

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

This chapter is an introductory note to the whole research effort. It begins with background of the study, followed by the research problems, research questions and research objectives. Next, significance of the study and the research scope will be discussed. Lastly, the organisation of the report will be outlined.

### **1.2 BACKGROUND OF THE STUDY**

In our ever-increasingly globalised world, the fast food industry represents billions of dollars yearly and is still growing, specifically in Asia (Data Monitor, 2005). AC Nielsen Online Consumer Survey (ACNielsen, 2005) reveals that Asians are the world's greatest fast food fans. A total of 30 percent of Asia Pacific consumers eat at take-away restaurants at least once a week and 35 percent of the population of Asia Pacific eats at take-away restaurants three times a week and some even more than once a day.

Along with the fast changing lifestyle, eating out habit is becoming a part of modern lifestyle which has driven customers to try new things and experiences. These changes have then led fast-food industry to grow rapidly and become one of the fastest growing business sectors in recent years. The increase in the number of outlets, sales volume, recognition and popularity has witnessed the success of fast food industry.

The growth of the fast food industry shows the dramatic increase of competitions and challenges in the market. Competition among existing players is becoming much stronger than before. According to Alonzo (1986), restaurant business is a very high risk business because about 80% of new businesses including fast food restaurants (FFRs) fail within the first year. Thus, it is significant to the fast food operators to craft their marketing strategies and tactics to generate profits and ensure the growth of the company. To be specific, the marketing strategies aim at increasing repatronage intentions and maximising market share in view of the positive impacts on the financial performance of the organisation.

### **1.2.1 Definition of Fast Food**

As different people may have different perception towards the term fast food, many definitions have been given to fast food in prior research. In general, fast food is viewed as quick, acceptable priced and is an alternative to home cooked food (Goyal and Singh, 2007). Although fast food best fits the modern lifestyle in terms of convenience and economy, fast foods have generally been perceived as foods which are unhealthy for consumption and which contain high calories, saturated fat, sugar and salt.

Liu and Chen (2000) have stated that fast food is a new breath from the traditional catering methods and standards. The catering methods and standards of fast food business have resulted in more sophisticated operations and styles for services. Fast food restaurants (FFRs) provide flexibility and comfort with reasonable prices. Their services are within the level that can satisfy customers with various tastes, drives and upbringing.

There are also some other definitions given by researchers. Here are some examples:

Definition 1: Fast food generally refers to “a limited menu of foods which lend themselves to production-line techniques; suppliers are likely to specialize in products such as hamburgers, pizzas, chicken or sandwiches” (Bender and Bender, 1995).

Definition 2: The market of fast food is described as “the sale of food and beverages for instant usage either on the premises or in selected eating areas shared with other foodservice operators or, for usage elsewhere” (Data Monitor, 2005).

Definition 3: Fast food is “inexpensive food, such as hamburgers and fried chicken, prepared and served quickly” ([www.thefreedictionary.com](http://www.thefreedictionary.com)).

Definition 4: Fast food is “prepared for ready availability, use or consumption and with little consideration given to quality or significance” ([www.m-w.com/dictionary/fast-food](http://www.m-w.com/dictionary/fast-food)).

Definition 5: Fast food is “prepared in advance such as at McDonald and KFC or it may be cooked to order such as Pizza Hut” (Emerson, 1990).

### **1.2.2 Fast Food Industry in Malaysia**

Fast food industry is one of the global businesses and has grown rapidly in the past few decades. Malaysia is no exception to this development. The fast food concept arrived in Malaysia with the opening of an A&W restaurant at Jalan Tunku Abdul Rahman in Malaysia in 1961 (Bougoure and Neu, 2010). Since then, many multinational fast food players have set up their business in Malaysia. From onion rings to double cheeseburgers, fried chicken to pizzas, FFRs in Malaysia are growing like mushroom after the rain (Muhammad Fazli, 2005).

