UNIVERSITI PUTRA MALAYSIA

INFLUENCE OF DEMOGRAPHIC, FOOD ATTRIBUTES, PHYSICAL ENVIRONMENT AND SERVICE ATTRIBUTES ON PERCEIVED VALUE AND OVERALL SATISFACTION AT CASUAL DINING RESTAURANTS IN KLVALLEY, MALAYSIA

FARIDAH BINTI AHMAD

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INFLUENCE OF DEMOGRAPHIC, FOOD ATTRIBUTES, PHYSICAL ENVIRONMENT AND SERVICE ATTRIBUTES ON PERCEIVED VALUE AND OVERALL SATISFACTION AT CASUAL DINING RESTAURANTS IN KLANG VALLEY, MALAYSIA

By

FARIDAH BINTI AHMAD

Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in Fulfilment of the Requirements for the Degree of Master Science.

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INFLUENCE OF DEMOGRAPHIC, FOOD ATTRIBUTES, PHYSICAL ENVIRONMENT AND SERVICE ATTRIBUTES ON PERCEIVED VALUE AND OVERALL SATISFACTION AT CASUAL DINING RESTAURANTS IN KLANG VALLEY, MALAYSIA

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November 2015

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The increasing population has caused an increase in food demand and a change in eating pattern. Besides, the economic growth has influenced the urban population to spend more on eating outside home. Compared to other types of restaurants, the casual-type restaurants are now gaining attention and popularity. Hence, this study only focused on casual-type restaurants. Due to the mushrooming of casual dining restaurants, restaurant operators should create competitive advantage by offering greater benefits and providing a unique factor to be different from other competitors. Besides, failure in providing good services can cause loss in terms of sales, profits, and the number of customers dining at the restaurant. In fact, failure occurs when the service rendered fails to meet customers' expectations. Therefore, the present study aimed to identify the restaurant attributes that influence customer perceived value at casual dining restaurant in Klang Valley. The second objective was to measure the relationship between restaurant attributes and perceived value at casual dining restaurant. The third objective was to measure the relationship between customers perceived value and overall satisfaction at casual dining restaurant. Finally, the perceived important attributes at casual dining restaurant will be determined through the present study. A total of 800 questionnaires were distributed. However, 682 usable responses were accepted for further analyses. Descriptive and inferential analyses were run by using IBM SPSS Statistics version 21. On top of that, this study discovered four restaurant attributes that influence customer perceived value. Service attributes, food attributes, physical environment, as well as innovative and convenience were found to have significant relationships with perceived value. Perceived value was also found to have a significant relationship with overall satisfaction. Overall, all relationships tested resulted in moderate positive correlations between variables. Moreover, the present study revealed fifteen items perceived as very important by customers. The findings obtained from this study is hoped to help practitioners in identifying significant attributes at casual dining restaurants to attract customers and increase customer perceived value. The perceived value could determine customer overall satisfaction. Additionally, this study has contributed to the enrichment of theoretical in identifying the important factors and restaurant experience. Moreover, this study has offered useful
information that should benefit restaurant operators to improve their current strategies applied at casual dining restaurants in Klang Valley, Malaysia.

**Keywords:** casual dining restaurants, restaurant attributes, customer perceived value, perceived importance attributes, overall satisfaction
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Master Sains

PENGARUH DEMOGRAFIK, ATRIBUT MAKANAN, PERSEKITARAN FIZIKAL DAN PERKHIDMATAN TERHADAP PERSEPSI DAN KEPUASAN PELANGGAN SECARA KESELURUHAN DI RESTORAN KASUAL DI LEMBAH KLANG, MALAYSIA

Oleh

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November 2015

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dan menekankan hubungan atribut makanan, persekitaran fizikal, atribut perkhidmatan serta inovatif dan kemudahan dengan persepsi. Persepsi tersebut juga dapat menentukan kepuasan keseluruhan pelanggan. Di samping itu, kajian ini telah menyumbang kepada pengayaan teori dalam mengenalpasti faktor-faktor penting dan pengalaman berkunjung ke restoran. Tambahan lagi, kajian ini telah memberikan maklumat yang memanfaatkan pengusaha restoran dalam menambah baik strategi semasa yang digunakan di restoran kasual di Lembah Klang, Malaysia.

