Foodservice industry in malaysia marketing essay

In the forecast period, foodservice industry in Malaysia grew positively as growing sophistication and affluence amongst consumer contributed to the rise in Malaysia's foodservice sales (Euromonitor, 2010). According to Emms, Sia and Stantons (2009), economy of Malaysia is continuing to grow as well as foodservice industry, also expanding rapidly. Growth of foodservice consumer is likely to be tied closely to the growth of the Malaysian economy as consumers are expected to spend more on consumer foodservice as their disposable incomes increase over the forecast period (Euromonitor, 2010). But, the slowing economy due to the impact of rising oil prices, increase in food prices and higher transportation costs weakened consumer confidence over the review period. However, due to vary locations, low setup and maintenance costs, this led to street stalls or kiosks are increasingly expanding (Euromonitor 2010).

According to Global Retail and Consumer Study (2004), in terms of transactions, street stalls or kiosks led largely due to the popularity of hawker stalls and food stalls, which are widespread in both urban and rural locations. However, in value terms, full-service restaurants was the single most important area within foodservice owing to its relatively high transaction values with foodservice products which are more expensive than other types of foodservice. They reported, almost every day of the week, family in Malaysia can afford to eat out. There are so many places can range from full-service restaurant to sidewalk cafes to fast food and street stalls, depends on budget. They serve wide variety of food from international to local cuisine available in almost all major towns including Klang Valley, Penang and Johor Bahru that influenced consumers' demand and

preferences which have also been shaped by rising levels of affluence and education (Global Retail and Consumer Study, 2004).

Emms, Sia and Stantons (2009) reported that in Malaysia, there are hundred thousand of food stall establishments, which are mostly small businesses and family owned stalls that employ little number or worker as well as unpaid family members. Majority of Malaysian are most likely to penetrate this casual business enterprise by the roadside. Also, many such foodservice stalls are fleeting, maybe for the reason to earn profit to pay for a particular asset or acquire an intended expenditure. This type of businesses range from low to mid level which serve mostly local cuisine at a reasonable priced. These establishments catch the attention of consumer from low to middle income that normally such eating places on a regular or daily basis. Mostly, the individual operator of these businesses is aware of the cost, buy their ingredients in small quantity on a frequent basis and do not use imported food and beverages from outside country.

2. 2 Customer satisfaction

According to McDaniel, Lamb and Hair (2010), customer satisfaction depends on the perceive performance of good or service relative to a buyer's expectations. If the performance falls short of expectations, the customer is dissatisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. The larger gap between expectations and performance, the greater the customer's dissatisfaction (Su, 2004). Most studies show that higher levels of customer satisfaction lead to greater customer loyalty, which in turn results in better company performance

(Dayang and Rozario, 2009; Kim and Lee, 2011; Su, 2004; Zoomerang, 2006). However, although the customer-centered establishment seeks to deliver high customer satisfaction relative to competitors, it does not attempt to maximize customer satisfaction. A foodservice can always increase customer satisfaction by lowering its price or increasing its service. But this may result in lower profits.

Why is it important to satisfy the customer? Zoomerang (2006) reported customer satisfaction is a key to building profitable relationships with customers; to keep and growing customers and reaping their customer lifetime value. Kim and Lee (2011) claimed that satisfied customers will return, talk favorably to others about the food and service and pay less attention to competitors. A dissatisfied customer responds differently. Bad word of mouth often travels farther and faster than good word of mouth. It can quickly damage customer attitudes about a restaurant and its food and service. However, as mentioned by Yi and La (2004, as cited in Kim and Lee, 2011) not all satisfied customers will results in positive outcomes. Therefore, a foodservice establishment should measure customer satisfaction regularly. For example, the company can learn how well it is doing and how it can improve by encourage customers to complain or respond quickly and personally to the customer as suggested by Parasuraman, Zeithaml and Berry (1994).

People are more likely to take action if they are dissatisfied with expensive product than for inexpensive products. Ironically, consumers who are satisfied with the performance in general are more likely to complain if they experience something bad; they take time to complain because they feel

connected to the company (Kim and Lee, 2011; Singh, 2006). Older people are more likely to complain, and they are much more likely to believe the company will actually resolve the problem. And if the company resolves the problem, a customer feels even better about it than if he had not complained in the first place. Foodservice operators should actually encourage customers to complain to them, otherwise people are more likely to spread about unresolved negative experiences to their friends than they are to boast about positive occurrences.

Figure 2. 1: Model of Expectancy Disconfirmation (Oliver, Balakrishnan and Barry, 1994)

Baker and Compton (2000) and Elizabeth (2005) derived the same concept which is the expectancy disconfirmation model, proposed by Oliver widely accepted and applied theoretically in customer satisfaction research. They discussed about this model, where customer form beliefs about foodservice performance based on prior experience with the food or service that imply a certain level of quality. They also identified when something performs the way customer thought it would, one may not think about it. If it fails to live up to expectations, this may create negative feelings. However, if performance happens to exceed customer's expectations, they are happy campers (Elizabeth, 2005; Su, 2004). This perspective underscores how important it is to manage expectations as foodservice operator often traces a customer's dissatisfaction to his erroneous expectations of the company's ability to deliver a food or service. No company is perfect. It is just unrealistic to think that everything will always turn out perfectly.

