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AUTHORS' DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

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Signature of

Students:

.....


(MOHD NAZRI BIN ABDUL RAJI)

Date: June 2013



Abstracts

To date, popularity of Malay upscale restaurant is still outshined by other international full service restaurant that comes from different part of the world such as American, Mexican, Siamese, Spanish, French, Korean, Japanese and others. Basically the highly demand towards international full service restaurant has made local restaurants particularly Malay full service restaurants trying to be a player and taking a share of this market. This study focuses on the analyzing the influence of customer perceived value and perceived service performance on customer satisfaction to Malay upscale restaurants in Kuala Lumpur. It looks at the dimension in perceived value on emotional responses, monetary price, behavioral price and reputation. Meanwhile, the dimension in perceived service performance looks on physical environment quality, interactional quality and outcome quality.

A total of 5 Malay upscale restaurants were chosen and 170 customers participated in this study. Data were collected through self-administered questionnaires. Descriptive statistics, reliability analysis, Pearson correlation and multiple analyses were used in the data analysis. Findings showed that perceived service performance has a high contribution ($\beta=0.726$, $p<0.01$) and determined as the most significant influence on customer satisfaction. The beta value for perceived value ($\beta=0.646$, $p<0.01$) was also high which indicated that it made some contribution on customer satisfaction.

Keyword : Malay food, upscale restaurant, perceived value, perceived service performance, customer satisfaction.

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June 2013



CHAPTER 1

INTRODUCTION

1.0 Introduction

As an introduction of the study, this chapter discusses the background of the study, the purpose of the study and the problem statement along with the research objectives, research questions, and hypotheses. Theoretical framework, significant of the study and definition of key terms were also presented in this chapter.

1.1 Background of the Study

In today's sophisticated environment restaurant customer's demand for the highest levels of efficiency, quality, flexibility and dependability in the service and product has increased. In the year of 2010, Euromonitor International (2011) reported, the overall consumer foodservice in Malaysia saw improvement due to recovery from the economic recession and as an outcome it can be seen a 5% increase in current value terms, reaching RM27.5 billion. In addition, the popularity of eating out in Malaysia is also a result of affordable food prices and the wide variety of cuisine (Kueh and Boo, 2007). Owing to that, people are more willing to spend on eating out be it at full-service restaurants, fast food restaurants, fine dining or casual dining eateries depending on their budget and disposal income. Table 1.1 depicts the consumer foodservice sales through standalone from the year 2005 until 2011.





Table 1.1 : Consumer Foodservice Sales through Standalone: Foodservice Value 2006-2011

RM million	2006	2007	2008	2009	2010	2011
100% Home Delivery Through Standalone	41.0	43.3	52.9	75.2	94.7	125.7
Cafés/Bars Through Standalone	3,000.1	3,313.0	3,527.2	3,554.8	3,808.3	3,994.4
Fast Food Through Standalone	791.1	925.1	1,111.4	1,187.5	1,324.3	1,463.8
Full-Service Restaurants Through Standalone	6,185.0	6,699.2	7,006.6	6,994.1	7,299.2	7,694.4
Self-Service Cafeterias Through Standalone	20.4	24.3	25.7	26.8	29.0	30.9
Street Stalls/Kiosks Through Standalone	3,909.9	4,445.0	4,568.4	4,628.5	4,862.5	5,106.4
Consumer Foodservice Through Standalone	13,947.5	15,449.9	16,292.2	16,466.9	17,418.0	18,415.7

Source: Euromonitor International (2012) from official statistics, trade associations, trade press, company research, trade interviews, trade sources.

It is stated in Euromonitor International (2011), Klang Valley being a metropolitan region with a high urban population is made up of higher education students and working class consumers. Kuala Lumpur, Subang Jaya, Petaling Jaya, Puchong, Damansara and Bangsar are hotspots for consumer foodservice operators to expand their businesses hence Kuala Lumpur provides an opportunity for numerous foodservice operators due to demand from consumers for local and international delicacies; this has caused the capital city to be saturated. Thus, penetrating and sustaining a restaurant in





ensuring competitiveness, such as doing effective promotion and consistently advertising in order to be at par or above others are vital in the food business industry.

