

PERVAL in Accessing the Strength of Services Offered by Different Forms of Ownership

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ABSTRACT

Service value perceived by customers has been widely viewed as the key for business loyalty and to enhance competitive capabilities. This paper examines the perceived value on and customer loyalties toward large-scale retailing services in Taiwan. Three different forms of equity ownership are studied, namely international joint venture (IJV), foreign direct investment (FDI), and a locally funded retailer. This paper uses PERVAL in measuring perceived value in a services setting, and sequentially compares the difference of customer perceived value and specific loyal behaviors toward services offered by different ownership. This research supply several contributions to our understanding in service value at the minimum in Chinese community. Service quality and value perceived by the customers are not affected by the source of equity, whereas service expertise is vital for success in this market. Confirm the adaptability of PERVAL in this particular service context. Strong correlation has been found between customer perceived value and specific loyal behavior. Empirical results imply that firms that owned internalization strength may receive better locational strengths in international markets.

KEYWORDS: Perceived value (PERVAL); Customer loyalty; Foreign direct investment (FDI)

INTRODUCTION

Extensive literature has proved that customer satisfaction along with loyalty make a significant contribution in fostering profits and growth and propelling the organization to business excellence (Dubrovski, 2001) mainly through market share gain (e.g. Andre & Saraviva, 2000) for multinational companies (MNC) to compete.

While not all customers are kings to these organizations, long-term profitable

customers are vital to business survival and growth (Iacobucci, Grayson & Ostrom, 1994; Petrison & Wang, 2003; Wyner, 2000). To attract such customers' repeat purchase intentions, customer satisfaction is essential but not sufficient. Customers are not born loyal. There needs to be something beyond satisfaction that builds loyalty.

Both dissatisfied and satisfied customers are highly likely to seek alternative sources of supply, (Andre & Saraviva, 2000; Ganesh, Arnold, & Reynolds, 2000), particularly for those products and services with little value differentiation, low involvement (Bloemer & De Ruyter, 1999; Price *et al.* 1995), and low switching cost among numerous alternatives, for example, in retailing services. Customers to these retail shops are free from loyalty, and almost inevitably seek best value/price for their money.

Large-scale retailers expand to disperse markets by various forms of international operations. Today there are already 90 stores competing in Taiwan market with 4.7 billion US dollars turnover (Chang Hwa Bank, 2002). More large-scale retailers are expected to join and increase the competition, since this market was expected to have potential for 200 stores (Chang Hwa Bank, 2002).

All targeted retailers initiated their businesses in the Kaohsiung metropolitan area and then expand to other parts of the entire Taiwanese market. While it was not sure that consumers in Kaohsiung are more demanding by which good to enhancing competitive capabilities (Porter, 1990), firms that have succeeded in this market have been able to gain market acceptance in the rest of Taiwan, and Mainland China.

This research assumes that consumers may perceive varied degree value when there are different types of ownership structure—due to consumer ethnocentrism or stereotypical bias toward certain countries. This research has therefore chosen three stores with different ownership structures to compare the differences perceived value, and the loyalty toward the respective stores. These stores have equities that range from domestic, to foreign, and to joint venture; and the ownership is either private or state-owned.

This paper makes contributions of value to both academicians and practitioners.

- First, this paper reaffirms the reliability and adaptability of PERVAL (Sweeny & Soutar, 2001) with the Taiwan retailing service setting.
- Second, this paper is the first in comparing customer perceived value among different ownership in large-scale retailing services.
- Third, we provide evidence to show that customer perceived value applies to both private enterprises and enterprises utilizing service expertise.
- Finally, this paper provides evidence that FDI is superior to other forms of equity

structure in terms of customer perceived value and loyalty.

The author proposes that by internalizing experience and expertise accrued from Taiwan market, multinational company (MNC) would be able to efficiently transfer and leverage such knowledge and practices to other markets. For example, the highly imperfect China market where shared with similar cultural background with Taiwan.

