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Customer Loyalty among the Generation Y Customers in the Fast Food Industry

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Abstract

Nowadays, the level of competitiveness of the fast food industry in Malaysia is intense. New competitors are emerging and current players in the market are striving to increase their market share through opening new branches in different parts of cities. The key target market for these companies would be the Generation Y customers due to their lifestyle and consumption habits. In order to be competitive in the industry, fast food companies should venture into instilling customer loyalty in the hearts of the consumer as it cost lesser and has the long-term benefits in term of profitability.

Therefore, this research would aim to investigate the factors which would affect the enhancement of customer loyalty among the Generation Y customers in Malaysia. Besides that, this research would also investigate the effect of customer satisfaction as the mediating variable between those factors and customer loyalty. As Malaysian fast food companies is situated in many different towns with different population, this research would also compare the perception of factors which are important to customer loyalty between two towns which have different populations. The factors chosen for this research are food quality, price, service quality, environment and location.

According to the results, the factors which have significant effect on both sets of respondents are the food quality, service quality and environment factor. Therefore, it can be deduced that these are the factors which affect the overall Generation Y customers in terms of their customer loyalty. The data also shows that customer satisfaction factor mediates the relationship between these factors and customer loyalty.

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Chapter I

Introduction

1.0 Chapter Summary

This chapter would introduce the purpose of the research and the background information of the Malaysian fast food industry. This chapter would also provide information regarding the Generation Y customers in Malaysia. In this chapter, information regarding the problem statement, research objectives, research questions, scope of studies, assumptions, limitations, and the significance of the research would be included. Besides that, brief information regarding the methodology to answer the research questions would also be included.

1.1 Background Information

According to Oxford Dictionaries (2010a), fast food can be defined as

"Easily prepared processed food served in snack bars and restaurants as a quick meal or to be taken away".

In Malaysia, examples of the fast food products would be burgers, pizza, fried chicken and Malaysian delicacies such as *nasi lemak*. Besides that, there is also the *mamak stalls* which offered food which can be prepared quickly such as the *roti canai* and also the *nasi kandar*. All of these products are the examples of food which is part of the Malaysian fast food business. However, in this research, focus will only be given to the fast food chain segment of the overall fast food business in Malaysia. Therefore, in this research, focus will only be given to companies such as McDonald's, KFC, Pizza Hut, A&W, etc. According to A&W's company website (2009), the restaurant chain is the first franchise restaurant in

Malaysia and thus, becomes the company who pioneered the establishment of the fast food chain restaurant in the Malaysian fast food industry. It is then followed by Kentucky Fried Chicken (KFC) in the year 1973, Marrybrown in the year 1981, McDonald's in the year 1982, Ayamas in the year 1989 and Pizza Hut in the year 1996. There is also other fast food chain being set up after that such as Domino's Pizza in the year 1997 and the most recent fast food chain restaurant being Papa John's Pizza in the year 2008.

The key customer segment for these fast food companies are the Generation Y customer. According to the Oxford Dictionaries (2010b), Generation Y is *"the generation born in the 1980s and 1990s and are mainly the children of the generation of baby boomers"*. In an article in TheStar online newspaper dated 24 October 2009, the author (Ang, Leong, and Lee) also defined the Generation Y or "millennials" in the Malaysian context as *"those born in the late 1970s to the late 1990s"*. According to Kuen & Voon (2007), existing literature indicated that Generation Y is the key market segment for the food service industry due to their lifestyle and consumption habits. The Generation Y in Malaysia is also no different. Nowadays, the busy and hectic lifestyle of the Malaysians has encouraged them to frequently purchase fast food from these fast food chains. These customers prefer to purchase take-away food from these fast food chains to avoid the hassle of preparing the food. Besides that, purchasing fast food products saves more time compared to cooking themselves and as time is important to them, it encourages them to purchase the fast food products. Other than that, as they have been exposed to take out food from young, they prefer to purchase takeout products which then increase their purchasing frequency. (Gale, 2007; Hume, 2007: cited from Kuen & Voon, 2007)

1.2   Problem Statement

Table 1.1 Top 10 Global Markets for Weekly Fast Food Consumption

Top 10 Global Markets for Weekly Fast Food Consumption	
Hong Kong	61%
Malaysia	59%
Philippines	54%
Singapore	50%
Thailand	44%
China	41%
India	37%
US	35%
Australia	30%
New Zealand	29%

Source: ACNielsen Online Survey, October 2004

Taken from: The Nielsen Company, 2005

The global competition between fast food chains to attract customers is intensifying as the time passes and this is similar in Malaysia due to the profitability of the Malaysian market. According to an online survey shown in Table 1.1 by The Nielsen Company on October 2004, Malaysia ranks second in terms of weekly fast food consumption in the world.