In the mean time, more people chose to partake in premium dining, the pool of customers grew big enough to encourage more restaurants to open for business, in that way strengthening the upscale dining platform and food and beverage industry as a whole (Talib, Hashim, Chinna, and Kuma, 2009) and independent foodservice providers continued to dominate consumer foodservice in Malaysia. In line with the above, the Malay fine dining restaurant (upscale restaurant) segment is gaining popularity among Malaysian, especially in the Kuala Lumpur. Enak KL, Restoren Seri Melayu, Songket Restaurant, Restoren Kelantan Delight, Restoren Rebung and Saloma Theatre Restaurant are examples of restaurants which promotes Malay traditional foods in Kuala Lumpur (www.lonelyplanet.com, 2012). Growing competition in hospitality industry and the increasing importance of customer patronage impose the need to provide better service and satisfy customer (Soriano, 2002).

Notably, to popularize upscale restaurants, it had to appeal to a lot more people (William and Soutar, 2000). While the food and the service must be of acceptable quality, pleasing physical surroundings, such as décor, artifacts, layout, and music may determine, to a large extent, the degree overall customer satisfaction and subsequent customer behavior (Han and Ryu, 2009). In order to seize the target, Petrik (2002) elucidate it needed to provide better value and be better marketed with an emphasis that paying the extra for a pleasant fine dining ambience, high quality cuisine and first class service was well worth. As the whole, to attract new diners the whole experience had to be far less intimidating, more relaxed and a lot more pleasurable.





1.2 Research Problem

Malaysia is a multi-ethnic, multicultural and multilingual society with 28.66 million members and ethnic Malays make up the majority of the population at 57.1% followed by Chinese at 24.6%, Indian at 7.3% and other local ethnicities at 11%. Due to multi-ethnics, rising affluence and higher education level, Malaysian consumers have become more sophisticated and demand higher quality for the goods that they purchased. Report from Euromonitor International (2012) stated more consumers chose to eat-in in full-service restaurants in 2011 compared with the previous year. This is due to changes in the lifestyles of urbanites, which prefer to dine out instead of eating at home and this trend is most prominent amongst young working adults and young families. In addition, expenditure at full-service restaurants continued to account for the largest proportion of spending on consumer foodservice (nearly 40%), growing by 11.2% to reach RM9.3 billion in 2010 (Euromonitor International, 2011).



Therefore it is noteworthy to state customer satisfaction has become one of the most critical marketing priorities because it generally assumed to be significant determinant of repeat sales, positive word of mouth, and customer loyalty (Han and Ryu, 2009). Yang and Peterson (2004) added, loyal customers are more likely than nonloyal customers to engage in positive word of mouth behaviors and spend extra money in specific service operation. Hwang and Ok (2012) said that, in the restaurant business, the physical environment provides first impression, inducing positive emotions like pleasure and arousal in customers. Meanwhile, Brady and Cronin (2001) added, measuring service quality by comparing customer's expectation with perceived performance has received much attention from both marketers and researchers.





On the other hand, findings from perceived value studies can be translated into marketing strategies, promotional strategies and market segmentation, because consumers' perception provide direct input for service development and improvement (William and Soutar, 2000). Consequently, Lin, Sher and Shih (2005) explained that perceived value is a strategic imperative for organization and therefore, in recent years, it has especially become the focus of marketing strategies. Even though some researchers have investigated the antecedents and consequences of perceived value (Cronin , Brady and Hult, 2000, Gallarza and Saura, 2006, Petrick, 2002, Sanchez, Callarisa, Rodriguez and Moliner, 2006), little is known about consumers' perceived value within a Malaysian context.

