

PERCEIVED SERVICE QUALITY IN THE FAST
FOOD SECTOR: ENHANCING CUSTOMER
SATISFACTION USING ONLINE SERVICE

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2017

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This Report Submitted In Partial Fulfillment of The Requirements For The Award
Bachelor of Technology Management (High Tech Marketing) With Honors

Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka

JUNE 2017

DECLARATION

“I declared that this project is the result of my own research except as cited in the references. This research project has not been for any degree and is not concurrently submitted in candidature of any other degree.”

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DEDICATION

I would like to dedicate the appreciation to my family members who supported me in terms of spiritual and financial, beloved supervisor and panel who guided me throughout the research and course mates that assisted me through the journey of research

ACKNOWLEDGEMENT

Alhamdulillah, praise be to Allah S.W.T, the merciful God, whom with His willing gives me the opportunity to complete my industrial training report successfully. I am also grateful for the good health and wellbeing that were necessary to complete this report.

First and foremost, I would like to take this opportunity to express my sincere gratitude and appreciation to my respected final year project supervisor, PM Dr Juhaini Binti Jabar for the continuous support, motivation and guiding me throughout the research. Moreover by her guidance, I managed to finish my final year project successfully. There are also other important people involved in my project, for instance, my lecturers, friends and course mates. I am deeply grateful for the guidance towards this project as play an important role for this project. Besides that, I would like to thank to my parents especially, to my beloved mother, Zuaini Binti Sulong, who always give moral support and my father, Jaafar Bin Mahmud, who always support me in a costing and any decision that I made.

Additionally, I would like to express my sincere appreciation and thanks to Universiti Teknikal Malaysia Melaka (UTeM) for offering this Final Year Project (FYP) as a subject. The knowledge and experience gained is extraordinary and will be very useful for future undertakings. . Lastly, I would like to thank to all persons who directly and indirectly have lent their hand for helping me to accomplish Final Year Project (FYP) successfully.

ABSTRACT

Nowadays, consumer lifestyles have shifted to favor more convenience-oriented and time-saving options for meal occasions, as more and more Malaysians have less time and energy to prepare scratch meals at home. This trend has not only boosted demand for all foodservice subsectors in the country, but is being reflected in the changing landscape of the industry. There are many fast food restaurants that operate in Malaysia. For new restaurant or restaurants that are still in development, they have to compete with the restaurants that already have brand awareness and consumer loyalty. In addition to ensuring that the food is delicious, we need to ensure that the service provided can satisfaction customer. In this era, technology like IT is important to competitive with another restaurant that has been successful additionally technology usage may serve as a source of competitive advantage to the fast food restaurants. Therefore, the online service used to measure the level of customer satisfaction. Fast Food Restaurant needs to adopt the perceived service quality (SERVQUAL) to enhance customer satisfaction in order to compete in this industry. The importance of service quality in improving customer satisfaction and loyalty in traditional business settings has been established through the use of such instruments as SERVQUAL. However, these established service quality dimensions, or similar measures, have not been applied to electronic commerce settings. This finding, E-QUAL more suitable to be used to measure user satisfaction with the online service. E-QUAL is based on the proven conceptual framework of the SERVQUAL instrument and is adjusted for the unique attributes of the electronic commerce.

Key Words: Fast Food, Online service, Customer Satisfaction

ABSTRAK

Pada masa kini, gaya hidup pengguna telah beralih untuk memihak kepada lebih keselesaan berorientasikan dan menjimatkan masa untuk majlis-majlis makan, kerana semakin ramai rakyat Malaysia tidak mempunyai masa dan tenaga untuk menyediakan makanan awal di rumah. Trend ini bukan sahaja meningkatkan permintaan bagi semua subsektor perkhidmatan makanan di negara ini, tetapi sedang digambarkan pada perubahan landskap industri. Terdapat banyak makanan segera restoran yang beroperasi di Malaysia. Untuk restoran atau restoran yang masih dalam pembangunan baru, mereka perlu bersaing dengan restoran-restoran yang sudah mempunyai kesedaran jenama dan kesetiaan pengguna. Di samping itu untuk memastikan makanan yang lazat, kita perlu memastikan bahawa perkhidmatan yang diberikan kepuasan pelanggan boleh. Dalam era ini, teknologi seperti IT adalah penting untuk bersaing dengan restoran lain yang telah berjaya tambahan penggunaan teknologi boleh berfungsi sebagai sumber kelebihan daya saing kepada restoran makanan segera. Oleh itu, perkhidmatan dalam talian yang digunakan untuk mengukur tahap kepuasan pelanggan. Restoran Makanan Segera perlu mengamalkan kualiti perkhidmatan yang dilihat (SERVQUAL) meningkatkan kepuasan pelanggan untuk bersaing dalam industri ini. Kepentingan kualiti perkhidmatan dalam meningkatkan kepuasan pelanggan dan kesetiaan dalam tetapan perniagaan tradisional telah ditubuhkan melalui penggunaan instrumen seperti SERVQUAL. Walau bagaimanapun, ini ditubuhkan dimensi kualiti perkhidmatan, atau langkah-langkah yang sama, tidak digunakan untuk tetapan perdagangan elektronik. Penemuan ini, E-QUAL lebih sesuai digunakan untuk mengukur kepuasan pengguna dengan perkhidmatan dalam talian. E-QUAL adalah berdasarkan kerangka konsep yang terbukti instrumen SERVQUAL dan diselaraskan untuk sifat-sifat unik perdagangan elektronik.