PREVIOUS STUDIES

PERCEIVED VALUE AS THE KEY TO COMPETITIVE CAPABILITIES

Loyal customers are those customers that buy habitually from the same supply setting, they cost firms less marketing and operational resources, they buy more, are willing to paying more, and buy more often (Peltier, Boyt & Schibrowsky, 1999). Neal (1999) suggests that customer satisfaction has very little to do with loyalty, and customers became loyal only when something exceeding expectations are perceived (Lee, 2003).

Competing on offering value to customers through sets of value creating activities is widely accepted as sustainable strategies (Kaye & Dyason, 1999; Porter, 1990; Woodruff, 1997). While there are many “streams of value” studies (Payne & Holt, 2001), value is basically used as a term to describe the ratio (or the net) of customers’ receipts to customer payments and sacrifices. The key to the customer loyalty or the most important indicator of repurchasing intentions is the value that the organization provided (Neal, 1999) and perceived by the customers (Parasuraman & Grewal, 2000). The higher the value perceived by customers, more frequent loyal behavior the customers will perform. This research hence proposes that perceived value has an directly impacts on satisfaction and loyalty.

This paper has a number of aims

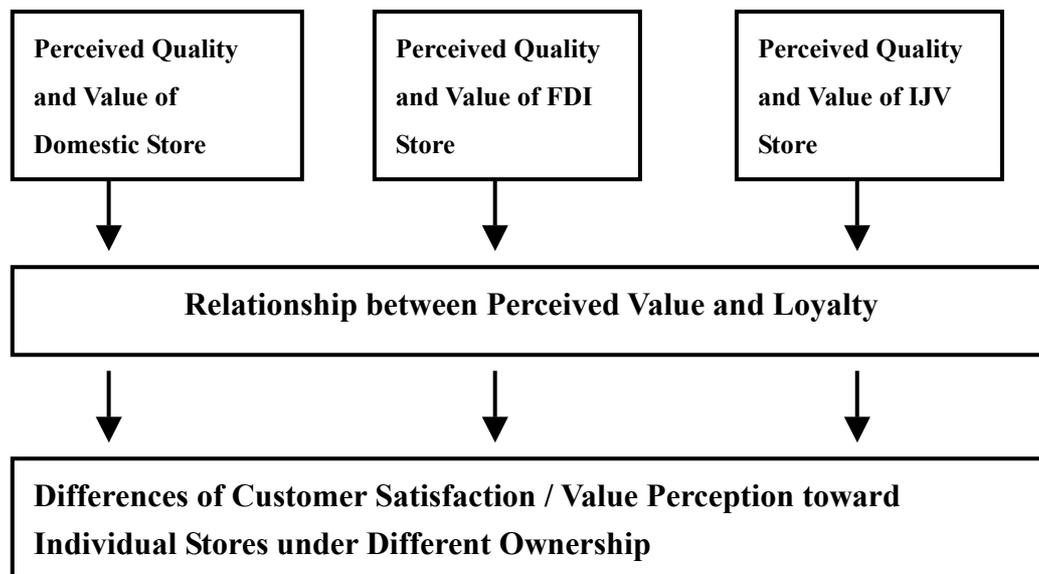
- First we wish to know better how consumers perceive values of large-scale retail stores;
- Then we wish to explore the difference of customer’s perceived value among three types of firms in the Chinese community.
- Finally, this paper will determine the existence of the relationship between value and loyalty.
- Questions to be answered are:
 - “Is customer loyalty associated with the origin of a firm’s equity?”
 - “Does customer’s perceived value have an impact on customer loyalty

toward particular service firms? ”

- “Does foreign ownership allure lead to better customer’s perceived value?”

Figure 1 shows the conceptual framework of this research.

Figure 1 Conceptual Framework of Perceived Value and Loyalty



RESEARCH METHODS

SAMPLES

Large-scale retailers established and operating in Taiwan are selected as the service providers in this research. There are three large-scale chain retailers with different equity sources in this study.