Notably, in today's world of intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn lead to satisfied customer (Ryu and Han, 2009). This is in line with the fact that, customer satisfaction came from the high price that diners have to pay at the restaurant as price is an indicator of high value and quality (Lewis & Shoemaker 1997). Madam Selena Mak, Marketing Manager of Bijan restaurant stated, the perception that customer are being overcharged for an ordinary dish was something that they had to overcome when they first opened (sundaymetro@thestar.com.my, 2010). She added, they only used top quality ingredients, using original recipes and make sure that the ambience is suited with the restaurant to make a difference from others. On the other hand, the owner of Enak KL, Sherena Razaly strongly said the recipe served at Enak KL would not be things customers would find outside commonly (sundaymetro@thestar.com.my, 2010). To change customers' mindset from thinking that Malay food should not be priced highly is a





challenge for many new upscale restaurant owners. Thus, since full service restaurant normally offering high price in their menu, this is an intense requirement to examine how customer receives the value from the money that they paid to result in satisfaction of particularly eating Malay cuisine.

Other than products, the attributes that customers are constantly seeking in upscale restaurant are the overall service quality. Restaurateurs found that offering good food and service are not enough to satisfy and retain consumers. In order to win the competition in today's market, the operators will have to take efforts to offer the best value of their food and provide customer with a favorable ambience (Soriano, 2002). Shaharudin, Mansor and Elias (2011) stressed that it will guarantee a continuous demand if the value of the product exceeds the expectation and satisfaction of the customer. Hwang and Ok (2012) stated that customer's first experience the physical environment thus physical environment quality gradually affects interactional and outcome qualities. They added each service quality is not separate but connected to all service qualities.

To date, popularity of Malay upscale restaurant is still outshined by other international full service restaurants that come from different part of the world such as America, Mexico, Thailand, Spain, France, Korea, Japan and others. Euromonitor International (2011) reported that North American upscale full service restaurant registered the fastest value growth in 2010; increasing from RM 246 million to RM 286 million in current value terms from 2009. On top of that, the growing trend of foreign food consumption among Malaysian consumers is one of the reasons that boosted the value growth of full service restaurant especially in Kuala Lumpur. Basically the highly demand towards international full service restaurant has made local restaurants





particularly Malay full service restaurants trying to be a player and taking a share of this market. It is undeniable that customers are willing to pay for international food at any price such as those offering steaks that cost RM 54.90 per dish. Whereas, the Malay food on the menu as such *satay* (marinated chicken or beef skewed served with peanut sauce) which is priced at RM 18 per set for only 6 sticks (www.bijanrestaurant.com, 2012) at times is perceived as overcharged because customer believed it can be bought at cheaper price from hawker stalls and ordinary restaurants.

Thus, knowing that hospitality service is complex, so restaurateurs should focus not only on food quality but also other elements such as physical environment, employee service, and also price factors as antecedent of customer satisfaction (Kivela 1997). Therefore, in the absence of comprehensive discussion on the perceived value and perceived service performance that lead to customer satisfaction in experience through dining at Malay upscale restaurant, and with the suggested views above this current study will embark through investigating the complex relationships in order to measuring the level of customer satisfaction, thus it is expected to fill the gap and add the volume of knowledge in customer restaurant experience.





1.3 Scope of the study

This study focuses on customer perceived value and perceived service performance on customer satisfaction to Malay upscale restaurants in Kuala Lumpur. It looks at the dimensions in perceived value on emotional response, monetary price, behavioral price and reputation. Meanwhile, the dimension in perceived service performance looks on physical environment quality, interactional quality and outcome quality.

1.4 Research Objective

The purpose of this study is to determine the perceived value, perceived service performance and customer satisfaction of Malay upscale restaurant. Specifically the research objectives are :

1. To examine if perceived value significantly influence customer satisfaction.
2. To determine the relationship between perceived value on perceived service performance.
3. To analyze the influence perceived service performance on customer satisfaction.

1.5 Research Question

The objectives of the study are supported with several research questions such as below:

1. Does perceived value significantly influence customer satisfaction?
2. To what extent does perceived values relate on perceived service performance?
3. How does perceived service performance influence customer satisfaction?





