

CHAPTER 1

1.0 INTRODUCTION

Food service sector in Malaysia is sizeable and rapidly growing. It has shown growth at a rapid average rate of around 6.5 percent per annum over the past five years and expected to grow at between 5 percent and 6 percent per annum over the next three to five years. Under the Malaysia Third Industrial Master Plan, service sector has been identified as the key contributor to the GDP growth. In the service industry, 99.4 percent were SMEs and 69.3 percent of the SMEs were in the distributive trade which is comprised of restaurants, retails and wholesales. This sector expanded at a faster pace of 9.6 percent during the period and restaurant sub sector picked up to 8.1 percent in the first quarter of 2007.

The food service sector is diverse, with outlets ranging from low end food stalls operating in outdoor areas by the roadside to covered food courts to high end restaurants operating in hotels, as restaurant chains or as single site restaurant businesses. This sector is highly fragmented with a large number of small to medium sized player whereby 70 percent of the food service establishments in Malaysia are made up of small family-owned businesses or individual proprietors.

There are several types of food establishments can in Malaysia. In general in can be divided to three sub groups as below:

- Restaurants which are made up of low end to high end full service restaurants which include full service restaurant that serve a wide range of

cuisine from all over the world, fast food restaurants, coffee shops and hawker food and drinks stalls which serve local dishes.

- Rated hotels and resorts which serve food and drinks through their food and beverage restaurants and other food service outlets within their premises.
- Catering services which operate in schools, colleges, hospitals, companies, including specialised catering to airlines, ships, and special functions such as exhibitions, weddings and corporate dinners.

Structure of Malaysia's Food Service Sector (1993)			
Business type	Number of businesses	Total Sales (US\$'000)	% Share of the Market*
Full service restaurants	8466	534852	30%
Coffee shops	14665	263108	15%
Fast food restaurants	422	118034	7%
Food and drinks stalls	45283	674044	38%
Drinks stalls	4188	39617	2%
Cafeterias, cafes and canteens	6996	131970	7%
Catering services	147	11956	Negligible
Others	327	6237	Negligible
Total*	80494	1779818	100%
Note: *The hotels and resorts sector was not included in this survey by the government. Source: Department of Statistics, Malaysia (1993 official survey)			

Table 1.0 The structure of Malaysia's food service sector in 1993.

Malaysia is a multi-racial country with a population of approximately 27.5 million in 2008. It still has a young population today as 63 percent the population fall in the age range between 15 to 64 years old and over 60 percent are in the middle high income group with growing purchasing power. In addition, Malaysia, food service sector does not target only the local population but also a large transient population of tourist and business visitors of almost 20 million persons annually. This provides a

significant pool of active consumers who will continue to modernise their eating habits and growing purchasing power especially in major cities.

In Malaysia, it is not unusual to have breakfast, lunch and dinner out daily, as well as snacks in between meals. It is noticeable that urban households are spending more on ‘food away from home’ rather than food as in the case of rural households which may be due to easy access to fast food outlets, restaurants and hawker stalls and preparing food at home may be too time consuming because of their hustle and bustle life. This is more common practiced by young married couples or young single adults who are gainfully employed. It is also common for families to have dinner out at least once a week, at the street stalls, food court, coffee shops, and restaurants.

Average Monthly Household Expenditure on Meals Consumed Away from Home		
	1999* US\$	1993 US\$
Nationwide average per household per month	46.8	14.2
Urban household average per month	62.6	19.1
Rural household average per month	28.4	9.4
Meals eaten away as a % of total monthly household expenditure (nationwide)	11%	7%
*: Preliminary estimates based on a nationwide survey conducted in 1999 by the Department of Statistics. Source: Department of Statistics		

Table 1.1 Average monthly household expenditure on meals consumed away from home.

The lifestyle changes created by modern living continue to fuel the steady growth of food service sector. The predicated growth trend is very positive both in short and long-term projections. The continued improvement in the standard of living of Malaysians further boosted the performance of the industry. Many believe that modern living creates more demands and people will be compelled to eat more meals

away from home as more people will have less time, resources, and ability to cook for themselves.

Food service business may not be as simple as it seems as it involved complex behaviours determined by many factors and their interaction. The factors that drive someone to patronise an establishment include biological factors, motivation and decision psychology, sociology, consumer sensory and food science, marketing and economics (Koster, 2009). Understanding the behaviour in food establishment choices becomes very crucial for managers and entrepreneurs to sustain in this competitive industry. This is because many researchers have concluded that the cost of retaining existing customers is lower as compared to attracting new customers (approximate five times the cost) and the cost of losing customers is far more than the cost of correcting error (Edwards, 2005). Furthermore, customer satisfaction and post-purchase intentional behaviour can be growth factor of the business. Thus in principle, food service presents a particularly interesting area for studying consumer behaviour.