They are

- One firm having domestic equity of Taiwan,
- One foreign equity firm of the United States, and
- Another firm one that is a cross-national alliance of Taiwan and France.

All these stores had their first store in southern part of Taiwan, specifically the Kaohsiung metropolitan. Kaohsiung is the largest ocean port and main gate of international ocean freight of Taiwan, and it is planned to be the first and main commuting port with Mainland China.

Evidence indicates that female members of society have increasing decision-making power in many purchasing decisions that were previously dominated by male (e.g.

Braus, 1994); this is because an increasing number of educated and economically independent women actively participate in the business world. For example, there are more and more female professionals in healthcare institutes (Braus, 1994). Respondents were selected from senior university students who attend off-hour classes and are at same time the housewife of her family. The majority (85 %) of these 140 respondents aged between thirty and forty years, they are the main decisive power for most of the family consumption (Berkowitz, 1996), the main stream of purchasing decisions made for the family.

PERVAL AS THE RELIABLE INSTRUMENT

Just like shopping for durable goods, the shopping journey customers undertake to a large-scale store tends to take hours. Consumers are exposed to a great quantity and variety of mixed services and goods in such journey. Information seeking and alternative evaluating processes among different stores or within store are overwhelmingly time and energy consuming, equivalent to the decision-making process that required for durable goods. While PERVAL was designed to measure customer's perceived value on durable goods, it is appropriate to adopt it for a similar measurement of large-scale retailing services. The four dimensions of PERVAL are quality, emotional, price, and social aspects.

No matter how dispersed and complex the concept of loyalty can be defined, continuous exchange with particular venders or referring it to friends would not be deemed as un-loyal. It is thus logical to determine degree of loyalty to a particular store by inquiring about the respondents' intention in repurchase or make referrals. Examples of questions for this measurement are adopted from several literature on loyalty (e.g. Bloemer & De Ruyter, 1999; Peltier, Boyt & Schibrowsky, 1999; Woodside *et al.* 1989) such as "Will you recommend this store to your friends?"

The high level of Cronbach's α indicates the strong reliability of factors suggested by PERVAL (Sweeny & Soutar, 2001), shown as in table 2

RESULTS AND ANALYSIS

PERCEIVED VALUE ON LARGE-SCALE RETAINING SERVICES

This research reports the values that customers perceived the best and worst based on their personal judgment. Worth noting is the respondents to this research include those that have not actually had transactions with relevant stores.

Most valued services. The most common valued items are associated with quality and emotional aspects, and the least valued are those social interaction items (top three mean scores higher than 3.20 are included as most valuable, and lower than 2.70 as least valuable in this research), as shown in table 1. Higher value perception was given to items of favorite shopping site, relaxing to use, and having a good feeling toward Firm A (IJV). Firm B (FDI) customers favor consistent quality and performance value more. No item from Firm C (Host) was graded as of high value; the highest value customers perceived among other to this domestic business are service outcomes and acceptable service quality, mean scores at 3.14 and 3.06 respectively.

Table 1. The most valued items of respective large-scale retailers

| Firm A (IJV) | | Firm B (FDI) | | Firm C (Domestic) | |
|----------------------------|--------|----------------------------|--------|----------------------------|--------|
| Items | Means | Items | Means | Items | Means |
| <i>Highest value rated</i> | | <i>Highest value rated</i> | | <i>Highest value rated</i> | |
| Favorite place | 3.3591 | Consistent quality | 3.3095 | N/A | |
| Relaxing to use | 3.2323 | Acceptable quality | 3.2500 | | |
| Make me feel good | 3.2112 | Perform consistently | 3.2262 | | |
| <i>Least value rated</i> | | <i>Least value rated</i> | | <i>Least value rated</i> | |
| Improve recognition | 2.7605 | Social approval | 2.7143 | Improve recognition | 2.7623 |
| Good impression | 2.5633 | | | Good impression | 2.5643 |
| Social approval | 2.5563 | | | Social approval | 2.5445 |

“N/A”, none of Firm C's service received value higher than 3.20.