1.6 Theoretical Framework

As shown in Figure 1.1 the theoretical framework, elucidates the relationship between the variables of interest. It embarks from independent variables to dependent variable. There are two (2) independent variables highlighted namely perceived value with its dimensions such as emotional responses, monetary price, behavioral price and reputation. For the second independent variable, which is perceived service performance has three (3) dimensions such as physical environment quality, interactional quality and outcome quality. Meanwhile, customer satisfaction to Malay upscale restaurant in Kuala Lumpur is the dependent variable of interest.

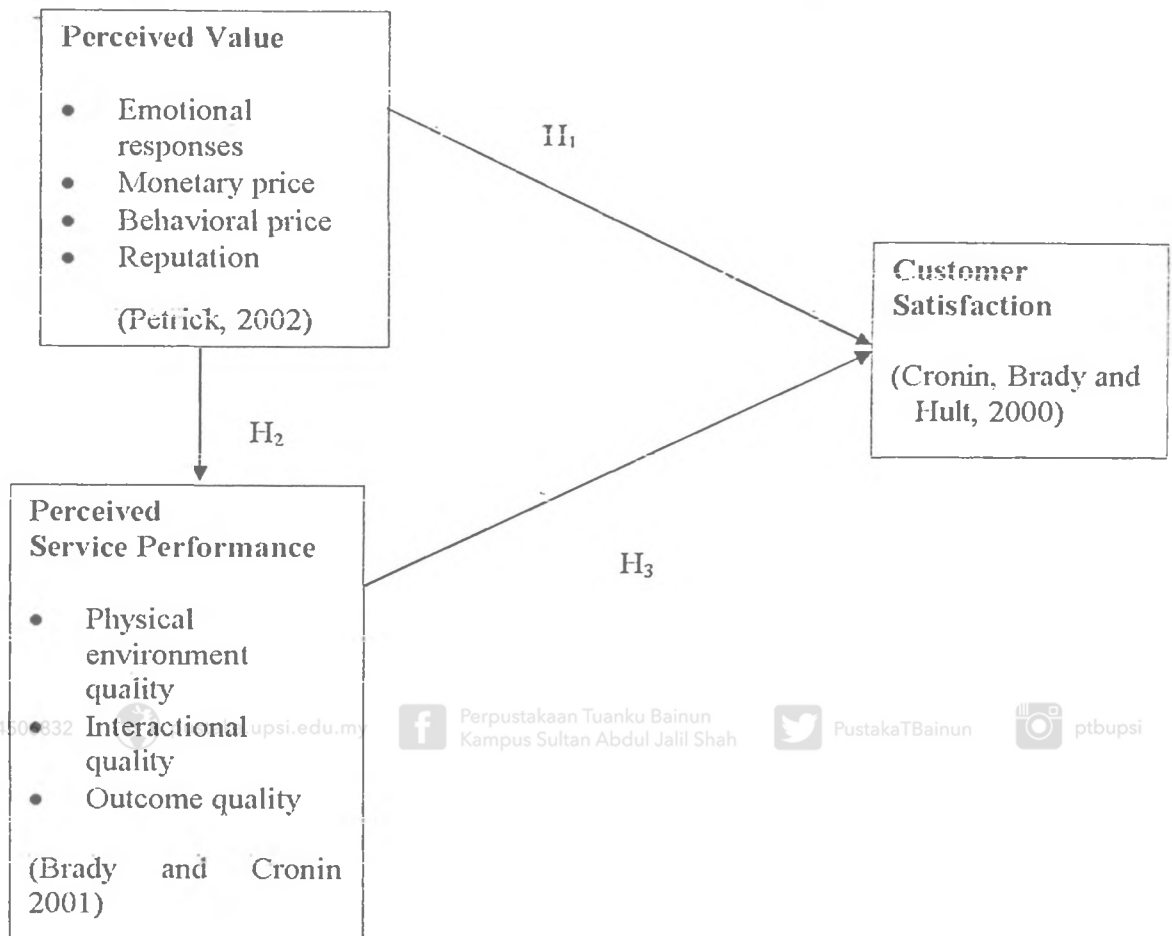
In this study, the framework is adapted from *Petrick (2002)*, Brady and Cronin (2001) and Cronin, Brady and Hult (2000). Therefore, this proposed theoretical framework will be the guideline for embarking into the current study.



