers re-interviewed also agreed that trust is the most important factor for customers’ choice of restaurant. This was not unexpected by the study. According to previous research for example, trust is based on the belief that some behaviours will be expected (Knoll and Jarvenpaa, 1998); trust is based on a perception of probability that other agents will behave in a way that is expected (Welter & Smallbone, 2006, p.465 and Gambetta, 1988); and/or a confidence in an exchange process (Morgan and Hunt, 1994).

For the restaurant industry in Chinese society, according to previous description in this chapter, trust would be established by personal contact or private relationship. In Chinese society, this kind of relationship can be called as *Guanxi*. Consequently, this kind of trust can be defined as a personal trust which is, “a record of prior exchange, often obtained indirectly
or by imputation from outcomes of prior exchange, provides data on the exchange process” (Zucker, 1986, p.60). In this study, personal trust builds on the prior or initial knowledge shared between owner-managers and customers. Accordingly in summation, customers select a restaurant due to the trust they have in the restaurant, whilst at the same time the owner-managers also regard the trust as a bridge between the restaurant and the customers, and one which can also improve their businesses at that.

In addition, Provoost (2008) presents a theory which says that a customer who trusts a company is equivalent to that customer agreeing that the company has a good reputation. However, he also argued that this statement cannot be applied in Chinese society. According to his demonstrations in China, he suggests that good reputation is established on trust in Chinese society. This opinion has also been found by the re-interviews conducted in this study. Hence, this study concludes that in Chinese society good reputation is established on trust, and the trust derives from personal contact. Consequently, this study creates the figure 7.1 to illustrate the procedures of reputation establishment by small Chinese restaurants.

Figure 7.1 The overall result of reputation establishment

From the owner-managers’ point of view a customer trusts a restaurant, which means that the customer trusts that the EPPs are appropriate, price is acceptable, sanitation is dependable, and the food and the ingredients of the food are reliable in the restaurant. Meanwhile, servicescape is not regarded as being important.
7.7 Summary of the key themes of the chapter

The key findings from the qualitative analysis of responses from restaurant owner-managers can be summarised as follows:

1. The owner-managers interviewed agreed that reputation is important to both customers and employees. Nevertheless, according to the description set out in this chapter, they care more about the impressions from their customers rather than from their employees.

2. They are proud of various aspects of the restaurant and have confidence of success, but they struggle to build reputation for their restaurant. In their perspective, good reputation means cleanliness in the restaurant, inexpensive and good tasting food, appropriate temperature in the restaurant and so forth. They do not have other concrete comments for building their restaurants’ reputation.

3. Social responsibility may not be an important factor for owner-managers in establishing their restaurants’ reputation due to the cost concern.

4. They agree that discount factors are not special or important issues when customers are selecting a restaurant.

5. In the owner-managers’ points of view, if customers are satisfied with the service quality of a restaurant; or they trust a restaurant, servicescape is not regarded as being particularly special.

6. They do not regard servicescape as important in the restaurant. In other words, they ignore the dining atmospherics in the restaurant premises.

7. Some of them struggle to attract more new customers. All owner-managers interviewed believe that the trust is the most important way to improve their business. They do believe that a good personal relationship with customers can strengthen their business and that trust is based on personal relationship. Therefore, they place more effort on retaining existing customers rather than winning new ones.

8. Using the functions or advantages of internet or the media may also be good ways to attract more new customers. However, most of them do not appreciate any value in the internet and are confused about how to use the media to enhance reputation.
7.7.1 The distinctive behavioural characteristics of SME owners

As shown in Figure 7.2, this chapter tried to bring together the previous studies reviewed in Chapters Two and Three, and the findings of this chapter to conclude the characteristics and distinctive behaviours of SME owners in the context of small restaurants in Taiwan.

Figure 7.2 The characteristics and distinctive behaviours of SME owners

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>lead to</th>
<th>Behaviours of SME</th>
<th>lead to</th>
<th>Further behaviours of SME</th>
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</thead>
<tbody>
<tr>
<td>(1) Owner-managed</td>
<td></td>
<td>Individual decision-making</td>
<td>→</td>
<td>Confident of success</td>
</tr>
<tr>
<td>(2) Lower academic achievement</td>
<td></td>
<td>Lack of information</td>
<td>→</td>
<td>Struggle to raise finance (3)</td>
</tr>
<tr>
<td>(3) Struggle to raise finance</td>
<td></td>
<td>Lack of marketing strategy (4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Lack of marketing strategy</td>
<td></td>
<td>Insufficient funding for growth</td>
<td>→</td>
<td>Self-efficacy is restricted</td>
</tr>
<tr>
<td>(5) Concentrate on single or local market</td>
<td></td>
<td>Concentrate on single or local market (5) and (6)</td>
<td></td>
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</tr>
<tr>
<td>(6) Concentrate on single or local market</td>
<td></td>
<td>Struggle to build reputation</td>
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<tr>
<td></td>
<td></td>
<td>Risk avoidance or little spread of risk</td>
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<tr>
<td></td>
<td></td>
<td>Emphasis on personal contact with customers (wording of mouth marketing)</td>
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Figure 7.2 exhibits an extensive framework of characteristics of small business owners and their behaviours. For example, managed in a personalised way is one of the principal characteristics of small firms. The owner-managers have to deal with all aspects of the management of the business and therefore are responsible for all major decision-making. Moreover, for owner-managers’, personal contact or trust is the best way to attract more customers and establish reputation. An inference can be derived that the owner-managers of small firms are confident of success as they have to establish good relationships with customers and make decision individually. On the other hand, the owner-managers on the average may not understand the businesslike procedures of marketing due to the generally lower academic achievements. They would like to concentrate their businesses on local markets or limited geographic markets. From their perspective, the best method for the procedures of reputation establishment or marketing strategy is personal contact. This can suggest that they are struggling to build reputation; or they have no ideas about reputation building. To summarise, the owner-managers are in general confident of success, but they are
struggling to establish their own reputations due to the various characteristics (1~6) of small business owners.