Resulting from the increase of fast food companies in Malaysia, the total number of FFRs has increased dramatically. FFRs refer to the restaurants which serve foods with little or no waiting time (Dittmer, 2002). Today we can see FFRs everywhere in Malaysia. The presence of FFRs is not only in urban areas and shopping malls, it also available in suburbs and along highways. For instance, KFC opened its first outlet at Jalan Tunku Abdul Rahman in 1973. Today, the number of KFC restaurant has reached 390 restaurants, which are located in all the major cities and towns in Malaysia and the number is still growing ([www.kfc.com.my](http://www.kfc.com.my)). Thus, it is not surprising that fast food industry generates billions of Ringgit Malaysia in yearly sales in Malaysia and is a multimillion dollar industry in Malaysia.

With the rapid economic development in Malaysia and the influence of western culture, the lifestyle of Malaysians has dramatically changed. The higher living standard and eating-out habits have driven a change in terms of food consumption patterns, food habits and purchasing trends among Malaysians (Bougoure and Neu, 2010). Along with these changes is the fast growth and higher popularity of FFRs in Malaysia.

Additionally, with the influence of capitalism, Malaysians nowadays are more materialistic and more driven by the desire to seek a higher living standard. They work extremely hard to get ahead in a competitive society and to achieve the desired luxury lifestyle. Consequently, in a family, both parents are busy with their work until they have no time to spend with their children. The increased participation of women in workplace has led to the trend of women having no time to plan and prepare meals at home (ACNielsen, 2006). The existence of fast food is definitely providing a

convenient way to the parents to feed their children at home. Hence, fast foods have become widely available and very soon gained acceptance primarily from Malaysian youth and younger generations (ACNielsen, 2006).

Fast food consumption has become part of the lifestyle of people in developed countries. Now, it is becoming a part of the Malaysian's lifestyle. Whether it's driving back from work, taking a break from shopping, or just ordering a take-away to enjoy favourite movie at home, fast food will first come into their mind (Muhammad Fazli, 2006). Research has revealed that 98% of Malaysians eat at FFRs and 59% eat at FFRs at least once a week (ACNielsen, 2005). The rapid growth has made fast food a multimillion dollar industry with a growing rate of 10 to 15% annually (Malaysian Business, 2000). Between 1999-2003, the total number of outlets for the Malaysian fast food market increased by 34.5% and the fast-food sector achieved 7% of Compound Annual Growth Rate (Muhammad Fazli, 2006).

Fast food is becoming popular in Malaysia because many multinational fast food players have opened their outlets either jointly with Malaysian partners or independently. Although there are many fast food players in Malaysian market such as McDonalds, KFC, Burger King, A&W, Wendy's, Kenny Rogers, Marrybrown, Nando's, Pizza Huts, Domino's Pizza, Subway, Dunkin Donuts, Big Apple and Krispy Crème, almost 85% of market share in the Malaysian fast food industry is controlled by three foreign market players such as Mc Donald's, KFC and Pizza Hut (Malaysian Business, 2000). The remainder of the industry was divided among a large number of international, national and local fast food stores.

### **1.3 RESEARCH PROBLEMS**

Fast food industry is one of the global businesses and has grown rapidly over the decades. As a consequence, studies relating to fast food, specifically of service quality, have also grown over the decades. However, most studies have focused on the western countries (Bougoure and Neu, 2010) compared to the limited literature on service quality in eastern countries. This is problematic because consumers' perception of service quality can vary across countries due to cultural and environmental differences (Qin, Prybutok and Zhao, 2010).

In Malaysia, most of the studies focused on the normative and legal aspects of Western-based fast food restaurants (Azudin and Karaim, 1988; Noor, 2006). Although the importance of service quality, food quality, perceived value, customer satisfaction and behavioural intentions in the fast food context have been proven by the studies of Qin and Prybutok (2009) and Qin, Prybutok and Zhao, no research has been undertaken to examine the relationship among the five constructs in the fast food industry in Malaysia.