**Kata kunci:** restoran kasual, atribut restoran, persepsi pelanggan, nilai dianggap penting, kepuasan keseluruhan
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I am deeply thankful.
I certify that a Thesis Examination Committee has met on 18 November 2015 to conduct the final examination of Faridah binti Ahmad on her thesis entitled "Influence of Demographic, Food Attributes, Physical Environment and Service Attributes on Perceived Value and Overall Satisfaction at Casual Dining Restaurants in Klang Valley, Malaysia" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Master of Science.

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CHAPTER 1

INTRODUCTION

This chapter provides the introduction of the present study. This chapter begins with a discussion on the general overview of consumer behaviour at restaurants. Besides, the problems related to this study will be discussed comprehensively. The objectives of this study are also highlighted in this introductory chapter. Finally, the chapter concludes with the significance of the study from both academic and managerial perspectives.

1.1 Overview

Malaysia is a developing country with a population of 31 million people (Department of Statistics Malaysia, 2015). About 60 percent of the population is made up of the middle to the high-income group (Malaysia HRI Food Service Sector Report, 2014). This brings on to the modern lifestyles and rapid increment of eating out activities in Malaysia. Besides, the Ministry of Finance reported that the economic growth had increased to 6.4% in second quarter of 2014 from 6.2% in the first quarter of 2014 (Malaysian Ministry of Finance, 2014a). The growth in consumption was also expected to increase in 2015 due to the higher disposable income and cash assistance (Ministry of Finance Malaysia, 2014b). Meanwhile, Ali and Abdullah (2012) claimed that the strong economic growth, especially in the urban areas, has contributed to the increasing household consumption, including foods and beverages. On top of that, the Malaysian HRI Food Service Sector reported that the Malaysian population is an active consumer with increasing eating habits, as well as consumption of imported food and beverages. Statistics shows that restaurants and hotels consumption, as well as food and non-alcoholic beverage consumption, rose to 6.6% and 6.5% respectively during the fourth quarter of 2014 (Ministry of Finance Malaysia, 2014b). However, Norimah et al., (2008) have identified the difference of consumption among the rural and urban population. The hectic live in urban areas cause the dependency on the cooked, processed, ready to eat and fast foods is higher, compare to rural counterparts. In Malaysia, Klang Valley area is the most developed and urbanised region (Norimah et al., 2008). Therefore, the urbanisation has contributed the changes in the lifestyles as well (Ali & Abdullah, 2012). Consequently, it leads to the frequent of eating out activities (Heng & Guan, 2007). The phenomenon and demand of eating out have evoked the transition in food and beverages industry in Malaysia. The growth of restaurants nowadays is spring up like a mushroom and enlivens food sector with varieties of food choices.

A recent study conducted by Taylor’s University had revealed that 64% of Malaysians ate, at least, one meal per day outside of their home, while 12.5% of people still ate at home, with at least one meal outside their home (Tan, 2014). The rising number of fast food outlets and Western restaurants are the impact that can be observed from the influence of the Western food culture (Habib, Dardak, & Zakaria, 2011). The positive growth of restaurants in Malaysia has given a wide range of choices to consumers in meeting the demand. Several segments of restaurant are fast food restaurant and full-
service restaurant that consist casual dining and fine dining restaurant. Fast food restaurants have seen the greatest growth in Malaysia due to the competitive price offered (Abdullah, Mokhtar, Harriszamani, Bakar, & Al-kubaisy, 2015). As the name, fast food offers convenient, fast service, an order made at the counter and reasonable price (Goyal & Singh, 2007). Meanwhile, there are differences between casual dining restaurant and fine dining restaurant. Casual dining restaurant offers table service with variety of menu in a relaxed atmosphere and moderate prices (Barrows & Powers, 2009; Hwang & Ok, 2013). On the contrary, fine dining restaurant is an upscale restaurant with elegant and luxurious atmosphere, caters dedicated courses with comparatively higher price (Hwang & Ok, 2013).