7.8 Conclusion

Chapter Seven reviews the points of view on business reputation from the owner-managers. According to the results presented here there are three controversial problems for owner-managers. These are finding a balance between the following; social responsibility and financial profit, personal contact and recommendations from the media, and recommendations from the media and managing relationships with reviewers. This study also re-interviewed the owner-managers to discuss the results of the quantitative research. Although not all of the owner-managers agreed with the results, they provided different ideas on reputation which have proved useful for this study, helping to gain an understanding of the difference in opinions between customers and owner-managers.

To conclude the chapter; all owner-managers did agree that personal contact is more effective in establishing a good reputation than presence on the internet or recommendations in the media. Furthermore, most of them agreed that reputation is very important and believe that the better the reputation, the better the business of the restaurant. In addition, the reputation is established on trust, and the trust comes from personal contact. The establishing of reputation, especially social reputation, must also stand on the base of financial surplus. Although managers agree that positive recommendations from the media can strengthen their restaurants’ business and visibility, not all of the managers want to manage a relationship with the reviewers. As discussed in Chapter Three, the business reputation is effectively an intangible resource, intangible asset, economic asset, and important asset. According to the discussions that took place in the interviews and re-interviews with the self-employed owner-managers of small Chinese restaurants, they either do not know or are confused about how to accumulate their own ‘intangible’, ‘economic’ and ‘important’ asset. Although they provide many different ideas and suggestions on the setting up of reputation, the only way or the best way is through the establishment of reputation via personal contact.
Chapter Eight: Conclusions and Discussions

The previous Chapters, Six and Seven, provided the results of the quantitative and the discussion of qualitative techniques utilized in the study. This chapter, the final chapter of the thesis, follows and will provide a presentation of the conclusions reached in this thesis. In addition, the chapter will outline the contributions of the study, identify the limitations, provide the practical implications of the findings and suggest potential avenues for further research.

Introduction
As discussed, both quantitative and qualitative research methods were employed by this study. For the quantitative research, a series of statistical analysis procedures were adopted to test the complicated relationships in the models. The moderated multiple regression tests describe the results of relationships between variables and provide the evaluation of the effects of multiple factors. Qualitatively, a series of personal interviews with owner-managers was conducted in Taiwan, which also provided some useful findings of the study. Accordingly, this chapter will furnish a conclusion of the findings of the research. Furthermore, “conclusions must be clearly supported by the data” (Summers, 2001, p.411). This study will also discuss those implications which arise from the research. As Churchill and Perreault (1982, p.286) said “good science and good speculation are not incompatible, but each should be clearly labelled so that the two are not confused”. The structure of Chapter Eight has been itemised as follows:

8.1 Conclusions of the study
8.2 Contributions of the study
8.3 Limitations of the study
8.4 Implications of the study
8.5 Conclusions
8.1 Conclusions of the study

