THE INFLUENCE OF SERVICESCAPE ON CUSTOMER LOYALTY IN FAST FOOD RESTAURANTS

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We hereby declared that we have read this thesis and in our opinion this thesis is

Sufficient in terms of scope and quality for the award of the

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"I hereby declared that this project paper is result of my independent work except the summary and experts that have been specifically acknowledgement"

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DEDICATION

I dedicate this thesis to my family especially to my parent Mr. Jarkasi bin Mastor and my loving mother Mdm. Arpiah bt Wagiman for nursing me with affections and love; lecturer at UTeM especially for my supervisor Dr. Norfaridatul Akmaliah binti Othman, friends and those people who have guided and inspired me throughout my journey of education.

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Thank you.

ABSTRACT

The purpose of conducting this research project is to examine the influence of servicescape on customer loyalty in fast food restaurants. To attain the objectives of this research project, research questions and four hypotheses are developed and tested. Furthermore, each hypothesis is measured accordingly and results obtained are subsequently explained. Other than that, literature reviews are included in this research project as to provide better understanding towards the influence the servicescape elements on customer loyalty as well as provide justification towards the research questions and research problems. Primary data were collected through survey questionnaire for this research purposes and 200 sets of questionnaire were distributed to the target respondents. By using Statistical Package for Social Science (SPSS) version 20.0, data collected through survey questionnaires are able to be analyzed and results obtained are discussed in the form of table as well as charts. In addition, major findings of this research project were discussed in order to understand the relationship between design elements, ambient elements, placements of elements and human elements towards customer loyalty. After this research, the researcher acknowledges that all these elements are important in influencing customer loyalty, which servicescape elements will influence the customer loyalty among people towards fast food restaurants. Lastly, the limitations faced in this study will be addressed and recommendations will be developed to assist future researchers in managing these limitation.

ABSTRAK

Tujuan projek penyelidikan ini dijalankan adalah untuk mengkaji pengaruh servicescape kepada kesetiaan pelanggan di restoran makanan segera. Untuk mencapai objektif projek penyelidikan ini, persoalan kajian dan empat hipotesis dibangunkan dan diuji. Tambahan pula, setiap hipotesis diukur dengan sewajarnya dan keputusan yang diperolehi kemudiannya dijelaskan. Selain daripada itu, ulasan kesusasteraan dimasukkan ke dalam projek penyelidikan ini bagi meningkatkan kefahaman terhadap pengaruh unsur-unsur servicescape kepada kesetiaan pelanggan serta memberikan justifikasi terhadap persoalan kajian dan masalah penyelidikan. Data primer diperolehi melalui borang soal selidik kajian untuk tujuan penyelidikan ini dan 200 set soal selidik telah diedarkan kepada sasaran responden. Dengan menggunakan Statistical Package for Social Science (SPSS) versi 20.0, data yang dikumpul melalui borang soal selidik dapat dianalisis dan keputusan yang diperolehi akan dibincangkan dalam bentuk jadual dan carta. Di samping itu, penemuan utama projek penyelidikan ini telah dibincangkan untuk memahami hubungan antara unsur-unsur reka bentuk, ambien elemen, penempatan elemen dan unsur-unsur manusia ke arah kesetiaan pelanggan. Selepas kajian ini, penyelidik mengakui bahawa semua elemen-elemen ini adalah penting dalam mempengaruhi kesetiaan pelanggan, dimana unsur-unsur servicescape akan mempengaruhi kesetiaan pelanggan di kalangan rakyat terhadap restoran makanan segera. Akhir sekali, kekangan yang dihadapi dalam kajian ini akan ditangani dan cadangan akan dibangunkan untuk membantu penyelidik masa hadapan dalam menguruskan had ini.

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CHAPTER 1

INTRODUCTON

1.1 Background study

In many Asian countries a restaurant industry is one of the key contributors for the service factors. Service has been recognized as one of the effective tools for gaining as well as sustaining the competitive advantage. However achieving the best service for the various types of customers is very challenging due to the type of the restaurant industry which is characterized by people-processing services and high-contact.

Today is the era of fast food chains. Fast food restaurants are everywhere and expanding and growing over the years. Due to relatively inexpensive cost and quick, convenient service, fast food restaurant have become "home away from home" for breakfast, lunch, and dinner (Kim, Hertzman, & Hwang, 2010). In addition, the very busy lifestyle in the modern world in increasing number of people chooses fast food as their regular dining choice. Fast foods are quickly prepared, reasonably priced, and readily available as differ to home cooked food (Habib, Dardak, & Zakaria, 2011). "Oxford Dictionary" defined fast food as food that can be prepared quickly and easily and is sold in restaurants and snack bars as a quick meal or to be taken out. In other words, it is the food that requires little preparation before being served.

The physical environment is very important since it directly affects customer satisfaction. This is consistent with the opinion of (Bitner, 1992) saying that physical environment affects customer satisfaction for services provided. For services, the use of creative physical design can support the placement and the segmentation strategies and strengthen the specific goals of marketing such as customer satisfaction and attention. This means that customer satisfaction can be maximized using a physical design in the form of servicescape as a marketing strategy of the service provider. The same opinion is expressed by (Hightower, 2003) that the company's physical environment is designed for the needs of employees and customers will be more satisfying to its customers than companies that do not consider the needs of employees and customers. This indicates that the customers will try to maximize their satisfaction and loyalty by choosing a fast food restaurant that provides servicescape suitable to their needs.

Furthermore according to (Wakefield & Blodgett, 1996), Servicescape can influence behavior intention of customers such as approaching or avoiding behavior, spending money and the intention to repurchase. This is an expression of the customer loyalty. Thus, servicescape also affects customer loyalty.

