

THE EFFECT OF SERVICESCAPE ON
CONSUMERS' BEHAVIORAL INTENTIONS IN
FAST FOOD INDUSTRY IN MALAYSIA

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This report is submitted in partial fulfilment of the requirement for the Bachelor
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DECLARATION

“I hereby declare that the work of this research project is produced by me except as cited in the references that have been duly acknowledged”

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DEDICATION

This research paper is lovingly dedicated to my parents Encik Mazlan Bin Othman and Puan Rozilah Binti Mokhtar who have been my constant source of inspiration. They have given me an unconditional support for my studies. I am honoured to have them as my parents. Thank you for giving me the chance to prove and improve myself through this beautiful journey of my life. To all my family members, thank you for believing and allowing me to further my studies. Thanks for all wonderful memories of growing up, and for your continuously support and encouragement. “Life is beautiful, discover and embrace it with your true personality”

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ABSTRACT

The effect of atmospherics or physical design and decor elements on consumers is recognized by the fast food companies and mentioned in virtually all marketing, retailing and organizational behavior texts. Servicescape is a concept that was developed to emphasize the impact of the physical environment in which a service process takes place. The concept of servicescape can help assess the difference in customer experience between a fast food franchise restaurant and a small, family-run restaurant. There are three primary dimensions in servicescape that have been widely used which are ambient conditions, spatial layout and functionality, and signs, symbols and artifacts. This study was undertaken with the purpose of investigating the effect of servicescape on consumers' behavioural intentions in fast food industry in Malaysia. Based on several research frameworks that have been built in past years, this study attempt to improvise and implement the concept in the context of Malaysian market. To test this proposition, a new research framework and a structured questionnaire was developed and self distributed to randomly selected respondents but focusing more on younger generation. These respondents have been chosen because of their lifestyle and consumption habits especially people who live in urban area. The findings would provide the correct ways to implement the concept in fast food restaurant and this can ensure the companies sustainability in the industry. In summary, the servicescape as a whole, as well as individual components within the servicescape, have been shown to impact both consumer and service provider perceptions of and reactions to the servicescape.

ABSTRAK

Kesan persekitaran atau reka bentuk fizikal dan elemen dekorasi terhadap pengguna telah dikenalpasti dan diiktiraf oleh syarikat makanan segera juga telah disebut dalam hampir semua buku pemasaran, peruncitan dan tingkah laku organisasi. Servicescape adalah satu konsep yang telah dibentuk untuk memberi penekanan terhadap kesan persekitaran fizikal di mana sesuatu proses perkhidmatan berlaku. Konsep servicescape boleh membantu dalam menilai perbezaan pengalaman pelanggan antara restoran francais makanan segera dan restoran kecil yang dikendalikan oleh keluarga,. Terdapat tiga dimensi utama dalam servicescape yang telah digunakan secara meluas iaitu keadaan ambien, susun atur ruang dan fungsi, dan tanda-tanda, simbol juga artifak. Kajian ini dijalankan dengan tujuan untuk menyiasat kesan servicescape terhadap hasrat dan tingkah laku pengguna dalam industri makanan segera di Malaysia. Berdasarkan beberapa kerangka penyelidikan yang telah dicipta pada masa lalu, kajian ini dilakukan untuk menambah baik dan mengetahui cara untuk melaksanakannya dalam konteks pasaran Malaysia. Untuk menguji cadangan ini, satu rangka kerja penyelidikan baru dan soal selidik berstruktur telah dihasilkan dan diisi oleh responden yang telah dipilih secara rawak tetapi tumpuan lebih diberikan kepada generasi muda. Responden ini telah dipilih kerana gaya hidup dan tabiat penggunaan mereka terutamanya pengguna yang tinggal di kawasan bandar. Hasil daripada kajian ini akan menunjukkan cara yang betul untuk melaksanakan konsep ini di restoran makanan segera serta dapat memastikan kelangsungan syarikat tersebut dalam industri. Ringkasnya, konsep servicescape akan dapat memberi banyak kelebihan bukan sahaja terhadap pengguna malah kepada industri itu sendiri.