The main conclusion of the research drawn from this study is to connect the SMEs’ business reputation and customers’ value from both sides, one side being the customers and the other the owner-managers of Chinese restaurants. As mentioned in Chapter Two, SMEs have played an important role in Taiwan’s economic development during the past decades (Jaw & Chen, 2006; Schive & Hu, 2001; Hu, 1999; and Wu, 1999) and provide significant job opportunities, thus helping to maintain social stability (White Paper of SMEs in Taiwan 2006). Unfortunately, due to the impact of the sub-prime mortgage crisis in the U.S. and the rising prices of raw materials, 2008 was a year of gloom and financial chaos. Numerous small firms have closed down recently because of the economic slowdown in Taiwan. The rate of unemployment rose by 4.5% in 2009 (Council for Economic Planning and Development, MOEA, Taiwan). This is a disadvantage of SMEs when there is an economic downturn, due to the jobs in SMEs being fragile (Hall and Harvie, 2003). Furthermore, as identified in Chapter Three, there is no significant agreed definition for business reputation (Fombrun, 1996 and Fombrun & Shanley, 1990). Respondents would not truly understand reputation and may have different ideas of the meaning of reputation. On the other hand, as suggested, the terms of customer value can only be defined by customers themselves (Narver & Slater, 1990; Weinstein & Pohlman, 1998 and Harris, 2002). This is on the basis of that it is very difficult to link reputation and customers’ value as seen by customers. Thus, the study analysed the relationship between customers’ value and reputation arising from servicescape, choice of restaurant factors, trust, service quality, social responsibility and recommendations. Surprisingly, the results showed that servicescape was not an important factor for customers’ choice of restaurant in the regression models. However, it was presented as a significant factor when moderated with other factors, such as trust and service quality. This result specifically shows that the higher the level of trust or perceived experience of service quality is appropriate in the restaurant, the higher the impact of servicescape on customers’ choice of restaurant. On the other hand, Efficient process procedures (EPPs) and Efficient communication policies (ECPs,) and trust showed as significant factors for the dependent variables. This study has found another point of discrepancy with regard to whether or not the Taiwanese people are ethical customers. The Taiwanese are classed as ethical customers when we look at this issue by
correlation analysis, with significant statistical association from social responsibility to customers’ choice of restaurant. However, the SRS was not a significant factor in the regression models. Consequently, this study suggests that there is no definitive conclusion as to whether the Taiwanese are ethical customers or not. The implication of this is that it may be difficult for Taiwanese SME’s to build a reputation for ethical behaviour if customers do not respond to an ethical approach when conducting business.

For moderators, the results confirm that when taking servicescape, choice of restaurant factors, social responsibility and recommendations and moderating them with trust and service quality, we can provide a full in-depth examination for this research. For example, both ambience and layout presented as insignificant factors in regression models. Nevertheless, the ambience and layout are important factors, particularly when trust and service quality moderated the effects for customers’ choice of restaurant.

Overall, if business reputation plays an important role in relation to customers’ choice of restaurant (CCRRF; CCRRM; and CCRCE), the dynamics of this phenomenon should be investigated. For example, a longitudinal approach of the study would provide a series of information step by step about the reputation and customers’ choice of restaurant which could show how the importance of business reputation evolves in customers’ purchasing behaviour. The results of the research have provided the evidence for the effect of business reputation on customers’ choice of restaurant (CCRRF; CCRRM; and CCRCE).

This study also found that most owner-managers have thought about their restaurants’ reputation. However, in the real business world, although they are confident in success, they have either no ideas or unclear ones about the establishment of reputation. For example, for some owner-managers, they believe that establishing a restaurant’s website might be a method to attract more customers. They still prefer to manage their customers via personal contact rather than connect with them via internet or other media. Moreover, according to the re-interviews with owner-managers, not only the price, sanitation, service quality are important elements when running a business, but also the maintenance of personal trust. The preference they
show for word of mouth marketing rather than use of internet and media. This part also corresponds to the behavioural characteristics of small business in Taiwan listed in Chapter Two. The reasons of the importance of word of mouth marketing can relate back to other characteristics of small businesses – limited budgets for marketing, lack of strategic thinking about marketing and reputation building, limited capacity to develop and introduce new aspects of the business. For customers, on the other hand, customers trust in a restaurant leads to customers trusting all services and foods provided by that restaurant.

Furthermore, in personal interviews owner-managers did agree that social reputation is an important issue for a restaurant. However, once they knew that social responsibility was not an important factor for customers’ choice of restaurant; they also agreed that when customers select a restaurant they do not consider the social responsibility. As a result, the owner-managers of small Chinese restaurants have an unclear opinion about the social responsibilities of their restaurants. Although most of them agree that social responsibility issues are important elements for their restaurants, some of them do not have motives to practice social responsibility.

Finally, this study will link the key themes of the personal interviews to the quantitative results.

1. During the process of the interviews we found that owner-managers may ignore reputation being important to their employees. Moreover, social concern may not be an important issue for owner-managers in establishing their restaurants’ reputation, due to the cost concerns. Nevertheless, around 90% of respondents from the quantitative analysis agreed that fair treatment of employees and providing a healthy workplace for their employees are important variables (see Table 5.7). The correlation results also showed that there was a significant relationship between the social responsibility scale and customers’ choice of restaurants.

2. Most owner-managers were proud of various aspects of their restaurant, such as sanitation, cleanliness in the restaurant, satisfactory service, and good tasting and inexpensive food. The first three issues were also presented as being important factors for customers. However, inexpensive (cost of meal) was only shown as being a significant factor in the CCRCE regression model.
Chapter Eight: Conclusions and Discussions

3. Both customers and owner-managers argued that discount factors are special or important issues for a restaurant, especially when customers’ choice of restaurant relies on recommendations from family or friends (CCRRF), or from the media (CCRRM). Furthermore, both parties agreed that servicescape is not necessarily a special element for a restaurant. On the other hand, the quantitative results also show that servicescape may have an effect on customers when moderated by trust and service quality.