We next examine the value factors, shown as table 2. While the value scores are low, Firm B (FDI) transcend over its competitors in three factors that are: quality, price, and social aspects. Firm A (IJV) is leading in emotional aspects. Firm C (Host) nowhere gains a better rating than its counterparts in terms of value perceived by the customers. It seems that customers in Taiwan are not viewing shopping with foreign stores as a venue of social recognition. Customers concerned more on values of quality and emotional aspects associated with stores rather than on the ownership. Running far

behind, Firm C (Host) may not blame the domestic customers’ low ethnocentrism or patriotism or national loyalty, ethnocentricity is not big deal.

Table 2 Mean scores of value factors of respective stores

| Factors | Cronbach’s α | Firm A (IJV) | | Firm B (FDI) | | Firm C (Domestic) | |
|-----------|---------------------|--------------|-------|--------------|-------|-------------------|-------|
| | | Means | S.D. | Means | S.D. | Means | S.D. |
| Quality | 0.8635 | 3.1092 | .5705 | 3.1925 | .6522 | 3.0116 | .5766 |
| Emotional | 0.8970 | 3.1465 | .6866 | 3.1095 | .7905 | 2.9980 | .6785 |
| Price | 0.8822 | 2.9806 | .7336 | 3.0714 | .7399 | 2.9725 | .7620 |
| Social | 0.8994 | 2.6268 | .7206 | 2.7937 | .7621 | 2.6238 | .7298 |

DOES CUSTOMER PERCEIVED VALUE MATTER TO STORE LOYALTY?

Loyalty. Store loyalty by which firms may be benefited with premium pricing, cost reduction, etc., is important to retailers. Firm A (IJV)’s customers are more loyal than the others, as indicated by “recommending” and “re-purchase” in table 3. Noteworthy is that the distance to the store from where the customers’ dwell is not such an important factor for determining customer loyalty (data will be supplied upon request).

Table 3 Store loyalties toward respective firms

| | Firm A (IJV) | | Firm B (FDI) | | Firm C (Domestic) | |
|--------------|--------------|-------|--------------|--------|-------------------|--------|
| | Means | S. D. | Means | S. D. | Means | S. D. |
| Recommending | 2.7714 | .9394 | 3.0517 | 1.0665 | 2.8000 | 1.0360 |
| Repurchase | 3.3071 | .8473 | 3.2586 | 1.0355 | 3.0125 | 1.0125 |

Service quality, perceived value and recommendation. Frequent shoppers to each store are examined to explore how these factors influence their shopping loyalty. As indicated in table 4, customers’ willingness to refer friends to their shop is highly associated with the physical aspects of service quality of both Firm A (IJV) and Firm B (FDI), and additionally with reliability and interaction for Firm C (Host). Customers are all willing to recommend this store to friends because of the values they perceived of the quality, emotional, and price factors. This was true particularly for Firm B’s customers.

Service quality, perceived value and re-purchase. Repurchase is another important

determinant of customers' loyalty. It is found that customers will repurchase from the same store because of Firm A's service policy, the physical aspects of Firm B's service, and all service factors but especially service policy of Firm C. Noteworthy is that comparing with the very low loyalty to Firm C, the correlation between Firm C's customer loyalty and almost all factors of service quality are significantly high. It may imply that either customer did not find any particular favorable quality of this store or respondents might have empathy with this store because nothing competitive can be found with this store. The truth remains unknown.

Emotional aspect is the common dominating value perceived by the all customers for repurchasing from respective stores, particularly for Firm B's customers. Correlations of additional factors with the intention to repurchase vary. There are more value motivators of quality and price for Firm A (IJV), price for Firm B (FDI), and quality for Firm C (Host). While retail shoppers are sensitive to price, Firm C (Host) seems not to be price competitive at all in attracting customers' repurchase.