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LIST OF ABBREVIATIONS

ABBREVIATION		MEANING
IV	=	Independent Variable
DV	=	Dependent Variable
H1	=	Hypothesis 1
H2	=	Hypothesis 2
H3	=	Hypothesis 3
SPSS	=	Statistical Package for Social Sciences
RM	=	Ringgit Malaysia
α	=	Alpha
β	=	Beta
%	=	Percentage

CHAPTER 1

INTRODUCTION

1.1 Introduction of Chapter

This chapter will explain the background of the study and overview of the problem statement. Researcher will discover the idea of the whole research in this chapter. Next, the research objectives and questions are also included respectively at section 1.4 and section 1.5. The scope and limitations of this research has been explained at section 1.7 while the contribution of this research has been given at section 1.8.

1.2 Background of Study

The effect of atmospherics or physical design and decor elements on consumers is recognized by the fast food companies and mentioned in virtually all marketing, retailing and organizational behavior texts. Yet, particularly in marketing, there is a surprising lack of empirical research or theoretically based frameworks addressing the role of physical surrounding in consumption settings. The companies continually plan, build, change and control their physical surroundings, but frequently the impact of a specific design or design change on ultimate users of the facility is not fully understood.

Servicescape is a concept that was developed to emphasize the impact of the physical environment in which a service process takes place (Booms and Bitner, 1992). The concept of servicescape can help assess the difference in customer experience between a fast food franchise restaurant and a small, family-run restaurant. Whereas the quality of the food may be the same, the customer may perceive higher quality in the latter over the former based on the environment in which the service is provided.

People sometimes go to restaurants to celebrate special occasions with close friends or family or to refresh and relax from their ordinary life through memorable dining experiences. These purposes are largely associated with a diner's emotions. In relation to an individual's emotions, the environment is also an important dining component. Dining environments create mood and affect customer's emotion, so atmospherics can be a substantial part of dining experiences (Jang and Namkung, 2009).

Furthermore, the ability of the physical environment to influence behaviors and to create an image is particularly apparent for service businesses such as hotels, professional offices, banks, retail stores and especially fast food restaurants (Baker et al., 2002). Because the service generally is produced and consumed simultaneously, the consumer is 'in the factory', often experiencing the total service within the firm's physical facility. The factory (or the place where the service is produced and in this research specifically for fast food restaurants) cannot be hidden and may in fact have a strong impact on customers' perceptions of the service experience. Even before purchase, consumers commonly look for clues about the firm's capabilities and quality. The physical environment is rich in such clues and may be very influential in communicating the firm's image and purpose to its customers.

The study of the physical environment has also been specifically applied to service industries. Perhaps the most widely cited research relating to the conceptualization of the physical environment in a service context is Bitner (1992) seminal contribution. The author uses the term servicescape to identify three primary dimensions of the physical environment that influence employees and customers' holistic perceptions and their subsequent internal (i.e. satisfaction with the

servicescape) and external responses (i.e. approach/avoidance and staying). These dimensions are:

- i. Ambient conditions (i.e. music, temperature, air quality, noise, odors)
- ii. Spatial layout and functionality (i.e. the way in which equipment and furnishings are arranged and their ability to facilitate consumers' enjoyment)
- iii. Signs, symbols and artifacts (i.e. signage and décor used to communicate or to direct customers to desired destinations)

In the case of food & beverages industry, it provides a better and clear picture of how important a servicescape to an organization, especially organization that having a fierce competition among its rivalries in an industry, for instances the competition between Mc Donalds, Domino's Pizza, Pizza Hut, Nando's, Kentucky Fried Chicken (KFC), Burger King, Kenny Roger Roasters in fast food industry worldwide generally and in Malaysia specifically. In order for a company to success or at least sustain in the industry, it is crucial for the company to provide a big investment in order to acquire the vital knowledge about the servicescape and how to implement it in the very effective way. With a certain amount of investment, the service becomes more efficient, high in quality of the product and more satisfaction to the customer. Hence, the company has more advantages and benefits than its competitors.

The implementation of servicescape in any fast food company gives a lot of benefits, a part of can attract more customers to their restaurant and may be reduce the harm to the environment by conducting a green and saving energy in their service. Some other benefits mostly involve the company's operations and performances, such as the relation between managers and workers, communication between employees and customers, customers' satisfaction and also increase the company's profits and business performance.

In summary, the servicescape as a whole, as well as individual components within the servicescape, have been shown to impact both consumer and service provider perceptions of and reactions to the servicescape. The servicescape concept has provided the theoretical background for subsequent research investigating the effect of the service environment on consumer behavior. Throughout this research, researcher identified that physical components of a servicescape indirectly affect repurchase intentions, loyalty, facility image or brand image and word-of-mouth. Moreover, researcher believes that without a proper knowledge and ways to implement the servicescape, a company will be at risk to be left behind and unable to compete in the market it pursued.