Figure 1.1 Market Sizes of the Food Industry in Malaysia

Market Sizes - Historic - Foodservice Value RSP - RM mn - Malaysia
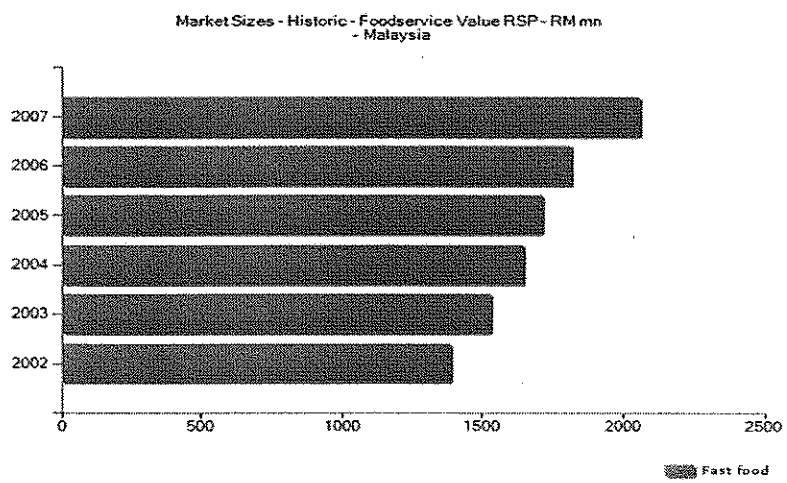
Taken from: Euromonitor International, 2009

Figure 1.1 meanwhile shows the market sizes for the Malaysian Food Service industry from the year 2002 until the year 2007. It shows that the market has been constantly growing and with the high weekly fast food consumption by the Malaysian, the fast food industry looks to be an industry where the potential to grow is high. According to the Malaysia Market Opportunities Report for the year 2000 by the United States Department of Agriculture (2010), the fast food industry is expected to experience a growth of around 20% to 30% per annum. In the light of this growth, companies in this industry have been trying to strengthen their grasp on the market and tried to attract customers to increase their market share in this industry.

In order for the fast food chain companies to compete for market share and profit from this market, there is a need to attract their Generation Y customers to purchase their product frequently. The population of Malaysian between the ages of 15-29 in the midyear 2010 would be 7,312,347 people (US Census Bureau, 2010). With the population of Generation Y Malaysian being this large and them being the key market segment for the fast food chain restaurants, they would appear as the appropriate target market for these fast food companies. Increasing their repurchase frequency can be done through inducing customer loyalty in the hearts of the Malaysian Generation Y customers. By having customer loyalty, the probability of the fast food chain companies to have their customers switching restaurants will decrease and thus, maintained their market share. Besides that, it also cost three to five times more to attract a new customer than retaining existing ones (Orr, 1995; Fierman, 1994; O'Brien & Jones, 1995; cited in Jang & Mattila, 2005). Therefore, the existence of customer loyalty will decrease the cost of operation for these fast food chain companies and ultimately, the higher amount of profit.

However, with the current knowledge regarding the customer loyalty and the repurchase decision in the fast food industry in Malaysia being little, there is a need to further understand the factors which affect the Malaysians to repurchase their

fast food products. According to Knox and Walker (2001: cited from McMullan, 2005), the subject of customer loyalty needed better understanding and knowledge. Besides that, there is also a need to improve the current knowledge regarding the Generation Y customers' loyalty towards their fast food restaurant as the current information on this generation regarding this subject is little.

Therefore this research would be used to address the issue mentioned. According to researchers, the main determinants for loyalty would be the satisfaction of customers (Kandampully & Suhartanto, 2000; Hallowell, 1996; McDougall and Levesque, 2000). Customers who are satisfied with a product would be more likely to repurchase from the same supplier. Customer satisfaction is shown to mediate the relationship between factors affecting customer satisfaction with customer loyalty (Hyun, 2010; Han & Ryu, 2009). Therefore, this research would examine the factors which needed to be satisfied in order for the overall Generation Y customers in Malaysia to be loyal to their preferred fast food restaurants and the mediation effect of customer satisfaction. As the fast food restaurants in Malaysia are located in both highly and lowly populated towns, this research would consider the similarities and differences in their perception in order to deduce the factors needed to be satisfied in order to induce loyalty in the overall Generation Y customers in Malaysia.