Table 4 Correlation of perceived value and loyalty to respective stores

| Correlation coefficient | Firm A (IJV) | | Firm B (FDI) | | Firm C (Host) | |
|-------------------------|--------------|------------|--------------|------------|---------------|------------|
| | Referral | Repurchase | Referral | Repurchase | Referral | Repurchase |
| Quality | 0.6204*** | 0.6343*** | 0.7221*** | 0.4743*** | 0.5918*** | 0.5056*** |
| Emotional | 0.6509*** | 0.7056*** | 0.7432*** | 0.6738*** | 0.6771*** | 0.6544*** |
| Price | 0.5976*** | 0.6484*** | 0.7381*** | 0.5867*** | 0.5325*** | 0.4583*** |
| Social | 0.4188*** | 0.4437*** | 0.48219*** | 0.4051*** | 0.3642*** | 0.3536*** |

*, $p \leq 0.1$; **, $p \leq 0.05$; ***, $p \leq 0.01$

Firm B's customers are less price elastic. They will stay with the same store when customers of its competitors would choose to switch when prices of its competitors are slightly lower. This may imply that Firm B (FDI) attracted more loyal customers than its rivals. Although the correlations between switching to lower priced stores and service and value factors are not significant, it seems that price-cutting promotion may still work in acquiring new customers, since even customers loyal to a store may switch if other lower priced places are available.

CONCLUSIONS AND DISCUSSIONS

Large-scale retailing services that are established and operated under foreign direct investment in this Chinese community perform much better than the other two forms of operation: the independent and cooperative forms. The FDI store may appropriate its return by fully utilizing its expertise and know-how that has not leaked to competitors, as argued by internalization theorists to internalize the market (e.g. Buckley, 1985; Casson, 1987). This study reveals the facts that the FDI store received greater acceptance and better value perception than the cooperative IJV and the domestic businesses. As Hymer (1960) suggests, firms that own superior assets will take any actions that maximize their return when they compete with indigenous firms who possess local market knowledge. However, local consumers generally have a quality service-seeking attitude toward these large-scale retailers no matter where their capital originated. Customer loyalty is not easily retained in most industries, including this one. Firms must not take customer loyalty for granted when it is based only on customer satisfaction.

Firms that own internalization advantages generate better Locational advantages than those who own ownership. Empirical results show that core competencies that transfer from the parent company to its overseas subsidiaries is significantly helpful for subunits to effectively generate Locational advantages, and thus create favorable synergy for the corporation.

Firms in this paper include three main modes of entering into a foreign market: the integrated, the cooperative, and the independent mode. In this case they are represented, respectively, by foreign direct investment of an American firm, an international joint venture of French and Taiwan firms, but the domestic firm in this study is not however an appropriate example of the independent model. Franchising, representing an independent mode of entry into a foreign market, has received a plethora of attention as an effective alternative to FDI. Leveraging expertise by franchising in foreign countries would promise fruitful outcomes at low cost to firms. Compared to FDI, franchising is a relatively risk-averse form and is particularly good for typically resource short small and medium enterprises (SMEs) that are becoming the majority of the global business population. Other forms of international cooperative arrangements such as contractual international strategic alliance, contract management, etc. were not included and explored in this study. There might be other forms of cooperative methods remaining to be uncovered by which firms could leverage mutual strength to compete with all kinds of competitors in market places.

Consumer ethnocentrism has been identified as having significant impact on the consumer's preference and choice, particularly for those foreign products. While this research has offered certain indirect evidence regarding the impacts of the origin of

equity on retailing services, it remains unknown how ethnocentrism may affect the customer's experience and accordingly its repurchase intention and loyalty. Similar research involving CETSCALE would be worth conducting for further understanding of how the low or high ethnocentric consumers behave toward stores displaying a foreign identity because they are financed with foreign equity.

A certain shopping style has been proved as having a relationship with retail store loyalty (Goldman, 1977); further store loyalty researches that are to include shopping style and consumer ethnocentrism would also have managerial implications in this integrated global economic environment.

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