Figure 1.1 Theoretical Framework of the Study

Independent Variable (IV)

Dependent Variable (DV)



(Adapted from : Petrick, 2002 , Brady and Cronin, 2001, Cronin, Brady and Hult, 2000)

1.7 Research Hypotheses

From the theoretical framework of the study, hypotheses are formulated as follows:

H₁: Perceived value significantly influence customer satisfaction.

H_{1a}: Emotional responses significantly influence customer satisfaction.

H_{1b}: Monetary price significantly influence customer satisfaction.



H_{1c}: Behavioral price significantly influence customer satisfaction.

H_{1d}: Reputation significantly influence customer satisfaction.

H₂: There is a relationship between perceived value and perceived service performance.

H₃: Perceived service performance significantly influence customer satisfaction

H_{3a}: Physical environment quality significantly influence customer satisfaction.

H_{3b}: Interactional quality significantly influence customer satisfaction.

H_{3c}: Outcome quality significantly influence customer satisfaction.

1.8 Significant of the Study

From the theoretical perspective, this study will contribute to the body of knowledge in the area of service marketing in foodservice industry that looks into perceived value and perceived service performance on customer satisfaction to Malay upscale restaurant. Although all the instruments were adapted from previous researchers it can be look as an opportunity to test the instruments congruency if applied within the Malaysia scenario (Malaysia foodservice industry). Furthermore, the study can be used to test whether existing theories can be adapted in the Malaysia foodservice industry situation. Theoretically it would contribute the body of knowledge by studying Malaysians' view and acceptance of Malay food to be served and priced at a higher range.

For the practical perspective, this study attempts to provide basic evidence of how customer responded or reacted towards experiencing dining at Malay upscale restaurants. Moreover, this study will able to assist restaurant operators to give serious thought of addressing and developing marketing strategies for the indirect and direct experience





since restaurant revenue is highly dependent on customer satisfaction. An undeniable fact is that service marketers cannot achieve their marketing objectives without addressing the consumer behavior factor in their marketing plan. Thus, service marketers must understand consumer behavior. Hence, this study's summary will be shared with the restaurateurs as a guideline and development for development of better product and service in their restaurants.

1.9 Definition Key of Terms

For a more accurate understanding of this research, it is necessary to understand the terminology and meaning of key words and phrase used for the current study.

Factor	Definition	Sources
Upscale restaurant	The restaurant offers quality in both menu and service. Most of the consumers also demands for an elegant atmosphere and décor, such as candlelight, antiques and unusual decoration	Khan A.M. , 1991
Perceived value	The cosumer's overall assesement of the utility of a product based on perceptions of what is 'given' and what is 'received'.	Zeithmal, 1988
Emotional responses	A descriptive judgement regarding the pleasure that a product or services gives the purchaser.	Zeithmal, 1988
Monetary price	Price of a service as encoded by the consumer.	Jacoby & Olson, 1977
Behavioral price	Price of obtaining a service that included the time and effort used to search for service.	Zeithmal, 1988
Reputation	The prestige or status of a product or service, as perceived by purchaser , based on image of the supplier	Dodds, Monroe & Grewel, 1991
Perceived service performance	The service quality perceptions on the basis performance evaluations on multiple levels.	Brady and Cronin 2001
Physical environment quality	Physical surroundings and not the natural or social environment.	Bitner, 1992





Interactional quality	The customer 's perception on employee service during delivery, characterized by employee's attitude, behavior and expertise	Brady and Cronin 2001
Outcome quality	As results of service transaction.	Gronroos, 1990
Customer satisfaction	An effective response to experiencing a service.	Zeithmal, 1988

1.10 Summary

This chapter introduced the background of the industry and the problems that are encountered in the contemporary hospitality setting. Research objectives and research questions formulated are also discussed in this chapter, narrowing down the focus of the study, also facilitating in organizing defined parts and construct predictions of relationships between variables of interest. This chapter also postulated the significance and implications of the study both theoretically and practically. Additionally, the theoretical framework presented in this chapter was developed based on the review of literatures as elaborated in the following chapter.