1.3 Research Questions

In order to complete the project and obtain results for the topic, the research question which this report would answer would be:

1. What are the factors which affect the satisfaction of the overall Generation Y customers who patron fast food restaurants in Malaysia?
2. Would customer satisfaction be the antecedent for Customer Loyalty?
3. Would customer satisfaction be the mediating factor between factors chosen and the customer loyalty?
4. What are the factors which affect the loyalty of the overall Generation Y customers in Malaysia towards their fast food restaurant?
5. How is the perception of customer loyalty factors differ from a town which has smaller population to a town which has larger population?

1.4 Research Objectives

From the research question, these research objectives can be formulated.

1. Determine the factors which affect the satisfaction of the overall Generation Y customers who patron fast food restaurants in Malaysia.
2. Determine if customer satisfaction is the factor affecting customer loyalty.
3. Investigate whether customer satisfaction acts as the mediating variable between the factors chosen and customer loyalty.
4. Determine the factors which affect the loyalty of the overall Generation Y customers in Malaysia towards their fast food restaurant.
5. Examine the similarities and differences in perceptions towards the factor which affect customer loyalty between a town with a smaller population and one with larger population.

1.5   Methodology

Questionnaires would be used as the tool to obtain data from the respondents in order to answers the research questions. In the questionnaire, respondents would be asked to select their level of agreement towards the statements developed for each factor chosen as the independent variable and dependent variable. Their level of agreements would comprise of 5 levels which are 'Strongly Disagree', 'Disagree', 'Neutral', 'Agree' and lastly, 'Strongly Agree'.

Upon having the data from the questionnaire, tests would be done in order to formulate the answers for every research questions. The data would also be used to determine the significance of every hypothesis chosen for this research. The tests which to be done are Descriptive Analysis, Reliability Analysis, Factor Analysis, Regression Analysis and Sobel Test.

1.6   Scope of study

The respondents chosen would be from Nilai which is a town with a small population and Klang which is a town with a larger population. The main purpose of choosing respondents from two towns with distinctly different population size is to compare the perception of those respondents regarding customer loyalty towards fast food restaurants. The towns are chosen out of all the towns in Malaysia due to their eligibility and convenience.

1.7   Data collection method

The data used for the research would comprise of both primary and secondary data. The primary data would be collected through questionnaires which would be distributed to the respondents who can be classified as the Generation Y customers of Malaysia. Questionnaire is used as the method to collect data due to

its convenience and the low financial resources required for the method. The secondary data meanwhile would be obtained through using the previous researches done in the subject of customer loyalty in the restaurant industry and the consumption behaviour of the Generation Y customers.

1.8   Sample unit

The unit used for this research would be respondent in the age between 18 and 28 years old. The age range is chosen because they are in the category of Generation Y customers. The respondents would comprise of both female and male respondents in Malaysia.

1.9   Assumptions

The assumption of the research would be that the results obtained can be generalised to the overall population of the Generation Y customers in Malaysia for towns with different population. The result from this research would represent the opinion of the general population of Generation Y customers in Malaysia.

1.10   Limitations

The limitations associated with this research would be the limitations of time. The time allocated for this project is 14 weeks and thus, the report might not be as detailed as it should be. Due to the time constraints, the research will only be targeted at Generation Y customers in Nilai and Klang.

1.11 Significance of the Research

This research would provide significance to the knowledge regarding the customer loyalty in the fast food chain industry. The significance of this research is comprised of academical significance and practical significance.

The academical significance would be that due to the little amount of research regarding this topic in Malaysia, it would provide a clearer view of the subject in the Malaysian context. Besides that, this research would also provide insights for further researchers attempting to investigate this subject in Malaysia. This research would assist them to further improve their understanding regarding the factors and their affect on customer loyalty among the Generation Y in Malaysia. This research would also provide understanding regarding the perception and culture of the Generation Y customers in Malaysia on the fast food industry and therefore, help improve the current knowledge regarding the Generation Y in Malaysia. The little research on the Generation Y in Malaysia would also make this project a significant research to be undertaken.