The significant differences of fast food and full-service restaurant are in terms of the services offered the range of menu variety, as well as the prices occurred. Between two types of full-service restaurant segment, Dziadkowiec and Rood (2015) stated that casual dining restaurant is the most rapidly growing restaurant sector nowadays. In fact, in Malaysia the development in urban areas has advocated the increasing number of full-service restaurants. In Malaysia, casual dining restaurants are more popular compared to fine dining restaurants due to the lower price offered. The mid-price offered, good food, enjoyable experiences, and friendly environment have influenced customers to have a meal at casual dining restaurants (Ha & Jang, 2013). These are the reasons of popularity of this restaurant, particularly among urban people that comes from middle to upper families and young affluent. Besides, the impact of western food culture has encouraged the opening of more casual dining restaurant, for example, T.G.I. Friday’s, Tony Romas’s, Victoria Station, and Bubba Gump Shrimp Co. The influence of Asian and local cuisine restaurant like The Chicken Rice Shop, J.M Briani House, and Dubuyo have flourished this segment very much.

In facing challenging and competitive market nowadays, casual dining restaurant operators should understand the needs, recognise the key attributes that influencing customer satisfaction, return intention, and positive recommendation. Therefore, to understand the needs, it is vital to evaluate the important criteria and the experience when dining at casual dining restaurant from customer’s perspective. To distinguish the satisfaction and behavioural intention, perceived value is the dimension that need to be considered (McDougall & Levesque, 2000). Thus, this study employed the concept of customer value in order to seek the level of satisfaction at casual dining restaurant in Klang Valley, Malaysia.

1.2 Problem Statement

Malaysian food and beverage services are encompass of food services, beverage services, and event catering services. Based on the economic census carried out in 2011, the food services industry has contributed to the highest number of gross output. In addition, the report by Malaysian Productivity Corporation 2013 showed that the trend steadily increased in 2012 to reach 5.7%. The trend is expected to continue increasing and therefore, can contribute the service sector.
During the first half of 2014, the restaurant subsector flourished by 5.9% (Ministry of Finance Malaysia, 2014a). This indicated the eating out activities has grown vigorously. As stated by Dziadkowiec and Rood (2015), the popularity of casual dining restaurant is rapidly increasing. In Malaysia, casual dining restaurants are more popular compared to fine dining restaurants due to the lower price offered. The mid-price offered, good food, enjoyable experiences, and friendly environment have influenced customers to have a meal at casual dining restaurants (Jooyeon Ha & Jang, 2013). Therefore, the significance and rising of eating out activities has delineated the need to seek better understanding regarding the factors that perceived importance by customers at casual dining restaurant and the factors that lead to perceived value as well as overall satisfaction. The identifying of important factors ought to be useful in guiding restaurant operators to formulate and deliver the right offering to gain profit in this competitive market. Facing sophisticated customers and increasing of competition among restaurant operators, hence restaurants can no longer succeed by relying on the good taste alone. Customers are looking forward to the comfortable environment and excellent services (Ryu, Lee, & Kim, 2012). The great combination of these attributes determine customer satisfaction, return intention and positive word-of-mouth (Liu & Jang, 2009b).

Many of the prior studies explored customers’ preferences at full-service restaurant but rarely determines the influence of restaurant attributes or restaurant experience towards perceived value and the linked with customer satisfaction particularly in casual dining restaurant segment (Hwang & Ok, 2013; Kincaid, Baloglu, Mao, & Busser, 2010; Namkung & Jang, 2010b; Ponnam & Balaji, 2014). Besides, past studies conducted in Malaysia were focused on Malaysian home-grown full-service restaurants (Rezai, Mohamed, Shamsudin, & Teng, 2013), normal full-service restaurants (Akbar & Alaudeen, 2012), fine dining restaurant (Talib, Hashim, Chinna, & Kumar, 2009) and Malay restaurants (Othman, Zahari, & Radzi, 2013). Despite the importance of restaurant attributes in restaurant selection and customer satisfaction, limited study has conducted the consequence of perceived value in customer satisfaction at casual dining restaurant.

However, in a competitive restaurant market, restaurant operators have to identify the unique factor to keep the favourable image of the restaurant that ultimately pleases the customers to return to the restaurant (Hu, Kandampully, & Juwaheer, 2009). Generally, three factors play the role as key attributes to select a restaurant. The factors are the quality of food, physical environment, and services. Namkung and Jang (2008) added that these factors are crucial in determining the level of satisfaction. Nevertheless, satisfying customers are not sufficient to maintain in the intense competition. Hu et al., (2009) suggested that improving customer’s perceptions in overall service quality and increasing perceived value is important to enamour a customer’s heart and to gain loyalty.