2. 3 Quality of Food

Customers need reasons to return to a restaurant. Food quality can be defined in many ways. Ryu and Han claimed that most influential factor of customer loyalty is the food quality. Quality of food in term of the taste, variety and nutrition has already been rated as the most important reasons why customers return to a restaurant (Kivela, 2000, as cited in Ha and Jang, 2010). While Wandel and Bugge (1996) recognized the same aspects in food quality that caught customer's interest are tastiness, fresh ingredients, physical appearance, healthfulness, and safety of food. Although a customer evaluates multiple attributes when determining food quality, one really judging three general food characteristics as suggested by Sulek and Hensley (2004, as cited from Ha and Jang, 2010) namely safety, appeal and dietary acceptability. Food appeal involves such issues as taste, presentation, textures, colors, temperature, size of the portions and entrée complexity. Dietary issues are playing an increasingly important role in food quality whether that means meals that are low in fat, low in carbohydrates or vegetarian or vegan (Siguaw and Enz, 1999). Nevertheless, some studies associate food quality with food safety and hygiene. These attributes are hard to define as they are categorized as credence factor and cannot be verified by customer (Rijswijk and Frewer, 2008). This also supported by Wandel and Bugge (1996) with regard to the food ingredients, as well as additive and chemicals. While food safety defects are not always immediate apparent, customers do tend to notice undercooked food, food with an off taste, or foreign material in their food (Chung and Hoffman, 1998).

Meanwhile, in foodservice industry, health and safety aspects as well cannot be underestimated in a production process, especially in producing of high quality and safe food. There are some achievements to be met and achieved in order to reach the level of total quality management. In the foodservice industry, performance and compliance to the basic requirements such as good hygiene practices and processes must be comply to achieve high quality product standards (Talib and Ali, 2008). As customers become aware on the quality of food, they are more interested on it and do not just focus on the appearance, taste and aroma of food. Hence, the value of food also takes into account on how customer perceives the quality rather attributes of the food (Meiselman, 2001). The quality itself must be assessed by including intrinsic and extrinsic factors as price, ambience, expectation etc (Pierson, Reeve and Creed, 1995). Thus, foodservice industry should put on efforts in order to fulfill the customer needs as food quality is a key determinant of restaurant choice.

2. 4 Quality of service

A foodservice company can differentiate itself by delivering consistently higher quality than its competitors do. Most service industries have joined the customer-driven quality movement. The service providers need to identify what target customers expect concerning service quality. Unfortunately, service quality for restaurant industry is harder to define and judge than food quality (Kueh and Voon, 2007). This is consistent with what Parasuraman, Berry and Zeithaml (1985) had discussed, service intangibility cause it is hard to determine how customer perceives the service and its quality. Customer retention and patron's perception of the tangible

attributes such as facilities available, equipment and staff appearance are perhaps the best measure of quality such a foodservice company's ability to hang onto its customers depends on how consistently it delivers value to them (Lee and Hing, 1995). Service quality is a gap between expectations and performance (Parasuraman, Berry and Zeithaml, 1985). Thus, it is important for a service provider to understand the three unique service characteristics proposed by Parasuraman, Berry and Zeithaml (1985) – intangibility, heterogeneity and inseparability. They highlighted intangibility as inability of services to be touched, seen, tasted, heard or felt in the same manner that goods can be sensed. Thus, firms often rely on tangible cues to communicate a service's nature and quality (Lee and Hing, 1995). Next, they extended with heterogeneity as the variability of the inputs and outputs of services to tend to be less standardized and less uniform than goods (Parasuraman, Berry and Zeithaml, 1995). The third one is the inability of the production and consumption of a service to be separated where the customers must be present during the production.

Parasuraman, Berry and Zeithaml (1985) have investigated the concept of the service quality and factors affecting it. They came out with the gaps on the service providers' side that influence customer's evaluation of service quality. The first gap is between what customers want and what management thinks customers want. This gap results from a lack understanding or a misinterpretation of the customers' needs, wants or desires. Apart from that, there is a gap between what management thinks customers want and the quality specifications that management develops to provide the service. This gap is the result of management's inability to

translate customers' needs into delivery systems within the firm. They also discussed the third gap which is between the service quality specifications and the service that is actually provided. This is due to the inability of management and employees to do what should be done. The following point they had mentioned is the gap between what the company provides and what the customer is told it provides as communication gap. From their interviewed with focus group, they found the fifth gap is between the service that customers receive and the service they want which can be positive or negative. When one or more of these gaps are large, service quality is perceived as low and as the gaps shrink, service quality improves (Parasuraman, Berry and Zeithaml, 1985; Su, 2004).