4. In both the results from the quantitative analysis and the interviews conducted with owner-managers, both customers and owner-managers agreed that trust and service quality are key elements for a restaurant. For example (and as concluded in Chapter Seven), the owner-managers’ point of view is that if customers are satisfied with the service quality of a restaurant, or they trust a restaurant, then servicescape is not regarded as being particularly special. Moreover, trust and service quality were also shown as being significant variables in the regression models. Furthermore, all owner-managers believed that trust is the important issue in attracting more customers.

5. From the customers’ point of view, information from the media may be an easy way to find out about a restaurant, especially for CCRRF and CCRRM. However, establishing relationships with the media is a controversial issue for owner-managers of small restaurants. For example, most owner-managers agreed that the media can enable more customers to know about their restaurants, but nevertheless they do not want to form relationships with the media.

6. Similarly to the point above, using the functions or advantages of the Internet may also be a simple method to achieving a place in customers’ minds, especially for CCRRF and CCRRM. However, most of the owner-managers do not perceive any value in the Internet, and are confused about how to use the Internet to either attract more customers or enhance reputation.

According to the above points, although the owner-managers and customers have differing ideas on the importance of a few of the elements, these differences have provided this study with a good opportunity to help understand the gap between customers and owner-managers of small Chinese restaurants. This also gives an agenda for further research, in that there may be differing cognitions about the servicescape or service environment between the service providers and customers.
8.2 Contributions of the study

It is important and necessary to discuss the definite contributions of the study and to evaluate them. According to Summers (2001), the contributions can be conceptual, empirical, and methodological in nature.

8.2.1 Conceptual contribution

The conceptual model has established in Chapter Four. The relationships between dependent variables (CCRRF; CCRRM; and CCRCE) and reputation arising from servicescape, choice of restaurant factor, trust, service quality, social responsibility, and recommendations (see Figure 4.2), with a view to understanding the components of business reputation adopted by this study. Next, this study employs the suggestions of Harris & Goode (2004) and Keavency & Parthasarathy (2001) that further research relating to the customer behaviour area can also emphasise the effects of moderating factors, such as trust (Goode & Harris, 2007; Harris & Goode, 2004; and Jones et al., 2000), and service quality (Parasuraman and Grewal, 2000). The comprehensive conceptual model looks at business reputation from different viewpoints, from customers’ value to customers’ choice of restaurant, from consumer behaviour to ethical behaviour, from public media to influence on customers’ choice of restaurant, and finally retesting whether the level of moderating variables affects the linear relationship.

On the other side, for owner-managers of small Chinese restaurants, there were two different semi-structured interview questionnaires were designed and conducted at different period of time by this study. Firstly, we interviewed thirty owner-managers in Southern Taiwan in 2007. These interviews provided the study with qualitative information on owner-managers’ points of view of reputation building. These included, for example, reputation for customers or employees; using internet marketing strategies or personal contact with their customers; the relationship between profit and social responsibility and so forth.

Secondly, the other semi-structured questionnaire was designed to re-interview the owner-managers who had been interviewed in 2007. After the results of quantitative research (data collected from customers) had been analysed, this questionnaire listed
eight questions for re-interview. The object of using key findings of the quantitative research was to understand whether the owner-managers of small Chinese restaurant agreed with the results of the quantitative analysis. Consequently, the re-interview was conducted in January 2010 and interesting information was provided by owner-managers; for example, the different importance of servicescape factors in the restaurant (e.g., temperature and other factors). Furthermore, a well-designed webpage and car parking are also controversial issues for owner-managers. For instance, some of the managers agreed that a restaurant has to provide their customers a space to park their cars. Some of them agreed that a well-designed webpage can attract more customers. On the other hand, there were also some owner-managers who argued with the suggestions that a well-designed webpage or easy car parking are important. Therefore, the re-interview can be seen as a very good method to discuss the difference between owner-managers and customers, or amongst owner-managers of restaurants.

8.2.2 Empirical contribution
Firstly, while there are vast numbers of studies in the areas of reputation, SMEs, servicescape, trust, service quality, social responsibility; most of them were independent from each other. This study supplies empirical evidence for the theoretical bases of interaction of SMEs’ reputation which arises from the six independent factors and customers’ choice of restaurant (CCRRF, CCRRM, and CCRCE). This study cannot find direct and significant relationships from servicescape, choice of restaurant factors, trust, service quality, social responsibility, and recommendations to the three dependent variables. The results show the variables of service quality and trust are more important and influential than the other factors on customers’ choice of restaurant. Furthermore, no previous study has attempted to make assessments of the significance of servicescape, choice of restaurant factors, social responsibility, and recommendations by integrating the moderating effects related to both trust and service quality. The interaction of these moderators created a number of interesting associations and played a main role in the overall success of the study. For example, trust and service quality strengthen the intentions behind dependent variables of the reputation arising from servicescape. This is also the first empirical contribution of this study.
Chapter Eight: Conclusions and Discussions

Secondly, for servicescape, this is quite unlike other previous research, which has tended to focus on a single servicescape dimension or even a single factor such as ambience (e.g., Morrin & Ratneshwar 2003; Morrin & Ratneshwar 2003; Sweeney & Wyber, 2002; Aubert-Gamet, 1997; Wakefield & Blodgett, 1996; Dubé et al., 1995; Chebat et al., 1993; Yalch & Spangenberg, 1990; and Baker et al., 1988). To differ from those previous studies, the current research created two new variables, LS and AS, to examine the relationship with customers’ choice of restaurant (CCRRF, CCRRM, and CCRCE). Empirical analysis supports a positive (but weak) effect for correlation analyses while not supporting this via multiple regression. The discussion about the role of servicescape in Taiwan had been discussed in detail in Chapter Six and Seven, see sections 6.5.1 and 7.6.3. This is a significant contribution of this study.

