INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

RELATIONSHIP BETWEEN RESTAURANT EXPERIENCES AND CUSTOMER SATISFACTION – MALAYSIA BASED CHAIN RESTAURANTS

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Submission Date : 6th December, 2013

Ethics Number   : BUS/PG/CP/00059

Final Word Count : 14534

Faculty of Business, Communication and Law

INTI International University (2013)

Abstract

This study seeks to determine which restaurant experiences influence on the customer satisfaction a restaurant in the context of Malaysia based chain restaurants. The research examines the relationships among restaurant experiences and customer satisfaction in the context of Malaysia based chain restaurants. The results of this study suggest that: (a) A restaurant's environment and food quality positively influences on customers' satisfaction, (b) customers' perceptions of price fairness influence on customers' satisfaction, (c) development of service quality drives customer satisfaction. These results provide a basis for investigating which restaurant experiences are critical in eliciting development of customer satisfaction for a Malaysia based chain restaurant. This study also offers managers a perspective for developing marketing strategies to strengthen customer satisfaction in Malaysia based chain restaurants.

Key Words: Restaurant experiences, customer satisfaction, chain restaurants.

Acknowledgement

I would like to take this opportunity to thank for all of those who have contributed in many ways on helping me during the entire dissertation process of my study.

First of all, I would like to express my gratitude to my supervisor, Associate Prof. Dr.Vikineswaran A. Maniam, for his professional advice and guidance on improving my dissertation throughout the entire process.

Next, I would like to thank everyone who contributed and encouraged me all the way through my academic journey during Master degree time.

Furthermore, thanks for my colleagues and classmates, thank you for your feedback and constructive criticism during the entire research process.

My special thanks to my family and friends for their support and understanding. Their encouragement and confidence in me has persuaded me to successfully complete my research.

Last, thanks for INTI International University, Faculty of Business, Communication and Law for allowing me to have the opportunity to conduct the research which has given me a better understanding of my research area.

Xie Tian

Decemeber, 2013

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CHAPTER I: INTRODUCTION

This chapter provides an overall view of this study on determining which restaurant experiences influence customer satisfaction in restaurant industry, in particular, Malaysian-based chain restaurants. This study was focused on factors influencing customer satisfaction for chain restaurant in Malaysia. Initially, in this chapter, it gives an overall background of the present Malaysian restaurant market. Furthermore, problem statement, research objectives, research questions, and the significance of the study are separately discussed. Moreover, the limitation and relevant assumptions of this study are given with regard of further discussion. In the end, the operational definitions are given.

1.1 Background of the Study

In the fast developing market, nowadays the owners in foodservice industry have to pay more attention on understanding the market so as to gain a sustainable strategic advantage in the quite competitive industry of foodservice. This industry is a speedy developing industry in the international market, and it is seemed like being in the middle of a perfect storm by players of the industry. In Malaysia, the food service industry is in a transformation dramatically and a furious competition.

Customer satisfaction is a key reason for the growth of business as well as customer loyalty (Oliver, 1997). There are supporting evidences about the relationship between customer loyalty and customer satisfaction according to previous reasearches, and they have found cross-buying behaviour, repeating purchase, less sensitive in pricing, and more growing profits (Bloemer & Odekerken-Schroder, 2002; Ibrahim & Najjar, 2008; Oliver, 1997). The function of marketing is to make more values for satisfying customers as well as building a long-term and mutually profitable relationship with customers. Based on business literature, there are studies from different areas have discovered that it is less costly to retain the present or older customers rather than to attract new

customers (Oliver, 1999; Rosenberg & Czepiel, 1983). Nevertheless, in the restaurant industry, it's not so easy, because one issue is keeping repeating or current customers, and the other issue is providing a wonderful dining experience for each visit (Lee et al., 2003; Zeithaml & Bitner, 2003).