The practical significance meanwhile would be that this research can be used by the fast food chains companies in Malaysia to further improve their customer loyalty programs and initiatives. Upon knowing the factors and their strength on the customer loyalty, the company would be able to coordinate their marketing initiatives to target the factor which has the biggest impact on customer loyalty. Besides that, this research would also be of practical significance as it helps the fast food chain companies to evaluate their current marketing initiatives on whether it is targeting the appropriate factor respective to the customer loyalty. As Generation Y customers is a key segment for the target market, this research would be of practical significance to the fast food chain companies as the result from this project would help aid their knowledge regarding their key customers and finally, result to the increase in profitability.

Chapter II

Literature Review

2.0   Chapter Summary

Chapter two would provide information regarding the existing theories, ideas and findings from previous researches on the factors which affect the customer satisfaction and customer loyalty. This chapter includes information regarding customer loyalty, customer satisfaction and the factors in which would affect these variables. Findings from previous researches are used to support the selection of factors chosen for this research. At the end of the chapter, a research framework and the hypotheses for this research are proposed.

2.1   Customer Loyalty

According to Oliver (1997: cited from Oliver, 1999), there are 4 phases of loyalty and they are the Cognitive Loyalty, Affective Loyalty, Conative Loyalty and the Action Loyalty. The first phase of loyalty which is the Cognitive loyalty can be referred to as loyalty based on brand belief that one product is preferable to the alternatives. The brand belief can be based on prior information regarding the brand or the recent experience with the product. This depth of loyalty in this phase is shallow whereby if it is a routine transaction in which there is no satisfaction involved, the loyalty will just be based on mere performance. The second phase would be the Affective Loyalty whereby the cumulative satisfying usage has develops a liking towards the product (Oliver, 1997: cited from Oliver, 1999). The cumulative usage of the product has created pleasure in continuous usage of the product. Similar to the first phase, this brand loyalty remains subjected to switching if the depth of commitment is low. The third phase which is the Conative Loyalty is

shown when customers develop behavioural intentions. The behavioural intentions would include the intentions to repurchase the products. However, the intentions might only be a motivation and not a realised action. The last phase of loyalty would be the Action Loyalty and this is the phase whereby the intentions to repurchase are being acted. In this phase, the motivated intentions in the previous phase are being converted into the readiness to act and in this case, the repurchase decision (Oliver, 1997: cited from Oliver, 1999).

Customer loyalty is an important aspect in order for the long-term profitability of a company. According to Ehrenberg and Goodhardt (2000: cited from McMullan & Gilmore, 2008), it cost lower to retain existing customers than constantly recruiting new customers. In addition to that, 5 percent customer retention by a company would increase profits by 25 percent to 125 percent (Reichheld and Sasses, 1990: cited from Bowen and Chen, 2001). This shows that customer loyalty can be used as a driver to reduce the overall operation cost of the company as customer loyalty reduces the extent at which the company as to find new buyers.

According to Law, Hui and Zhao (2004), loyalty is

"The extent to which the customer intends to purchase again from the supplier who has created a certain level of satisfaction."

Customers who prefer to frequently dine in a certain restaurant indicated that they have loyalty to that particular restaurant. This will then be translated to the long-term income for the restaurant and thus, the long-term profitability of that restaurant (Hallowell, 1996). This can be supported from a research by Yi and La (2004) which shows that loyal customers have more favourable attitudes to the company and have higher intention to repurchase the product.

Besides the benefits of cost reduction, customer loyalty also provides other benefits in the form of recommendations. Customers who are loyal to a brand are more likely to recommend that brand to their acquaintance (Duffy, 2003). Tepeci

(1999) also supports the claim that one of the main importance of brand loyalty would be it increases the chances of referrals. The high recommendation or referral rate will then be translated to higher brand awareness for the company. The brand awareness due to these recommendations or referrals will then decrease the marketing cost and thus, increase profitability.

Other than that, another benefit associated with customer loyalty would be the chance to charge higher price for products sold. According to Tepeci (1999), customers who are loyal to a brand would be willing to pay more for its products as the customers believed that the brand provide unique value that competing products do not have. Therefore, companies are able to charge higher price for their products if brand loyalty exist between the customers and the company.

2.2   Customer Satisfaction

The factor commonly affecting the customer loyalty would be the customer satisfaction. Customer Satisfaction is defined as judgement that a product or service provides a pleasurable level of consumption-related fulfilment (Oliver, 1997: cited from Andaleeb & Conway, 2006). Basically, it means the overall degree of enjoyment towards a product or service.