Thirdly, for choice of restaurant factors (price, location, sanitation, and quality), this contribution is very similar to servicescape. In general, there are few academic studies which focus on these areas. Those that do concentrate on a single element (e.g., Gluckler, 2007; Kim, 2005; Fitzsimmons, 2003; Marinucci, 2002; Carvalho & Leite, 1999).

Fourthly, there is no previous research which investigates whether or not the Taiwanese are ethical consumers. Ethical consumer in this study means behaving ethically, such that they are concerned about whether businesses are recycling, providing fair treatment of employees, making provision of a healthy work place, or paying tax on time. Is social responsibility an important matter for respondents’ choice of restaurant? This research discusses this question from correlation, multiple regression, and moderated multiple regression associations and cannot conclude that Taiwanese are ethical customers. Moreover, according to the results of re-interviewed, owner-managers of small Chinese restaurants in Taiwan, they cannot be described as ‘ethical’. They are typically walking on the edge of the law.

Fifthly, although there is no doubt that recommendation from the media influence customers’ choice of restaurant (Deephouse, 2000; Palmgreen & Clarke, 1997; and Stempel, 1991), this research has also set out to understand if that relationship is moderated by trust and service quality. Overall, customers may ignore negative
recommendations for a restaurant if the restaurant provides good service quality, as captured for example by Tangible special service (TSSs).

Sixthly, Trust in institution (TIP), Trust in process (TII), Efficient process policies (EPPs), Efficient communication policies (ECPs), and Tangible special service (TSSs) were adopted as outcome variables in this study and both were found to have fairly high correlations with servicescape and social responsibility. The results refer to previous studies on the importance of servicescape, which therefore leads to trust and service quality (e.g., Reimer & Kuehn, 2005; Johns & Pine, 2002; Wakefield & Blodgett, 1999 & 1996; Bitner, 1992; and Ohanian, 1990).

Finally, in order to gather information about owner-managers’ attitudes to their own reputation, the study also employed qualitative research to interview owner-managers of Chinese restaurants. As discovered in Chapter Seven, the owner-managers may meet many situations of conflict between alternatives. They fall into the position of facing a difficult choice. For example, the issues of social responsibility and design a webpage. Furthermore, the study re-interviewed owner-managers to show them the results of quantitative research. This kind of research method might be the best way to understand the variation between owner-managers and customers.

8.2.3 Methodological contribution
Firstly, although the sample setting was chosen as customers of Chinese restaurants in Taiwan, this may be applied to other different types of food providers (for example, from the cheapest Chinese take away or fast food outlet to luxurious restaurants) which provide service to customers. Even with these kinds of restaurant, each of which stems from a different eating culture and has its own specific characteristics, reputation may arise from choice of restaurant factors, trust, service quality, and recommendations are key factors for customers when they are making a choice of a restaurant. This can also be applied to other related service industries, such as shopping malls, hotels and other leisure industries for which customers may have to consider their reputation or social responsibility. Following from this method of aggregation, it is possible to set up a rigorous test of where reputation comes from. Furthermore, although ‘reputation’ can be easily defined as something conceptual, it
cannot be easily grasped by customers. Hence, the sample chosen used mainly highly educated people.

Secondly, this research adopted not only Cronbach’s alpha to test reliability but also the three-stage method to test validity. The study also employed Principal Component Analysis to extract the small numbers of factors that can be used to represent among all variables considered. Then, the three-method analytical process was used in testing the hypotheses. These were bivariate correlation to indicate the direction and strength of a linear relationship, multiple regression to evaluate the power of variables, and moderated multiple regression for interaction effects within the linear relationship.

Thirdly, in order to have a far reaching understanding of the points of view of business reputation from different roles, the study employed a mixed-method approach which included quantitative research (a questionnaire designed for customers) and qualitative (interviews and re-interviews with owner-managers). The result identifies the fact that both customers and owner-managers have the same perceptions about the importance of business reputation. However, customers and owner-managers evaluate business reputation from different angles, as indicated in Chapter Seven.