Among all the fast food studies undertaken, most of the studies have aimed at investigating the relationship between service quality and customer satisfaction in FFRs (Brady et al., 2001; Gilbert et al., 2004; Kara et al., 1995; Lee and Ulgado, 1997). Other potential antecedents of customer satisfaction namely food quality and perceived value have not received attention (Qin and Prybutok, 2009). In addition, many researchers believe that food quality greatly influences customer satisfaction in the context of FFRs (Kivela et al., 1999; Johns and Howard, 1998) and perceived value is seen as a determinant of customer satisfaction because of its ability to retain

customers in FFRs (Lee and Ulgado, 1997; Gilbert et al., 2004). Yet there remains a substantial gap in the literature as only little study has investigated the relationship among food quality, perceived value and customer satisfaction in a FFR context.

Customer satisfaction is at the heart of marketing. The principal purpose of 'marketing' in services is to satisfy customer needs and wants (Machleit and Mantel, 2001). The ability to satisfy customer is essential in service industry because satisfied customers will reward firms with favourable behaviours such as willingness to pay a higher price, provisions of good recommendations and frequent use of services or products (Reichheld, 1996) and increase of customer loyalty (Fornell, 1992) which can drive future profitability of the firms higher. In addition, similar to other variables, customer satisfaction plays a role in linking more cognitively oriented constructs to behavioural intentions. Therefore, Gill et al. (2007) have suggested that examining the role of customer satisfaction as a mediator will provide an enhanced understanding of the impact of its determinants on behavioural intentions. Due to the dearth of study on food quality and perceived value in the fast food industry, very little study has been undertaken to investigate the mediating role of customer satisfaction in relations to food quality, perceived value and behavioural intentions.

#### **1.4 RESEARCH QUESTIONS**

The research issues in the research problems lead to a number of research questions which intended to be answered in this study. The questions are:

1. Are service quality, food quality and perceived value significantly related to customer satisfaction?
2. Is customer satisfaction significantly related to behavioural intentions?

3. Does customer satisfaction mediate the relationship between service quality, food quality, perceived value and behavioural intentions?

## **1.5 RESEARCH OBJECTIVES**

Based on the questions posed above, the overall objective of this study is to examine the relationship among service quality, food quality, perceived value, customer satisfaction and behavioural intentions in the fast food industry in Malaysia. Thus, several specific objectives are formulated to help accomplish the tasks of this study.

They are as follows:

- 1) To investigate the relationship between service quality, food quality and perceived value and customer satisfaction in the fast food industry in Malaysia.
- 2) To investigate the relationship between customer satisfaction and behavioural intentions in the fast food industry in Malaysia.
- 3) To assess the mediating effects of customer satisfaction in the relationship between service quality, food quality, perceived value and behavioural intentions.

## **1.6 SIGNIFICANCE OF THE STUDY**

The contributions of this study are significant in terms of theoretical and practical perspectives. As such, the present study is expected to make the following contributions:

### **1.6.1 Theoretical Contribution**

From a theoretical viewpoint, the major contribution of this study is on the development of research framework in the fast food industry in Malaysia. A review of the literature reveals the dearth of study on the relationship among service quality, food quality, perceived value, customer satisfaction and behavioural intentions in FFRs. Consistent with this notion, Qin and Prybutok (2009) have pointed out that other potential antecedents of customer satisfaction namely food quality and perceived value are not being paid attention in the fast food studies. Moreover, specifically in Malaysia, Azudin and Karaim (1988) and Noor (2006) find that most of the studies on fast food in Malaysia focused on the normative and legal aspects of Western-based fast food restaurants. Therefore, this study represents the first attempt to investigate the relationship among service quality, food quality, perceived value, customer satisfaction and behavioural intentions as well as the mediating effects of customer satisfaction in the relationship between service quality, food quality perceived value and behavioural intentions in the Malaysian fast food industry.