In the theory and practice of marketing, the concept of customer satisfaction owns a central position (Churchill and Surprenant, 1982). As recommended, more new customers, repeating purchasing as well as positive word-of-mouth communication can be generated through building high customer satisfaction, which means this could lead to more revenues and profits. There is an emerging and intriguing issue for researchers, which is the determination of restaurant experience for customer satisfaction. Making high-quality customers' experiences is one key issue to establish customer loyalty and gain a sustainable competitive advantage (Berry, Carbone & Haeckel, 2002; Berry, Wall, & Carbone, 2006; Pine & Gilmore, 1998; Verhoef et al., 2009). Regarding to this opinion, Pine & Gilmore (1998) proposed that abundant quantity of economic values for the organizations can be generated by making a different customer experience. Since many products and services in hospitality industry can be summarized as "total experiences", the key issue of the hospitality sector is focused on improving and encouraging the experiences (Williams, 2006).

As today's social and lifestyle trends are changing fast, families are eating out more often than ever because of time limits. As parents' working hours are longer, they are not able or feeling like to spend a few hours on cooking for the family after a tired and long working day. Moreover, some of the families use their weekend to catch up with each other, and/or attending other family members' activities. In order to enjoy a delicious lunch or dinner as well as quality family time, the most adaptable solution is to take all the family members to an appropriate restaurant. Price and selections of food should be taken into considerations for the choice of restaurants, thus not only the price of dinning out is within the budget of the family, but also it will satisfy the whole family members' choices of food (Ryu & Han, 2009).

There are various kinds of restaurant suitable for this type of customers of convenience. Different kinds of restaurants are categorized based on preparation methods, menu style, and pricing. In addition, the determination of classification is also depended on the way the meal is delivered to the customer. Followed by the emerging of fast-food as well as take-out restaurants, there is a new concept for the previous "standard" of restaurant, which is dine-in restaurant service. In common, "sit-down restaurant" is referred to a restaurant of casual dining which offers table service, not like a restaurant of fast food, where orders of food are taken at a counter. Also, restaurants offered sit down service are often further classified as "formal" or "family-style".

A Malaysia-based chain restaurant is a typical example, such as chicken rice shop, noodle station and secret recipe. As the products and services of it consist of the preparation as well as delivery of the food to the tables of customer, it can also be considered as a product of balance. Therefore, although having a meal is the main reason for patronising a restaurant, the restaurant experience is actually a combination of products received, which means the meal (presentation, price, quality taste, quantity), and the services offered by the employees (welcoming the customers, taking customers' orders, preparing and delivering the meal) as well as the physical environment (parking, location, lightings, seating arrangement, background music, internal and external decoration). All these elements would consequently affect significantly to the satisfaction level experienced by the customers. The ultimate goal of the restaurants is to build customer satisfaction. Due to satisfied customers, restaurants can reduce the expenses and costs of operations and acquisition. Thus, this study is mainly focused on chain restaurants with the objectives to identify the factors affecting customer satisfaction in Malaysia.

During the past twenty years, a lot of studies on improving restaurant experiences with regard of restaurant industry are conducted, which consist of chain restaurants (Chow et al., 2007), fast food restaurants (Lee and Ulgado, 1997), ethnic restaurants (Ha and Jang, 2010), and airport restaurants (Heung, Wong and Qu, 2000). Based on the past researches, one of the main predictors

of customer satisfaction is considered to be restaurant experience. Therefore, it is worthwhile for finding out which restaurant experiences determine the customer satisfaction.

The sector of chain restaurant is still considered to be fast developing in food service industry (Roh, 2002). In Malaysia, chain restaurants are catered for customers who would like to pay more in pursuit of a fine dining experience. Actually, the environment of chain restaurants in Malaysia is considered to be nicer and cleaner compared to other types of restaurants. As the Malaysia based chain restaurants regard restaurant experiences of customers as a competitive advantage to differentiate themselves from their rivalries, providing a high-level dining experience for the customers has become an important objective for many operators of chain restaurants.

Therefore, an in-depth study on factors influencing formation of customers' satisfaction is necessary.