In the service industry, providing “zero-defect” is almost impossible (Namkung & Jang, 2010a). They revealed the causes of several failures at casual dining restaurant. The study was based in the United States. They concluded that meal consumption is the most critical factor as this factor indicates the return intention and the willingness to recommend to others. They also defined that the consumption stage begins when
customers receive their first food until the last food. However, poor food presentation and service provision have caused dissatisfaction and damaged the enthusiastic feeling to return to the restaurant. Furthermore, dissatisfaction leads to negative word-of-mouth. Besides, a study conducted by Othman, Zahari and Radzi (2013) found that bad experience is when the staff is inattentive and fails to deliver chosen menu items. If the service recovery is delighted, customers may still have an intention to revisit. Meanwhile, Rezai, Mohamed, Shamsudin and Teng (2013) reported that customers of Malaysian home-grown full-service restaurants suggested several factors that need to be improved, such as food quality, service, hygiene, and ambience. On top of that, this study focuses on the influence of food attributes, physical environment and service attributes on perceived value and overall satisfaction at casual dining restaurant. The improvements of all aspects need to be done continuously to satisfy and to improve the level of services at casual dining restaurants in Malaysia.

1.3 Research Questions

This study answered the following research questions:

1. What are the restaurant attributes that influence customer perceived value at casual dining restaurant in Klang Valley?
2. Is there a relationship between restaurant attributes and perceived value at casual dining restaurant?
3. Is there a relationship between customer perceived value and overall satisfaction at casual dining restaurant?
4. What is the perceived level of importance of casual dining restaurant attributes?

1.4 Research Objectives

The purpose of this study had been to identify the influence of restaurant attributes on perceived value of customers and overall dining satisfaction at casual dining restaurants in Klang Valley. The independent variables were food attributes, physical environment, and service attributes. The specific objectives of this study had been:

1. To identify the restaurant attributes that influence customer perceived value at casual dining restaurant in Klang Valley
2. To measure the relationship between restaurant attributes and perceived value at casual dining restaurant.
3. To measure the relationship between customers perceived value and overall satisfaction at casual dining restaurant.
4. To identify the perceived level of importance of casual dining restaurant attributes.

1.5 Significance of the Study

There is a need for food and beverages industry in Malaysia to understand the customers’ perceived importance and the current situation of casual dining restaurants in Klang Valley from customer’s perspective. Thus, the findings should benefit the
practitioners and the industry to improve casual dining restaurants in all aspects related to food attributes, physical environment, and service attributes to reduce dissatisfaction. The findings would be worthwhile for practitioners to evaluate their current facilities and service to keep competitive in the Malaysian food industry. Moreover, this study is valuable for food service practitioners to allocate improvement and recovery process to meet customers’ expectations and increase the level of overall satisfaction. The improvement and recovery action made may benefit the restaurants in terms of maximising the profit instead of increasing of customers’ satisfaction. In addition, the findings provide an idea and understanding on the current trend of customer behaviour when dining at casual dining restaurants. Therefore, the significance of present study would enable practitioners to cater to the preferences of each segment, train the staff to focus on critical service failures, and provide recovery procedure based on customers’ preferences.

Apart from the contribution on the practical aspect, this study also contributes to theoretical advancement and new body knowledge for the food industry in Malaysia. In fact, several researches related to customer dining behaviour at full-service restaurant have been conducted by Akbar and Alaudeen (2012), Rezai, Mohamed, Shamsudin and Teng (2013), as well as Talib et al., (2009). However, these researches did not focus on the restaurant attributes that lead to customer perceived value at casual dining restaurants in Klang Valley. In addition, Kivela (1997) carried out a research in Hong Kong, while Ha and Jang (2010) conducted a research in the United States. Therefore, for different research view, this study identified the restaurant attributes in Malaysia or more specifically in Klang Valley.

Hence, this study has bridged the research gap of assessing customers’ perceived important attributes and restaurant attributes at casual dining restaurants in Klang Valley. The current study also enriches and extends the existing literature in relation to customer perceived value at casual dining restaurants and the impact of it on overall dining satisfaction in Klang Valley, Malaysia.
REFERENCES


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