Service quality will always vary and subjective, depending on the interactions between employees and customers, also depends on what they experience and expected (Chow, Lau, Lo, Sha and Yun, 2007; Parasuraman, Berry and Zeithaml, 1985). However, customer used similar characteristics to measure service quality (Parasuraman, Berry and Zeithaml, 1985). The selection of appropriate instrument to measure service quality involves the need to understand the characteristics of service. This will help to recognize the quality of service since it is hard to evaluate than the quality of tangible goods. Came out with the models of service quality were various researchers like Gronroos, Parasuraman, and Barrington and Olsen; they explored variety determinant for service quality (Kueh and Voon, 2007). In 1984, Gronroos developed two type of service quality; technical quality (what is the service actually provided to the customer) and functional quality (how the service is delivered to the customer) (Chow, Lau, Lo, Sha and Yun, 2007; Kueh and

Voon, 2007). Indeed Gronroos, Parasuraman, Berry and Zeithaml (1985) invented new conceptualization called the SERVQUAL model. This model is widely accepted and applied to measure customer service quality. It was developed from focus group investigation and interviewed consists of executives from large companies. The results led to the development of ten determinants of service quality. The ten criteria include reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding and tangibles (Parasuraman, Berry and Zeithaml, 1985). As possible overlap in measurement, these ten criteria was revised and Parasuraman, Berry and Zeithaml (1985) came out with five dimensions with the set of 22 items for expectation and perception sections of questionnaire included in SERVQUAL model which is successfully used across service industry (Lee and Hing, 1995).

The five dimensions are tangibles, reliability, responsiveness, empathy and assurance. Lee and Hing (1995) described all these dimensions related to foodservice industry. The tangibles include the physical evidence of a service such as physical facilities, tools and equipments used to provide the service. Where customers do not receive meals only at a restaurant, they also receive service and depend on cues to measure service quality due to the absence of physical evidence. Reliability is the ability to perform the service dependably, accurately and consistently. In foodservice industry, this may related to the reservations of tables, where foodservice providers need to fulfill customers' requests. While responsiveness is the ability to provide prompt service includes calling the customer back quickly, serve lunch fast to someone in hurry and respond appropriately to the request. Next

dimension is assurance, the knowledge and courtesy of employees and their ability to convey trust. Skilled employees who treat customers with respect and make customers feel that they can trust the firm to exemplify assurance. Empathy is caring, individualized attentions to customer by recognize customers and learn their specific requirements.

Even though SERVQUAL conceptualization is utilized widely, some researchers heavily critic the validity of SERVQUAL and the need of expectation section (Ueltschy, Laroche, Zhang, Cho and Yingwei, 2009). The failed of SERVQUAL to cover the complexity of perception, resulting Corin and Taylor (1992, as cited in Dayang and Rozario, 2009; Qin and Prybutok, 2009) revealed SERVPERF model which evaluates service quality focuses on performance only and out weighted the expectation section. According to Qin and Prybutok (2009), they discussed that SERVPERF has reviewed by some researchers as more effective in explaining service quality construct and variation in service quality scores within the restaurant industry. While some of them suggest SERVPERF model to be applied in different service industries. Still, for the purpose of this study, Parasuraman, Berry and Zeithaml's model will be utilized as it takes into account the expectation and perception sections to measure service quality.

2. 5 Concepts

Customer satisfaction is the heart of marketing. For example, it has been shown that dissatisfied customers tend to complain to the establishment or seek redress from them more often to relieve cognitive dissonance and failed consumption experiences (Kim and Lee, 2011; Singh, 2006).

Researchers have also found a strong relationship between satisfaction and loyalty. It is often used as an indicator of whether customers will return to a restaurant (Kim and Lee, 2011). While there is no guarantee of a satisfied customers results in positive outcomes (Yi and La, 2004, as cited in Kim and Lee, 2011).

The important question for management to ask is which attributes are most responsible for customers to return business in a restaurant? Jones and Sasser, Jr (1995) studied the connection between specific attributes and return patronage in the full service restaurant industry. The regression model suggested that customer retention was influenced most by responsiveness of the frontline employees, followed by price and food quality. Physical design and appearance of the restaurant did not have a significant effect. This study may also be applied as a clue in food stall establishment.

Dube, Renaghan, Leo, Miller, and Jane (1994) studied the connection between specific attributes and return patronage in a small, independently owned up-scale restaurant. Customers were asked to rate the relative importance of each of the following attributes; food tastiness, consistent food, menu variety, waiting time, attentive server, helpful server, and atmosphere. Food quality was rated far above all other attributes in terms of importance. Food tastiness, consistent food and menu variety altogether accounted for 55 percent of the final decision to repeat a purchase in the business situation and 50 percent final decision to repeat a purchase in the pleasure situation. Service quality in the area waiting time, attentive server and helpful server accounted for 31. 8 percent of the final decision in the

pleasure situation and 35. 3 percent of the final decision in the business situation. Atmosphere accounted for 13. 1 percent in the pleasure occasions and 15. 2 in the business occasions.

Restaurant must offer quality food to attract and retain customers. To gain a competitive advantage in today's market, restaurants must also offer quality of service, meals of food value and favourable ambience. Even though healthy eating has been recognized the importance of offering quality and tasty food items. Future studies should be conducted with larger sample sizes at various age groups.