1.2 Food Service Industry in Malaysia

In Malaysia, chain restaurant is included in full service restaurant (Euromonitor International, 2010) as it offers table service for customers while fast food restaurants fall in the category of quick service. Regarding with economic development of Malaysia as well as change in lifestyle of people, restaurants in Malaysia have obtained a great development in terms of selling performance and quantity of new outlets for opening. Compared to year of 2001, there are 145,320 newly establishments that involved in the industry of food and beverage in 2010, and keeps annual growth rate of 6.5 %. Nevertheless, from establishments in total, 118,277 of which are in food service industry in 2010. There are four sectors that fall into this class, which are restaurants, restaurants of fast food, cum night clubs, food stalls, canteens or cafeterias. According to the 2011's report of Economic Census, restaurants together with cum night clubs are accounting for 44,148 establishments (37.3 %), with value of gross

output as well as value added 57.9 and 58.4 billion respectively(Economist Intelligence Unit, 2011).

The foodservice sector in Malaysian is experiencing an expanding time period, and the sales value is growing speedier compared to the quantity. During time from 2004 to 2009, consumers of Malaysian had higher disposable income compared with the past, and they were willing to try for food products of higher quality and new feature. This has led to a fast development in the food service industry at a compound annual growth rate (CAGR) of 8.25%, and absolute growth rate of 48.64%

The quantity of transactions of the sector of restaurant grew fast over the years from 2004 to 2009, at a CAGR of 6.80%, and with an absolute growth of 38.92%. Although the growth in transactions was not as fast as the growth in value, it still keeps very speedy.

1.3 Problem Statement

In the market situation where the catering industry has huge potential, while the development of restaurant enterprises is not good enough as expected. Building customer satisfaction can help the company to enhance the market share and improve sales and profitability. The factors that contribute to customer satisfaction in local restaurant industry especially for local chain restaurants in Malaysia need to be identified.

The concept of "customer satisfaction" has owned an important position in the literature of marketing during the past decades. This is mainly because long-run profits for organizations can be generated due to the satisfied customers, which consist of sustainable profitability as well as customer loyalty and (Homburg et al., 2006). In the previous researches, a variety of different theories have be used to explain the system of customer satisfaction, such as contrast theory (Howard & Sheth, 1969), theory of dissonance assimilation or cognitive

(Anderson, 1973), theory of value-percept (Westbrook and Reilly, 1983), equity theory (Oliver & Swan, 1989), and expectancy-disconfirmation theory (Oliver, 1981). Among all of the theories, the most commonly used theory is considered to be the theory of expectancy disconfirmation. Based on theory of expectancy-disconfirmation, judgments of customer satisfaction are referred to the consequences of comparisons between perceived performance and expectations of customers. When the perceived performance is better than the customers' expectations, the expectation of customers is positively confirmed and which means the customers are satisfied. In contrast, when the perceived performance is less than the expectation, and then the expectation of customer is negatively confirmed, consequently the customer is dissatisfied.

Understanding factors influencing customer satisfaction can positively improve the restaurant's reputation and profitability. For most of the researches in restaurant industry, which study the formation of customer satisfaction stated mainly several factors influencing customer satisfaction.

According to the study conducted by Jin, Lee and Huffman, customers' satisfaction is driven by environment, food quality and price fairness. Generating high-quality customer experience is one of the central concepts to establish customer loyalty and a gain a sustainable competitive advantage (Berry, Carbone, & Haeckel, 2002; Berry, Wall, & Carbone, 2006; Pine & Gilmore, 1998; Verhoef et al., 2009). In addition, the previous research of Liu and Jang stated that customers' satisfaction is driven by food quality, service quality, atmospherics and price fairness. The difference between two researches is the service quality which has been studied in the research of Liu and Jang while not been studied by Jin et al. Therefore, there is a knowledge gap of service quality in studying the relationship between restaurant experiences and customer satisfaction.

Reuland et al. (1985) proposed that services of hospitality include a balanced mixture of three main factors: the physical product, employees' behaviour and attitude, and physical environment. Berry et al. (2002) suggested three types of