Moreover, the approaching or avoiding behavior of customers suggests that they will choose servicescape of the fast food restaurant that makes them comfortable to come or otherwise they would choose a fast food restaurant that has a certain characteristic that they do not get from other restaurant.

The servicescape in fast food restaurant always focused more in their services and food. The physical evidence is the environment in which service is delivered and where the both firm and the customer interact, and any tangible commodities that facilitate performance or communication of the

service. In fast food restaurant many people come but how many people loyal in their servicescape.

1.2 Problem statement

Fast food industry in Malaysia is facing increasingly competitive challenge as with other industries around the world (Huam, Seng, Thoo, Rasli, & Abd Hamid, 2011). Nowadays, the fast food restaurants are expanding in Malaysia and seem to be growing. As a result, the fast food restaurants are becoming competitive throughout the years.

What appeals to consumers' preferences are not only food and beverages, an enjoyable dining environment also matters. Increasing attention is being paid not only to pricing and the merchandise itself, but also to the provision of a pleasant and possibly exciting and the best servicescape that apply in the fast food restaurant (Baker, 1986; Baker et al., 1992; Dawson et al., 1990; Sherman et al., 1997; Sherman & Smith, 1986; Tai & Fung, 1997). Further, academic interest in how atmospherics influence consumer loyalty has grown following the (Kotler's, 1973).

Due to the fast change in the global market, fast food restaurants are facing intense competitions in terms of attracting and retaining their customers. Therefore, in order to success in their key business, it is very important for the fast food restaurateurs to concern about the influence of servicescape on customer loyalty.

Since services usually involve simultaneous production and consumption, in many cases the customer has to enter the service facilities and has to be within the servicescape before customers can make the purchase decision.

Therefore, the servicescape offers a multitude of easily accessible cues to customers seeking an information searching shortcut (Baker, 1998).

Despite the apparent importance of servicescapes, there are also remains a surprising lack of empirical research addressing its role in fast food restaurant consumption settings (Wakefield & Blodgett, 1999; Tombs and McColl-Kennedy,2003) and its impact on customers' purchase decisions (Cronin, 2003; Foxall and Yani-de-Soriano, 2005) which is influence on customer loyalty to the fast food restaurant. Regarding to this scenario, this research were grabbed this opportunity by emphasizing on fast food restaurant servicescape to assist the fast food restaurant in the influence of servicescape on customer loyalty

1.3 Research questions

The research issues in the research problems lead to a number of research questions which intended to be answered in this research. The questions are:
1) What are the elements of servicescape that influence on customer loyalty in fast food restaurant?
2) What are the most effective elements in servicescape that influence on customer loyalty?
3) What is the relationship between servicescape and customer loyalty?

1.4 Research objectives

Based on the questions posed above, the overall objective of this study is to examine the elements of servicescape that influence on customer loyalty in fast food restaurant. Throughout the study this research aims to achieve research objectives such follow:

1) To identify the elements of servicescape in fast food restaurant.
2) To determine the most effective elements in servicesacape that influence customer.
3) To determine the relationship between servicescape and customer loyalty.

1.5 Scope, Limitation and Key assumptions of the Study Scope.

This sub topic will explain more about the scope, limitation and key assumptions of the study scope.

1.5.1 Scope

This research is concern on the important elements of servicescape of fast food restaurants in Melaka and its impact on customer loyalty. This research was focusing the influence of servicescape on customer loyalty in fast food restaurant. For this research, it comprises respondent whom come and eat in fast food restaurants in Bandar Hilir Melaka such as McDonalds, KFC, Subway, Pizza Hut, A&W, Domino's pizza and etc.

1.5.2 Limitation

Limitations are influences beyond the researcher control. Limitations are the shortcomings, conditions or influences that cannot be controlled by the researcher that place restrictions on the researcher methodology and conclusions (Baltimore Country Public Schools, 2014). Three limitations are identified in this study. Firstly is about limitation in respondent knowledge about to answer these questions. This is because there are rarely hear about this servicescape term. Secondly, in this research just focus on Bandar Hilir, Melaka, this research is not covering whole of Melaka therefore, this research just get the data only in Bandar Hilir, Melaka area. Lastly, this research cannot measure the truthiness of the respondent answer. Thus, they maybe some dissatisfaction in data collection

1.5.3 Key assumptions

Throughout the research study, this research had assumed the following assumption before conducting the research such all respondents will answer all survey questions honestly and to the best of their abilities. This research only focuses on respondent's behavior and does not take into account environmental or economic factors.

1.6 The importance of study

The main importance of this research is to explore the elements of the servicescape and also the most effective elements that influence the customer loyalty. Today, the increasing awareness among fast food restaurant customers of their rights, changing demands and highly competition requires constant progress in service quality from the fast food restaurant for their customers to stay loyal. This research also wants to know the relationship between servicescape and customer loyalty.

1.7 Summary

This chapter is about to introduce the background study, problem statement, research objective, scope, limitation and key assumption, and lastly is the importance of study. The influence of servicescape on customer loyalty in fast food restaurant is the tittle research. In the next chapter, there will further explanation on the servicescape that influence the customer loyalty. And also study about the servicescape and customer loyalty.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In this chapter, this research will discuss in details regarding the servicescape and customer loyalty. This research also will study the literature of elements servicescape in order to fulfill the first research objective. Next, throughout this chapter research will relate the relationship on servicescape and customer loyalty in fast food restaurant to achieve the research objective. Finally, in the last section this research will come out with a theoretical framework for the research study and the hypothesis will be discussed in this chapter.

2.2 Customer loyalty

There are many definitions of customer loyalty will know in general. Yet each of them fails to recognize that loyalty takes places with emotions. Customer loyalty is due of consistently positive emotional experience, physical attribute-based satisfaction and assumption value of an experience, which includes the product or services.