Numerous researchers support the claim that customer satisfaction does affect customer loyalty (Han and Ryu, 2009; Ladhari, Brun and Morales, 2008; Sivadas and Baker-Prewitt, 2000; Kandampully & Suhartanto, 2000; Bloemer & Ruyter, 1998). According to Zeithaml, Parasuraman and Berry (1990: cited from Hallowell, 1996), customer satisfaction is the result of customer's perception of value received relative to the perceived value expected from competing vendors in a transaction. Loyalty behaviours meanwhile are the actions derived from customer's belief that compared to other vendor, the value received from this vendor is better (Hallowell, 1996). The relation between both these terms would be that if a vendor provides a customer with a deal that has better value than the ones

offered by its competitors, the customer would be satisfied and then, the customer would engage in the loyalty behaviours towards that vendor as the value the customer received from that vendor is greater compared to the ones offered by its competitors. Loyalty behavioural actions would include recommendation (positive word-of-mouth), relationship continuance (repeat patronage) and the increased scale of relationship (Hallowell, 1996). According to Stevens, Knutson and Patton (1995: cited from Sulek & Hensley, 2004), satisfied customers tend to return while majority (more than 90%) of dissatisfied diners never return.

In a research by McDougall and Levesque (2000), the relationship between customer satisfaction and customer loyalty is very strong which indicates that customers who are extremely satisfied with the products are more likely to develop loyalty for the products. Another research by Ryu and Han (2010), it is also shown that customer satisfaction has significant effect on the intention to repurchase and recommend the product. This indicates that customers who are satisfied with the product are more likely to repurchase them from the same company. Besides that, Robinson, Abbott and Shoemaker (2005) also found that customer satisfaction is an invaluable factor towards the formation of customer loyalty and the authors recommended that quick-service restaurants should focus more on satisfying their customers when they are inside their restaurants in order to improve customer loyalty. The importance of customer satisfaction as the determinant for customer loyalty in the food industry is further supported in a research by Hyun (2010). Therefore, it is legitimate to choose customer satisfaction to be the factor affecting customer loyalty in this study.

There are researchers who have shown that customer satisfaction is a mediating factor which links the factors which affect customer loyalty with the customer loyalty itself. A research by Hyun (2010) shows that food quality, price, service quality, location and environment influence the formation of loyalty among the customers of chain restaurants. Relationship between those factors is mediated by customer satisfaction. This shows that the customer satisfaction

would be a mediating variable whereby it mediates the relationship between customer loyalty to the factors such as the food quality, price, service quality, location and environment. A study by Han and Ryu (2009) also shows the role of customer satisfaction as the mediating variable between price perception and customer loyalty. Another research by Ryu, Han & Kim (2008) also supported the notion of customer satisfaction being a mediating variable between factors affecting customer satisfaction and customer loyalty. Therefore, it is valid to have customer satisfaction as the mediating variable for this research. The task of customer satisfaction as the mediating variable would be investigated in this research to verify its role in the context of Generation Y customers in Malaysia.

2.3   Factors

There have been many proposed factors which will affect the customer satisfaction and subsequently, the customer loyalty in the food industry but the factors which are widely acknowledged are food quality, price of food, service quality, environment and location (Hyun, 2010; Clark and Wood, 1999; Soriano, 2002).

2.3.1 Food Quality

The first factor to be investigated would be food quality. Food quality has been determined to be the top reason for patronising restaurants by researchers (Mattila, 2001; Ryu & Han, 2010). An essential component for a satisfying meal would be good food (Sulek and Hensley, 2004). The purpose of customers who visited restaurants would be to enjoy the food being served and thus, the importance of food quality is immense to their satisfaction. Besides that, food quality in a restaurant is important as food product that is not prepared well may pose health risks to the customers (Knight, Worosz & Todd, 2007: cited from Hyun,

2010). Customers who experience sickness upon consuming unhealthy food products would certainly feel dissatisfied with the restaurant. The importance of managing food quality is further intensified by the fact that customers tend to take notice of food having an off taste, having foreign material or being undercooked (Chung & Hoffman, 1998: cited from Sulek & Hensley, 2004).

In a research by Law, Hui and Zhao (2004), food quality is shown as one of the most important factors affecting the satisfaction of students during lunch time. In another research by Andaleeb & Conway (2006) in the restaurant industry, food quality is also determined as an important factor affecting Customer Satisfaction.