1.1 Problem statement and research questions

The tremendous growth in the restaurant industry has encourages many SMEs to venture into the restaurant business. Due to the minimal entry barrier, this has made this industry to be more competitive than ever and susceptible to failure. Starting up or running a food establishment may look easy, but this sector has also shown highest failure rates of all business. Marketing management in food establishment is equally important in sustaining and growing the business like any other businesses. This is because without a proper positioning, pricing strategy, promotion activities, product

differentiation, appropriate personnel, inviting physical environment or strategic location can put the business at a higher risk. The lifestyle changes and business potential present an interesting topic to study on the consumer behaviour in the food service industry.

Research questions:

- I) What are the attributes that attract someone to patronise a food establishment?
- II) Which of the attributes can generate customer satisfaction and behavioural intention?
- III) What are the essential criteria that can be recommended to remain competitive and excel in the food service industry?

1.2 Objectives of study

Food service industry has been identified by business experts to be the most difficult industry to achieve success as it has recorded the highest failure rate of all businesses in the world. This is not surprise as this industry has minimal entry as the start up cost and skills required are relatively much lower than other industries. Many venture into this business without a proper planning and marketing strategies thinking because food is a basic need for all living creatures and eating out is common habit of Malaysian population especially those in the major cities.

No doubt there are lifestyle and eating habit in the Malaysian population but unfortunately most of them have underestimated the importance of Malaysians'

behaviours in choosing food establishment. Consumer behaviours in choosing food establishment is important as the switching cost is significantly lower compared to others and thus the establishment loyalty may not be easy to establish.

Fortunately, the above issues are preventable with a study on the consumer behaviour in food service sector. Firstly, it is important to identify which of the restaurant attributes that are perceived as important to Malaysian when choose a food establishment. The next step is to analyse the attributes that lead to customer satisfaction and behavioural intention when patronise a food establishment which can be used in customer segmentation or establishment positioning and differentiation. Lastly, this information will then be used to provide a guideline and recommendation for all entrepreneurs and managers in the food service industry to allocate and focus on the main attributes to stay competitive and excel in this industry.

1.3 Scope of study

The scope of this study encompasses 200 consumers who stay in Klang Valley currently regardless where their place of origin is. In this case, anybody can be the consumer as long as they dine out at least once weekly. In addition, there will not be any restriction in choosing consumer as study will be carried out on all status level, gender, occupation, income group and age group using a non-probability convenience sampling method. However, each participant is required to recall their most recent dining experience in a full service restaurant to answer the questionnaires.

1.4 Significance of study

Consumers have always been the success factor of all businesses and especially food service business. Since consumers are extremely crucial for food service business, an understanding of consumer behaviour in choosing food establishment is an essential prerequisite of successful retail marketing strategy. Furthermore, consumer behaviour is one of the most fundamental principles of in applying influence on consumer patronage decision process. Without customer focus, strategic marketing planning can be easily be dominated by the actions of competitors or internal influences. Thus, the study of consumer behaviour in choosing food establishment will help food service management be it new entries or existing players to respond to the competitive environment and cater to the needs and expectation of their customers. This will help investors and entrepreneurs to understand the influence on consumer patronage decision process and evaluate if their strengths matched the key success elements in the food service sector before venturing into business.

In Malaysia, the food service sector is comprised of both local and multinational players. However, 70 percent of the food service establishments in Malaysia are made up of small family-owned businesses or individual proprietors and remaining are multinational players. This study can serve as a guideline help the national food service sector to become more established and competitive in facing the multinational competitors. Besides the sector performance, it may help the government in introducing policies and regulations or training that could further increase the effectiveness of the local food service industry and reduce the failure rate.

1.5 Terminology of the study

Term	Definition
Consumer Behaviour	Process by which individuals search for, select, purchase, use and dispose of goods and services, in satisfaction of their needs and wants.
Food-away from home	Eating at food establishment away from home.
Food establishment	A food establishment is an operation that stores, prepares, packages, serves, or otherwise provides food for human consumption.
Physical environment	The circumstances or conditions that surround one; surroundings.
Food quality	Quality characteristics of food that is acceptable to consumers. This includes external factors as appearance (size, shape, colour, gloss, and consistency), texture, and flavour.
Service quality	Quality characteristics of an acceptable service to consumers.
Price fairness	A price that consumer perceived it as reasonable and fair for their purchase.
Full service restaurant	A full service restaurant is used to describe a facility with table service.
Customer satisfaction	Degree of satisfaction provided by the goods or services of a firm as measured by the number of repeat customers.
Intentional Behaviour	Degree to which a person has formulated conscious plans to perform or not perform some specified future behaviour

Table 1.2 Key terminology used in this research

1.6 Conclusion

This chapter described the overview of the content in the present study. Research questions and objectives are developed based on the problem statement of this study. The scope of study, significance and key terminologies are elaborated in this chapter. Literatures related to this study are reviewed in Chapter 2.