Kata Kunci: Makanan Segera, Perkhidmatan Dalam Talian, Kepuasan Pengguna

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter provides a brief overview of the study presented in this research. This chapter introduced the problem statement, research question, research objective, scope, significance of the research, and as well as the limitations of this research. The researcher also explains the definition term of this research.

1.2 Background of the Study

This chapter discussed about the background study of this research the fast food industry profile, the service quality to enhance customer satisfaction in fast food. Malaysia's foodservice sector was valued at just under RM 4.4 billion in 2012. Between 2008 and 2012, the market recorded a compound annual growth rate (CAGR) of 4.6% and is expected to continue expanding with a CAGR of 5.3% until 2017, reaching total sales of RM 5.7 billion. All food service operators to take advantage of technology-enabled services to improve facilities and increase services to consumers in the store, all to better compete for market share when competing on menu offers only seems inadequate. Modern food service operators are expected to provide technology that meets the highest priority to the modern consumer to ensure service quality. The top brands in the Malaysian market include Kentucky Fried Chicken (KFC), McDonald's, Secret Recipe Cakes & Café, and Pizza Hut (Summary, 2014).

According to Euromonitor (2013), the increasing price of raw materials, subsidy reductions and overall heightening production costs forced many foodservice operators to raise prices in 2012. Foodservice establishments remain an integral platform for gatherings and social occasions, since food is a significant part of Malaysian culture, but consumers have become more cost-conscious. Technology is modernizing foodservice and enabling operators to engage consumers in new and exciting ways. To save money, some consumers are eating out less frequently, but many more are seeking promotional discounts or deals that better allow them to do so, which is affecting overall value sales growth in the sector. Foodservice subsectors consist of full-service restaurants, fast food, cafés/bars, street stalls/kiosks, self-service cafeterias, and 100% home delivery or takeaway. Full-service restaurants were the dominant subsector in 2012, representing over one-third of the total market. However, the fastest-growing subsector was 100% home delivery or takeaway, which increased its sales by a significant CAGR of 19.9% over the 2008 to 2012 period (Summary, 2014).

1.3 Fast Food Industry in Malaysia

Fast food is one of the companies around the world; it has been growing rapidly in recent years. Malaysia is not the current abnormal growth. Red onion, comedy double cheese burgers, chicken, pizza, fast food eating places, the growth of Malaysia as mushrooms after the rain (Muhammad Fazli, 2005). The rise of fast food organizations in Malaysia has, greatly increases economic contribution of fast food sector in the nation. Fast food restaurants should consider the local taste to ensure the acceptance among people in a particular culture (Dittmer, 2002). The dining atmosphere of a fast food restaurant is the top priority for Malaysian consumer (Bougoure and Neu, 2010). Malaysia's rapid growth and this change better fast food restaurants. Business, 2000). So between 2003 Supplier Diversity Malaysian fast food industry 42-1999 rapid supermarket has accumulated 34.5% annual growth rate of seven members of the obtained substance (Muhammad Fazli, 2006).

However, value sales growth has been affected by the proliferation of constant promotional pricing and discounts. Furthermore, growing health-consciousness customers will likely to affect sales trends across several fast food categories, as consumers seek more nutritious food. For example, although currently just a small proportion of the market, the bakery fast food category (which includes establishments offering sandwiches and subs, among other things), registered the strongest growth in terms of value sales and outlet expansion from 2008 to 2012.

The Malaysian fast food subsector saw a CAGR of 9.2% between 2008 and 2012, reaching total sales of RM 6187230000.00. Future sales growth is expected to slow slightly, with a CAGR of 6.3% forecast between 2012 and 2017. Top chained brands in this subsector include Kentucky Fried Chicken (KFC), McDonald's, Dunkin' Donuts, Marrybrown and 7-Eleven (Summary, 2014). Over 3,300 fast food outlets recorded 335.2 million transactions in 2012, having grown by a compound annual rate of 6.0% and 8.4% respectively, since 2008. Per outlet, fast food saw sales of RM 1872839.17, with an average transaction value of just RM 18650079000.00, the second-lowest across the entire sector.