Food quality is also shown as an important variable for the customer loyalty of a restaurant. Satisfying customers in terms of Food Quality would increase the likelihood of customer revisit intention, positive words of mouth and recommendation (Namkung & Jang, 2007). As mentioned by Knight, Worosz and Todd (2007: cited from Hyun, 2010) that the perceived safety of the product is an important part of food quality, restaurants may lose their credibility if the food products they prepared is unhealthy. In the eyes of a customer, restaurants which have lost their credibility in term of food safety would not be patronised again by that customer in order to avoid another health threatening situation.

In a research by Soriano (2002) on the factors affecting customers' decision to revisit a restaurant for another meal in Spain, the most important variable chosen by the respondents was the food quality. In another research regarding the factors affecting customer loyalty in the food industry, Clark and Wood (1999) found out that the top 2 factors which affect the decision to choose a restaurant and key determinants for customer loyalty were range of food and the quality of food. The food quality is also the only factor which is significant in relation to the repeat patronage in the case of full-service restaurant according to Sulek and Hensley (2004). In the research, almost half of all the comments from the respondents have suggestions in relation to food in order to improve return patronage. The suggestions from the respondents are basically improved menu

variety and range of food. In the fast food chain restaurant industry, food quality is also an important factor to customer loyalty according to Hyun (2010). The research shows that food quality has effects on the satisfaction of the customers which in turn are a factor for customer loyalty. This indicates that food quality is a factor which will affect the customer loyalty with the customer satisfaction as the mediating variable. According to these researches, it is shown that food quality is an important factor in relation to customer loyalty and thus, is a valid factor for the research.

2.3.2 Price of Food

The price of food is also an important factor for customer satisfaction and customer loyalty in the restaurant industry. Price is important as it can be used to indicate the quality of a product or service (Lewis & Shoemaker, 1997: cited from Andaleeb and Conway, 2006). If a product is priced highly, customers would be expecting a good product or services. Besides expectation, price can be used as an indicator in the evaluation of their experience with the product or service and then influence their feeling towards the vendor (Varki & Colgate, 2001: cited from Han & Ryu, 2009). If the actual value (price compared to service/product quality) is below the expected value they thought they would get, customers would felt that they have been overcharged and become dissatisfied customers of the vendor. This indicates the importance of price to the satisfaction of the customers.

According to previous researches, price has also been related to customer loyalty through customer satisfaction. Zeithaml (1988: cited from Yüksel & Yüksel, 2002) stated that most customers are more attracted to frequent certain restaurants because the customers believed that the price they paid represents value for money. This indicates that the probability of customers repurchasing products from the same vendor is affected by the level of satisfaction towards the price. As according to Fornell, Johnson, Anderson, Cha and Bryant (1996: cited

from Homburg, Hoyer and Koschate, 2005) a key component to customer loyalty would be repurchase intention, this means that customer loyalty is being affected by the satisfaction towards price.

A study by Kim, Lee and Yoo (2006) also support the importance of price fairness whereby price fairness is shown as a significant factor for customer satisfaction and in the study, is linked with customer loyalty. The importance of price as a factor is further highlighted in the study by Law, Hui and Zhao (2004) whereby in their repurchase frequency model, price is the only significant variable which affect the repurchase decision of customers on non-canteen food which includes fast food from chain restaurants. However, this model is valid only for dinner period. A study by Clark and Wood (1999) also shows the importance of the pricing of the food towards customer loyalty as it is the third most important factor chosen by the respondents in the research. The top two factors are included in the quality of food and thus, this indicates that the pricing of the food is second only to the quality of the food in terms of importance. A study by Han and Ryu (2009) also indicates that the perception of the fairness of pricing will influence the customer satisfaction and customer loyalty. The relationship shown in the study illustrate that the perception of price is able to affect the customer loyalty through the customer satisfaction as the mediating variable.

From these researches, it is shown that the fairness in pricing of the food has a significant impact on the customer satisfaction and loyalty. Thus, it is a valid variable to consider in this study.

2.3.3 Service Quality

Service quality is defined generally as an attitude or global judgement about the superiority of a service (Robinson, 1999). Service quality is an important factor to consider in terms of providing customer satisfaction and instilling brand loyalty into customers. The importance of the quality of service provided by the

restaurants on customer satisfaction and loyalty has been numerously indicated by researches (Hyun, 2010; Ryu and Han, 2010; Ladhari, Brun and Morales, 2008; Kivela, Inbakaran and Reece, 2000; Soriano, 2002; Fu and Parks, 2001; Clark and Wood, 1999).