**8.2.4 Overall contributions**

This study has shown that servicescape factors (LS and AS) were not statistically significant elements in the regression models, except when moderated by other factors. This part finding differs from previous studies who find a direct role for servicescape (e.g., Baker, 1987; Bitner, 1986 & 1992; Booms & Bitner, 1982; Kotler, 1973; Shostack, 1977; Upah, & Fulton, 1985, and Zeithaml, Parasuraman & Berry, 1985; Turley & Milliman, 2000; Roy & Tai, 2003; and Harris & Ezeh, 2008). If the servicescape factors are moderated by trust (TII) or service quality (EPPs), they are significant. This indicates that the higher the level of TII (trust in institution), the higher the impact of servicescape on customers’ choice of restaurant. Hence, this illustrates the importance of trust in Chinese society. Moreover, the higher the level of EPPs (efficient process procedures), the greater the impact of servicescape when customers are selecting a restaurant. The moderated regression models also provide useful information for this study, such as the more a customer’s choice of restaurant is
based on the media, the less likely that the customer’s choice reflects cleanliness and car parking. Also, discount factors are less important if communication policies are efficient. If customers fully understand the “offer” being made by the restaurant, then they do not need to be further enticed through discounting.

As discussed earlier in section 6.5.1, the reputation arising from servicescape and three dependent variables were only significant in correlation analysis, and the correlations were weak ($r \leq 0.2$). In addition, the servicescape were shown as significant when moderated by trust or servicesvape. Thus, the servicescape has no direct effects on customers’ choice of Chinese restaurant in Taiwan but moderated by trust and service quality. This is a unique finding of this study which has different results of servicescape in the service environment.

Furthermore, different points’ of view of using the internet and the roles of servicescape factors were also provided through the process of re-interview in this study. Accordingly, re-interviewing might be the best way to understand differences in perspective between owner-managers and customers.

### 8.3 Limitations of the study

Generally speaking, there are always some inevitable problems that need to be considered when assessing any research project. This study is no different. A number of limitations of the study follow below.

Firstly, for the sample of the study, as described earlier, three highly educated groups were employed. This may not be highly representative of the whole population in Taiwan. A further possible obstacle is that although the limitations of using students as a target sample are well known, in this kind of research the limitation is minimised. This is because more than half of these students are undergraduate night or weekend school students. They can be seen as resembling general customers, in various jobs and having a personal income (Liu and Wang, 2008). Nevertheless, further research relating to this topic would need a broader cross-section of customers to understand better how the importance of business reputation impacts on customers’ choice of restaurant, for example experts or persons having special skills or knowledge, such as
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a person in a managerial, higher managerial or professional post, skilled manual workers, pensioners, the unemployed, and customers with low incomes.

Secondly, in the estates of multiple regression and moderated multiple regression the values of $R^2$ were quite low. This means that the explained variance is low and might lead to some problems about the accuracy of fit of models in the study. As formally discussed in Chapter Six, a low value of $R^2$ was sometimes found in the studies of customer behaviour in a competitive market industry. The reason for this may be because of the influence of ‘variety seeking behaviour’. This may therefore imply low correlations between IVs and DVs, and lead to low values of $R^2$. For example, the roles of layout and ambience in this study differ greatly from empirical findings. Previous studies have shown that servicescape elements have positive influences on customers’ behaviours within a retailing environment. However, both layout and ambience are not statistically significant factors in the regression models or low correlation coefficients in the correlation matrix. On the other hand, there were fairly higher significant relationships between new latent variable extracted from trust and service quality and other independent variables (see Table 6.2), and higher $R^2$ values in the regression models (see section 6.3.3). This is anticipated that an agenda for further research will emerge, for example base on customers’ value to explore the variables which may have effects on trust and service quality in the restaurant.

Thirdly, although many interesting results were obtained, it should be noted that the study was limited to the Chinese restaurants in Taiwan. In Taiwan there have been only a few pieces of academic research emphasizing the area of hospitality service, business reputation or servicescape. We could not review many related subjects from Taiwan for reference. Therefore, although the findings of the research are vital for these areas and may apply for a broad range of generalizations in the service industry in Taiwan or can be used for other countries, the findings of the study are viewed as a guide or a handbook rather than an established model.

Fourthly, as indicated in Chapter Three, servicescape, trust, and service quality are very popular subjects in marketing research. Social responsibility has also moved into the spotlight during the past decades. Academic research relating to those subjects may provide new suggestions or implications in these areas (e.g., Thakor, Suri &
Saleh, 2008; Venkatraman & Nelson, 2008; and Liu, 2008). Thus, as a third limitation, the findings of the study can be seen as a guide rather than a statement of facts.

Finally, this study collected data from both customers and owner-managers of Chinese restaurants. However, although the customers who answered the questionnaire were random customers, this was not so for the restaurants whose managers were interviewed. This might lead to a potential gap between owner-managers’ points of view and the customers’ value.

8.4 Implications of the study

Some ideas for further study emerge from the limitations of the current research or the context of theory reviewed. These are discussed below, beginning with the implications for the service provider, followed by the implications for scholars of business reputation, and then the implications for service marketing scholars.

8.4.1 Implications for service provider

The restaurant industry in Taiwan has experienced significant growth. Nevertheless, different characteristic of restaurants or restaurants in different parts of Taiwan may mean that owner-managers have different ideas as to how to strengthen their business or maintain a positive image in customers’ minds. According to the results of the quantitative research methods, there are three guidelines provided for the owner-managers of the restaurants to help them market their businesses.