### **1.6.2 Practical Contribution**

Service quality, food quality and perceived value play a vital role in enhancing customer satisfaction and predicting behavioural intentions in the Malaysian fast food industry (Qin and Prybutok, 2009; Qin, Prybutok and Zhao, 2010; Bougoure and Neu, 2010). Since not many studies have been undertaken to study the importance of the aforesaid variables, the outcome of this study will give insights for fast food operators and consumers to have a better understanding of fast food industry.

For fast food operators, this study will provide them insights on the importance of service quality, food quality and perceived value in the creation of customer satisfaction. Knowledge about how customer satisfaction can be created and enhanced by improving the underlying determinants is become strategically important for the success of FFRs. For instance, fast food operators should put in more efforts in delivering the promised service accurately, promptly and dependably, offering tasty, fresh, healthy and a variety of food to customers and paying attention to the price competition in order to create a perception of value for money.

In addition, the identification of the factors which can create favourable behavioural intentions will influence the crafting of marketing strategies. For instance, identification of the factors which can induce a higher customer satisfaction can give inputs to the fast food operators in crafting an effective marketing plan. A higher customer satisfaction can help to create favourable behavioural intentions such as revisit intentions, positive word-of-mouth and loyalty.

For the consumers, this study provides them with some useful knowledge on fast food selection. Choosing the right fast food restaurant will bring both emotional and physical satisfaction to the consumer. Therefore, the awareness of service quality, food quality and perceived value is very important to consumers. In other words, the present study is important to consumers because it can educate consumers how to make a beneficial decision without being influenced by the marketing strategies of FFRs in Malaysia.

## **1.7 SCOPE OF THE STUDY**

This study is confined to consumers in Klang Valley specifically in the University of Malaya. The sample of this study is the undergraduate students of University of Malaya. Matriculation and postgraduate students are excluded from being the respondents of the survey.

For this study, fast food is defined as reasonably priced food, such as hamburgers, pizzas, chickens, doughnuts and sandwiches, prepared and served quickly. Thus, the FFRs in this study refer to McDonalds, KFC, Burger King, A&W, Wendy's, Kenny Rogers ROASTERS, Marrybrown, Nando's, Pizza Hut, Domino's Pizza, Subway, Dunkin' Donuts, Big Apple and Krispy Kreme.

## **1.8 ORGANISATION OF THE REPORT**

This research report comprises five chapters. Chapter 1 gives an overview of the research. The research problem, research questions, research objectives, significance of the research and the research scope are identified and presented in this chapter.

Chapter 2 reviews the research framework and various literatures related to service quality, food quality, perceived value, customer satisfaction and behavioural intentions. This chapter also reports past studies done on their impacts and relationship with each other. In order to address the issues, the hypothesised relationships among the variables are discussed.

Chapter 3 discusses the research methodology used in this study. This includes the development of hypotheses, measurement of constructs, detailed explanations on the

questionnaire design, sampling design, data collection technique and data analysis techniques.

Chapter 4 discusses the results from the data. The first part of this chapter discusses the findings about the demographic characteristics of the respondents, followed by the results of the reliability assessment. Lastly, the findings of the Pearson correlation analysis and Hierarchical Multiple Regression will be explained by responding to each hypothesis.

The final chapter presents a summary of the previous chapters and elaborates the findings of this study. The marketing implications and contributions of the study will be discussed in this chapter. Finally, limitations and suggestions for future research are provided at the end of the chapter.

## **1.9 CONCLUSION**

Fast food is a global business which has grown rapidly over the decades in Malaysia. Changes in lifestyle among Malaysians have stimulated them to try new things and experience. Fast food industry in Malaysia is an increasingly competitive business because consumer behaviour is changing constantly just as society is and the ease of service switching. Thus FFR managers are always confronted with the challenges. In this regard, they should put more efforts in managing and marketing the restaurants to retain customers and increase market share. They can differentiate themselves from competitors and competing brands by offering superior service quality, food quality and value to increase customer satisfaction, which in turn influences behavioural intentions. With the purpose of identifying which factors will influence consumers'

behavioural intentions in fast food industry in Malaysia, this study is therefore undertaken.