Ladhari, Brun and Morales's (2008) study highlights the key role of service quality as an effective tool to influence the satisfaction of restaurant patrons. According to the research, restaurants should always monitor their service quality so as to not be perceived as weak. The service quality should also be able to transmit positive emotions and reduce negative emotions to the customers in order to maximize customer satisfaction. Ryu and Han (2010) also has the same opinion regarding the importance of service quality in the quick-casual dining sector as it highlight the factor as one of the three factors influencing their respondents to patron casual restaurants.

Besides customer satisfaction, service quality has also been linked to customer loyalty. According to Soriano (2002), service quality is the second most important factor after food quality which attracts customer to return to a restaurant for another meal. In a study by Clark and Wood (1999), respondents who felt that they are "loyal" or even "very loyal" customers mentioned that they have this loyalty due to the friendliness of staff (42%) and being recognised by staff on arrival with various privileges such as speedier service and attentive service (21%). The research by Sivadas and Baker-Prewitt (2000) also indicated that service quality have positive effect on customers' satisfaction which will then enhance their long-term relationship quality with the brand of choice.

In a study targeted at elderly customers by Fu and Parks (2001), customer service is shown to be important factor for the intention to return and the intention to recommend. According to the research, the two factors within service quality which are important would be the friendliness of service and the feeling of being valued customers. The least important factor for the elderly customer would be the speed of service. This is because elderly customers usually have lots of time

available and thus, are able to treat dinner period leisurely. This meanwhile is not the case with other age group. According to Law, Hui and Zhao (2004), the waiting time significantly affect the customer satisfaction during all time period and affect the repurchase decision during the lunch period. This research is done on students in the City University of Hong Kong and thus, provides different perception to the importance of speed of service to different age groups.

2.3.4 Environment

"While a restaurant's cuisine is very important, the decoration, too, plays a huge role in setting the mood to keep the customers coming back." (TheStar, 2010)

According to Bitner (1992), the influence of physical environment towards customer behaviours and creating atmosphere is especially evident for service business such as restaurants. This is because for these businesses, the service is produced and consumed simultaneously and so, the customers often experience the service within the firm's physical facility. As the physical facility or as Bitner (1992) mentioned as "factory" cannot be hidden, it may have a strong effect on the customers' perception towards the service experience (Bitner, 1992). The perception towards the service experience would then in turn, affect the overall satisfaction and subsequent behaviour of the customer (Ryu & Han, 2010). Ryu and Han (2010) further added that as the quality of food and service will not be able to be judged until they have been experienced, customers will seek for intangible factor such as environment and atmosphere to predict quality. The actual experience relative to the perceived experience, which includes the prediction of quality beforehand, would then be used to determine the level of satisfaction.

There have also been other empirical results which support the importance of the environment factor towards customer satisfaction. In a research by Sulek and Hensley (2004), the importance of the factor of environment was highlighted

whereby dining atmosphere was determined as second most important factor after food quality which can be used to predict the overall customer satisfaction. Han and Ryu's (2009) study also projects the importance of the environment factor as decorations and artefacts is shown to significantly affect customer satisfaction.

There have also been empirical results which indicate the importance of environment factor towards customer loyalty. A study by Hyun's (2010) in the quick-casual restaurant industry showed that there is significant relation between the factor of environment and customer loyalty through customer satisfaction. This indicates that customers who are satisfied with the environment of the restaurant would be more likely to return to the same restaurant for another meal. In another research by Kivela, Inbakaran and Reece (2000) in the restaurant industry, the result shows that the addition of factor termed "satisfaction towards ambience excellence" increased the accuracy of their return predictor model which indicate the effect of environment factor towards customer repurchase intention. It is however mentioned in the study that the restaurant's ambience alone may not be a significant predictor of return behaviour. Therefore, this factor should be included in the research to determine its importance in the Malaysian context and specifically, among the Generation Y customers towards customer satisfaction and loyalty.

2.3.5 Location

Location is also another factor which is influences customer satisfaction and behaviour in the restaurant industry. (Hyun, 2010; Yüksel and Yüksel, 2002; Auty, 1992: cited from Clark and Wood, 1999; Bloemer and Ruyter, 1998: cited from Ryu and Han, 2010; Law, Hui and Zhao, 2004)

The location of the restaurant is important as it would be able to affect the customers in terms of accessibility. A restaurant which is conveniently located would be beneficial to the customers as they would be able to save the transportation cost and time used on travelling to obtain food products (Jekanowski,

Binkley & Eales, 2001). A convenient location is defined as providing a service to a customer at a place that minimises the overall travel cost to the customer (Jones, Mothersbaugh and Beatty, 2003). For example, if a restaurant is strategically located in a train station, hungry customers who commute by trains do not have to travel far for food as it is readily available for them in that location. This would then reduce the time and cost needed to travel to a restaurant which would increase their satisfaction towards the restaurant. With regards to fast food restaurants, retail outlets of fast food products have been seen appearing on airports and department stores which show that the fast food companies have been finding locations to improve accessibility for their customers to purchase their products (Jekanowski, Binkley & Eales, 2001).