Firstly, and most importantly, customers accept negative recommendations rather than positive recommendations from the media, or family or friends. The correlation analyses show that Taiwanese customers are concerned about restaurants that demonstrated some unethical behaviour, for example tax evasion, treating employees badly, not disposing of rubbish correctly and so forth. In order to avoid negative news being reported by the local media, such as unethical behaviours, the owner-managers would do better to pay more attention to their social responsibility.

Secondly, not only trust and service quality, but also Cleaning and car parking are the most important elements for customers when they are selecting a restaurant. Many
previous research has addressed the importance of trust and service quality. For the Cleaning and car parking, it is widely believed that the government has created a set of standards for a ‘threshold of lowest acceptability’ to standardise hygiene in restaurants. For customers, the basic condition for food safety would be the belief that the consumption of food will not result in adverse health effects. The finding of this result suggests that managers should make sure that sanitation not only passes the threshold of acceptability and not be fined, but also maintain high standards of cleanliness as the polestar to aim at. Some published work also provides very similar opinions, for example Wallace (1994, p.10) said: “customers do not care how hard it is to keep the store clean and safe. They only care that the highest standards of sanitation and safety are met”. According to the Tastes of America Survey (1994, p.48), customers voted that “lack of cleanliness tied for first place with rude, unfriendly personnel”. Berta (2005, p.12) indicated that “keeping a restaurant clean from the lobby to the alley is often a thankless, far-from-glamorous job, but it is critical to the success of a business”. Moreover, providing their customers places for car parking is also a good way for a restaurant to attract more customers. However, this would be very difficult to put into practice for small restaurants, especially those in the city centre.

Finally, the moderated factors, Efficient process procedures (EPPs), Tangible special services (TSSs), and Trust in institution (TII) were found both to be strong facilitators of the relationships between dependent variables and, servicescape and choice of restaurant factors. Therefore, managers should take this into consideration when they are designing the servicescape and marketing their restaurant, and should not ignore the importance of trust and service quality. For example, the higher the level of trust in a restaurant, the greater the acceptance of the restaurant’s layout. Moreover, the other moderated factors, were also found to be strong facilitators of the relationship between dependent variables, and restaurant’s layout and choice of restaurant factors (for instance: Cost of meal and Discount factors). This strongly confirmed that a good service quality leads customers to accept those choice of restaurant factors.

The study concludes with some problems that the owner-managers of each restaurant must meet, now or in the future, and the owner-managers have to think about what they are and how to deal with them, such as ‘variety seeking behaviour’, ‘the
influence of word of mouth’, ‘unique or special characteristics of the restaurant’ and ‘why does the customer choose my restaurant?’. Consequently, the study provides some suggestions for owner-managers of restaurants for their future business.

Firstly, managers should not only try to seek out and attract new customers but should make a conscious effort to retain their existing customers through the reputation arising from trust and service quality provided by their restaurants. Providing a loyalty card or premier card to customers may be a good way to maintain existing customers, or by offering certain special discounts for them. These could include: a birthday discount, free drinks or ‘buy one get one free’ offer if existing customers achieve a targeted amount or number of times of consumption. These kinds of promotional behaviours are very popular in the UK, but not in the Chinese restaurants in Taiwan. Thus, owner-managers can try or consider to market their restaurant by identifying the above behaviours. More helpfully, the restaurant should regularly check what its customers need by inviting some of their regular customers to make suggestions for improvements.

Secondly, managers should build up their own strategy of differentiation and make these different from others. They could create a new recommended specialty of the restaurant to attract more new customers. For example, sometimes the owner-managers need a better understanding of the term market segmentation. “Market segment is the identification of specific parts groups (or segments) of customers who respond to competitive strategies differently from other groups” (Lynch, 2006, p.165). The demographic bases for segmentation include a number of key indicators; for example age, stage in the family cycle, gender, and so forth, see Palmer (2009). The purpose of segmenting a market is “to allow that marketing program focusing on the subset of prospects and the development of different market offerings that will be attractive to those segments” (Adcock, et al., 1995). Some segments may be more competitive and attractive than others, because a specialist segment may have only a limited number of competitors (Lynch, 2006). The problem of segmentation is that this may jeopardize economies of scale and increase the cost of operation (Dickson and Bickerstaffe, 1997). This kind of situation is unlikely to be a problem in small restaurants in large cities. Nevertheless, it would be a critical problem in small cities. Small firms generally have limited resources and crucially depend on a large and
well-functioning environment. Previous research has indicated there is a high correlation relationship between small firms and localized external economies (Phelps, Fallon and Williams, 2001). Hoover and Vernon (1959, p.614) historically indicate that “large cities have been thought to offer the most appropriate environment for the formation and growth of small firms”. In this study, the owner-managers should try to understand what kind of customers they are trying to attract.