The fourth-largest subsector within Malaysian consumer foodservice, fast food is almost exclusively made up of chained operators (representing 98% in value terms), with chicken as the most prominent style. Busier lifestyles and the resulting demand for convenience have driven growth in fast food sales, particularly via drive-through, delivery and takeaway options, which are prominent features of this subsector (Summary, 2014).

Table 1.1: Historic Market Value and Growth of Malaysian Foodservice by Subsector (RM Millions)

	2008	2009	2010	2011	2012	CAGR % 2008-12
Consumer Foodservice	37183.70	37897.24	39966.21	42274.51	44439.57	4.6
Full-service Restaurant	13405.40	13430.32	13946.34	14666.54	15250.62	3.3
Cafes/Bars	10797.28	10998.79	11534.83	12098.89	12766.16	4.3
Street Stall/Kiosks	7669.57	7788.35	8172.69	8627.32	8965.85	4.0
Fast Food	4429.32	4732.71	5278.09	5825.69	6296.34	9.2
Self-Service Cafeterias	740.67	770.03	802.06	839.87	868.78	4.1
100% Home Delivery/Take Away	141.46	190.39	231.76	261.12	291.82	19.9
Pizza Consumer Foodservice	775.81	847.43	922.61	981.33	1027.15	7.3

Source: Euromonitor, 2014

Based on *Table 1.1* food service fast food is the third largest subsector contributor in historic market value and growth of Malaysian foodservice (Summary, 2014).

Table 1.2: Forecast Market Value and Growth of Malaysian Foodservice by Subsector (RM Million)

	2013	2104	2015	2016	2017	CAGR % 2013-17
Consumer Foodservice	46758.55	49219.43	51818.66	54606.95	57558.94	5.3
Full-Service Restaurant	15991.29	16813.36	17683.03	18645.68	19712.42	5.4
Cafes/Bars	13467.24	14176.32	14917.43	15691.91	16490.85	5.2
Street Stalls/Kiosk	9333.74	9741.66	10196.74	10702.53	11252.35	4.8
Fast Food	6731.39	7181.13	7642.44	8111.75	8581.50	6.3
Self-Service Cafeterias	907.93	941.74	975.99	1019.58	1054.73	3.8
100% Home Delivery/Takeaway	326.96	365.22	403.03	435.50	469.31	9.3
Pizza	1084.53	1148.14	1215.76	1281.15	1351.88	5.7

Source: Euromonitor, 2014

Based on *Table 1.2* food service fast food is the second largest subsector contributors in forecast market value and growth of Malaysian foodservice (Summary, 2014).

Table 1.3: Outlets and Transactions of Malaysian Foodservice by Subsector, 2012

Subsector	Outlets	Transactions (thousands)	Average Sales per Outlet (RM)	Average Sales per Transaction (RM)
Consumer Foodservice	30721	1352698	1446551.42	32.87
Full-Service Restaurant	10231	269769	1490626.66	56.54
Cafes/Bars	5325	221676	2397403.16	57.61
Street Stalls/Kiosks	11201	491041	800449.64	18.24
Fast Food	3340	335234	1885128.55	18.77
Self-Service Cafeterias	302	29245	2876763.68	29.72
100 % Home Delivery/ Takeaway	322	5733	906269.37	50.89
Pizza	572	14767	1795710.26	69.57

Source: Euromonitor, 2014

Based on *Table 1.3* food service fast food is the fifth largest subsector contributors in outlets and transactions of Malaysian foodservice (Summary, 2014).

1.4 Service Quality

The idea that perceived service quality is a multidimensional construct is widely accepted (Grönroos, 1984, 1990; Parasuraman et al., 1985). Service quality is a topic that is important to be discussed that related with all type service industry including fast food sector. This is because service quality has strategic roles. In a mature service industry, service quality is an order qualifier that ensures a service company survives. In other words, service quality is a source of comparative advantage. Generally, that service quality should be studied by using customer perspective. Given this, researchers propose that service quality is customer evaluation on the superiority of service performance provided by a service company [28]. More clearly, that service quality is “the consumer's judgment about a [service]’s overall excellence or superiority” (Zeithaml’s, 1980). Service quality is the widely quoted definition of service quality. Referring to the previous explanation, it can be stated that service quality is customer evaluation on the superiority of service performance provided by a service company. Meanwhile, in a growth service industry, service quality is an order winner, that is a source of competitive advantage. Thus, fast food restaurant service quality depends on customer evaluation on the superiority of the services provided by fast food restaurant (Sumaedi & Yarmen, 2015).

Service quality (SERVQUAL) has five elements suitable to fast food restaurant. Parasuraman et al. proposed a generic model that is called as Servqual. Servqual reveals that service quality consists of five dimensions, namely tangibles, reliability, assurance, empathy, and responsiveness. Servqual is the service quality model that is widely adopted by service quality researchers, including fast food restaurant service quality researchers (Sumaedi & Yarmen, 2015).