According to Yüksel and Yüksel (2002), the convenient location of the restaurant is one of the two significant factors affecting the dining satisfaction of adventurous food seekers. Law, Hui and Zhao's (2004) research meanwhile managed to produce and equation for the customer satisfaction model and one of the variables included which will affect the customers' dining satisfaction was convenient location. However, the factor is only significant during the lunch period. However, Law, To and Goh's (2008) study showed that the factor of location does not hold such high importance on the decision to choose a certain restaurant for dining purposes. In the research, the importance of location is between neutral to somewhat important. This shows a contradictory result from the other literature mentioned regarding the importance of the factor of location towards satisfaction.

Regarding customer Loyalty meanwhile, the factor of location has also been empirically tested to have a significant relationship with loyalty. According to the research by Hyun (2010), the location factor is shown to affect the customer satisfaction of quick-casual restaurant. The satisfaction factor is then shown to significantly affect the loyalty of customers. This would indicate that satisfying customers in term of location would support the enhancement of loyalty in the heart of customers. Besides that, another research by Jones, Mothersbaugh and Beatty

(2003) also showed the effect of location towards customer loyalty. According to the researchers, convenient location can act as a protective barrier prohibiting customer defection during periods of lower satisfaction. When a customer is experiencing a bad service, he/she may be less likely to switch to the competitors if the initial firm is perceived as having a convenient location.

Therefore, in order to determine the effect of the factor of location in the dining satisfaction and loyalty, this variable should be included in the research. The addition of this variable will provide an insight to which side the Malaysian Generation Y customers are on and determine its importance to the selection and loyalty towards fast food chain restaurants in Malaysia.

2.4   Generation Y

The Generation Y has become an interesting population to study for this research because of their importance to the fast food industry segment. According to Kuen & Voon (2007), the Generation Y is the key market segment for the food service industry due to their lifestyle and consumption habits. According to Gale (2007: cited from Kuen & Voon, 2007) and Hale (2007: cited from Kuen & Voon, 2007), Generation Y have been exposed to takeout food products since young and hence, frequently dined out. The frequent consumption of takeout food will then result in higher profitability of the age group among the restaurants. The high potential to gain profit will then render this age group to be a profitable key market segment for restaurants which focus on takeout food such as fast food chain restaurants.

There have been researches which identify that the youths of Generation Y have the preference to consume fast food products. According to a research by Driskell, Meckna and Scales (2006), the fast food consumption has become part of the lifestyle of college students. In another research by Driskell, Kim and Goebel (2005), more than 90% of their respondents who are college students reported

eating meals at fast food restaurant at fast-food restaurants six to eight times weekly. From the research, the two main reasons for college students to choose to patron fast food restaurants are convenience and taste. This reason has been supported by another research by Morse and Driskell (2009) whereby the two main reasons for fast food consumption among college students are taste and limited time available.

Other than that, the Generation Y customers wield considerable influence in the spending decision in the family and have significant spending power (USA Today, 2006). Therefore, in order for companies to gain profits and market share, the key market segments should be the Generation Y customers who are able to influence the purchasing decision in their families and those with the more significant spending power. This is the reason Generation Y customers are being chosen for this research.

The current population of Malaysians aged 15-29 which are of Generation Y as of midyear 2010 is 7,312,347 people which comprises of 3,687,424 male and 3,624,923 female (US Census Bureau, 2010). With the total population of Malaysia as of midyear 2010 being 28,274,729 people, over 25% Malaysian is of the Generation Y category (US Census Bureau, 2010). Besides that, taking information from the US Census Bureau (2010) regarding the Malaysian population by age in the year 2008 and International Labour Organisation (2010) regarding the economically active population by age in the year 2008, it is found that the age group which is most economically active taking the total population of the age range into account would be between the ages of 25 to 29 at 79.87%. The number of economically active Malaysian between the ages of 25-29 would be 1.831 million people. This indicates that the age group whereby Malaysians are most economically active is the Generation Y.