According to the above description, market segmentation is not a good strategy for restaurants in small cities, due to the consequences of segmentation that may increase the cost and decrease the numbers of customers. On the other hand, older people do not like eating outside due to the ‘heavy’ tasting dishes found in Chinese restaurants, as discussed in Chapter Seven. The restaurants in Kaohsiung city can consider segmenting the market by age. Palmer (2009, p.188) also suggested “age is probably one of the most widely used bases for market segmentation”. Segmentation may be allowed by age, but also by income (Kivela, 1997). For example, although food quality is highly cited as an important factor for most eating-out occasions, customers with different income/occupations have different demands on the ambience or atmosphere in the restaurants (Kivela, 1997). Hence, Chinese restaurants in Taiwan should also understand what kind of customers they want to attract? Restaurant segmentation can also be distinguished by ambience or atmosphere. In addition, indicators such as customers on a budget, or special groups (older generations, families with children, special religious needs or people who want to be vegetarians from time to time and so forth) can also be treated as motivations of market segmentation for Chinese restaurants.

8.4.2 Implications for scholars of business reputation

Although there is no single definition of business reputation, this study suggests that reputation emerges from servicescape, choice of restaurant factors, trust, service quality, and the media. This study was exploratory in nature, however the selections of variables were based largely on the theoretical foundation of marketing research. This study suggests that further research can demonstrate reputation is established by other valuable elements, for example customer satisfaction or trust or a company’s past actions and future prospects or the judgements from the media and so on.
Furthermore, this study adopted multivariate analysis to test the relationships intermediated by moderating factors. This also provided valuable suggestions for further research which could attempt to employ different types of moderating variables. The multivariate analysis can help scholars to look at the target model from different angles. For example, the layout in a restaurant significantly influenced customers’ choice of restaurant (CCRRF) when the relationship was moderated by Efficient process procedures (EPPs). The results of moderated multiple regression may strengthen the level of a linear relationship or provide a different result outcome.

8.4.3 Implications for scholars of service marketing

There are four implications for further research into service marketing. Firstly, moderating variables, using moderated multiple regression, should create a number of different interesting associations and this may uncover many chance discoveries.

Secondly, as a limitation of this study the respondents who answered the questionnaire may not have eaten in the restaurants whose owner-managers were interviewed. It would be a practical suggestion for further research that data be collected from restaurants using a method sample of owner-managers and customers. This may bring genuine notions or different points of view, from both customers and owner-managers.

Thirdly, as noted in the limitations discussed in Chapter Six, this study suggests that it would be a potential avenue for further marketing research to consider the impact of variety seeking behaviour on customers, because previous research indicates that customers sometimes choose a degree of variety when they have a chance to select more than one item from a choice set, even if they have a favourite item (Ratner & Kahn, 2002; Kemperman et al., 2000 and Kahn, 1995). Although variety-seeking may make it more difficult for restaurants to build reputations, this behaviour may be an essential variable for further research in the areas of marketing and small business management.

Finally, this study also tested the relationships between trust and service quality, and the other independent variables discussed in Chapter Six. The results presented higher $R^2$ values than the models used in this study. Hence, this result provides a good
direction for further research in discussing the roles of servicescape, choice of restaurant factors, social responsibility and recommendations in trust and service quality, especially in Chinese societies.

8.4.4 Implications for scholars of business reputation and small business management

The recently chaotic and wayward financial market has led to the world’s economic downturn in the past two years. Since reputation is fundamental for business success, and businesses require a large amount of money or a longer period of time to establish a firm’s reputation, this situation can thus provide valuable suggestions for further research. Owner-managers of both multinational companies and small firms have to consider how to face the crisis and deal with any damage that would threaten their intangible asset of reputation. Thus, switching behaviours should be carefully measured by academic scholars and assessed by owner-managers of small firms. Examples of these behaviours include pricing strategies, cost controls, or the marketing of services or products towards special groups and so forth.

8.4.5 Implications for the Taiwanese government

For the restaurant industry, it is not only the responsibility of owner-managers to extend their business but also the Taiwanese government or local government to also play a part. In order to attract more customers, it is the government’s responsibility to market the country as part of its tourism promotion strategy, in particular as regards to special or regional characteristics of foods and snacks. For example, the Malaysian government strongly advertises the country through main television channels and international airports around the world, under the slogan of ‘true Asia’ or ‘the wonders of Asia in one exciting destination’. This can be a model for the Taiwanese government when marketing the tourist and restaurant industries of Taiwan.
8.5 Conclusions

It is believed that with different customers from different countries with different eating culture and religions, the servicescape elements and choice of restaurant factors may not apply to all customers. The findings of the research can provide service managers with straightforward ideas as to the factors that are the best motivations for customers’ choice of restaurant. Furthermore, managers should do their best to attain social responsibility; not only in order to have a positive reputation for the restaurant but also to devote themselves to the total welfare of environmental protection.

Finally, we hope the findings of the study will provide an avenue for scholars of business reputation, or servicescape, or social responsibility to continue with related research, and to look deeply into the core components of the subject.
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