1.3 Problem Statement

The concept of servicescape has been generally accepted by the worldwide companies and plays a crucial role in influencing the consumer's behavioral intentions in the service industries especially for the fast food industry. For an example, let us take a look at Generation Y or youngsters in Malaysia. Apparently, they are the key customer segment for foodservice, not just in terms of market size but also due to their lifestyle and consumption habits. Having grown up with takeout food, they eat out frequently, are more adventurous in trying new restaurants compared to older diners and seek environments that make them feel welcome with products and facilities that suit their needs. In spite of this, empirical studies on the service expectations on consumer's behavioral intentions in the fast food industry are few and the role of servicescape in this context has not been explored. Research shows that the demand for food away from home has a high-income elasticity in Malaysia (Radam et al., 2006). This underscores the importance of the fast food industry to the economy as both living standards and consumer incomes continue to rise (Euromonitor International, 2007).

Moreover, this concept is very beneficial because it can also improve the company's performance, hence, will increase their profit. Even though most of the companies in the advanced countries have already implemented the concept of servicescape using their own ways, however, for companies in the developing countries, including Malaysia, it is not a major deal. Most of the industries in Malaysia still do not aware about the importance of having a good atmospherics or physical design and decor elements in influencing the consumer's behavioral intentions, especially in the fast food industry.

There are several obvious problems that discourage the fast food companies to initiate the concept of servicescape within their organization. First of all, these companies do not understand the variables of servicescape that are very beneficial in order to influence the customer in term of repurchase intentions, loyalty, good brand image and the most powerful strategy of marketing that is word-of-mouth. They do not have the proper knowledge about this concept because servicescape has not been highlight in our country.

The other problem arise other than the understanding of the variables and its benefits is the implementation itself. Some of local fast food companies may have some ideas or plans in carry out the effective physical design and decor elements that can attract customer, however, these companies do not know how to implement or to realize the plan. They only know about the basic thing such as having a proper layout for their restaurant, space, function, ambiance, attractive décor and others. Wrong implementation of the servicescape practices may also occurred in certain companies. If the improper concept of servicescape still being applied by these companies, the benefits that these fast food companies should receive will not appear, instead, other problems will arise that surely will lead to loss.

The fast food companies in Malaysia do not encourage the implementation of servicescape within their organization also because of these companies never realize the benefits that they will get from the concept. As researcher stated before, the companies in advanced countries especially in service industry have already receive a massive benefits by implementing the concept, both in short and long term effect. Unfortunately, most companies in Malaysia especially in foodservice have still not

aware about the relation between servicescape and consumer's perception. These companies may know about the benefits of servicescape, but they may unintentionally do not want to apply it in their companies.

Based on the problems highlighted, researcher has found several factors and dimension to encourage Malaysia's fast food industry to implement the true concept of servicescape. Eating out is common in Malaysia as a result of relatively cheap food prices and the wide variety of cuisine. It is also becoming an indispensable part of youth lifestyle as they seek convenience, time saving and relaxation by patronizing foodservice outlets. Due to the importance of understanding the consumer's behavioral intentions in this industry, it appears worthwhile to explore the concept of servicescape in relation to cultural values in Malaysia. Plus, this research also will suggest the correct way to implement the servicescape concept and its effect to the companies' sustainability in the industry.

1.4 Research Objectives

1. To study the variables of servicescape.
2. To identify the relationship between servicescape and consumer's perception in Malaysia.
3. To determine the effect of servicescape to the companies sustainability in the fast food industry in Malaysia.

1.5 Research Questions

1. What are the variables of servicescape?
2. What is the relationship between servicescape and consumer's perception and the importance of implementation the concept in Malaysia?
3. Does the implementation of servicescape can affect the companies' sustainability in the fast food industry in Malaysia?

1.6 The Organization of Thesis

In Chapter 1, this research will focus on the introduction of servicescape concept. Researcher will be briefly explaining the general and current situation of servicescape in worldwide. Then, the problems of implementing the true concept of servicescape in Malaysia will be discuss in this chapter. Next, research objectives, research questions, scope and limitations, research contribution and summary will be pointed out.

In Chapter 2, it will highlight the literature review of the research. In this chapter, researcher will choose the suitable theory in order to relate with the thesis. The theory will be tested and justify according to the objective that have been stated earlier in Chapter 1. Next, the variables of servicescape will be discuss deeper, the relationship between servicescape and consumer's perception also will be expose so