


A STUDY ON THE IMPACT OF CUSTOMER SATISFACTION ON CUSTOMER  
LOYALTY TOWARDS FAST FOOD RESTAURANTS IN MALAYSIA:

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## STUDENT'S DECLARATION

I hereby declare that the work in this thesis is my own except for quotations and summaries which have been duly acknowledged. This thesis has not been accepted for any degree and is not concurrently submitted for award of other degree.

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## DEDICATION

This thesis is dedicated

To my beloved parents, Abdul Manaf bin Abdullah and Norlia binti Ibrahim and also my siblings who have been my constant source of inspiration. Without their love and support, this thesis would not have been made possible.

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## ABSTRACT

### **The Impact of Customer Satisfaction on Customer Loyalty towards Fast Food Restaurant in Malaysia**

The fast food industry is an industry that has grown rapidly and is a global business over the past few decades and Malaysia is also a country that is no exception in this development. The purpose is to determine the factors of customer satisfaction to customer loyalty towards fast food restaurant in Malaysia. The aim to conduct this study to reveal the customer loyalty can be related to food quality, brand image, packaging and environment as an independent variables towards fast food restaurant in Malaysia. The authors use quantitative method in collect data which is questionnaire will distributed to university's student in Malaysia. In this research, there were 1000 respondent among university student in Peninsular Malaysia that consists of four region which is Central region, Northern region, Southern region and Eastern region. The Statistical Package for Social Science model 22 (SPSS 22.0) will be used to investigate the data findings. The data finding in this study shows the relationships between the independent variables (food quality, brand image, packaging and environment) and dependent variable (customer loyalty).

Keywords: Customer Satisfaction, Customer Loyalty, Fast Food Restaurant

## **ABSTRAK**

### *Kesan Kepuasan Pelanggan terhadap Kesetiaan Pelanggan terhadap Restoran Makanan Segera di Malaysia*

*Industri makanan segera adalah industri yang berkembang dengan pesat dan merupakan perniagaan global sejak beberapa dekad yang lalu dan Malaysia juga merupakan negara yang tidak terkecuali dalam perkembangan ini. Tujuannya adalah untuk menentukan faktor kepuasan pelanggan pada kesetiaan pelanggan terhadap restoran makanan segera di Malaysia. Matlamat untuk menjalankan kajian ini untuk mendedahkan kesetiaan pelanggan boleh dikaitkan dengan kualiti makanan, imej jenama, pembungkusan dan persekitaran sebagai pembolehubah bebas ke restoran makanan segera di Malaysia. Para pengkaji menggunakan kaedah kuantitatif dalam mengumpul data yang akan diagihkan kepada pelajar universiti di Malaysia. Dalam kajian ini, terdapat 1000 responden di kalangan pelajar universiti di Semenanjung Malaysia yang terdiri daripada empat wilayah iaitu Wilayah Tengah, Wilayah Utara, Wilayah Selatan dan Wilayah Timur. Pakej Statistik untuk Sains Sosial model 22 (SPSS 22.0) akan digunakan untuk menyiasat penemuan data. Temuan data dalam kajian ini menunjukkan hubungan antara pembolehubah bebas (kualiti makanan, imej jenama, pembungkusan dan persekitaran) dan pembolehubah bergantung (kesetiaan pelanggan).*



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## CHAPTER 1

### INTRODUCTION

#### 1.0 INTRODUCTION

This section will discuss an overview of the project and background study related to fast food restaurant. The main objective of this research is to determine the effect of customer satisfaction on customer loyalty among students in Peninsular Malaysia towards fast food restaurants where consists of four region which are Northern region, Southern region, East Coast region and Central region. There are several components in this study which consist of Background of study, Problem statement, Research objectives, Research questions, Scope of study, Significances of the study and Conclusion.

#### 1.1 BACKGROUND OF STUDY

The habit of eating outdoors is a phenomenon that is very familiar to the people around the world, (Issahaku, A., Hiamev, S.E. Afenyo, E.A., 2014; Ares, G., Gimenez, A., Gambaro, A., 2009). Fast food is one of the foods that is a great choice for people



to eat because it is fast and easy. According to (Kirsten. 2008) some writers state that fast food is quickly prepared, suitable for eating, packaged foods. One of the important reasons why customers take fast food as the option in some studies is due to convenience. The IGA said that fast food is used by customer because of the location and the majority of customers are busy and lacking time (FOODweek. 2008). According to Bryant and Dundes (2008) have been studying students in the United States and Spain and concluded that the main factor of why fast food restaurants are being picked up by the smell and taste of the food itself.

Malaysia is one of the major attractions because of its diversity of food. Because of the Malaysia has a variety of cultures and races, there are also have a variety of food. In previous years, Malaysia has joined the global market and the impact of this globalization has changed some of the cultural and economic characteristics of Malaysia. Therefore, international relationship and trade have affected the culture, taste and perceptions of Malaysians.

Consequently, the fast food industry in Malaysia should be concerned for these developments and social needs due to enhanced purchasing power and changes in Malaysian food choices. Fast food restaurants are now increasing in Malaysia, especially in urban and developing regions. According to (Liza, 2000) profitable business in the market for entrepreneurs is fast food business. This is because fast food restaurant in Malaysia receives very encouraging acceptance from the individuals. Based on Dittmer & Griffin (1997) said that fast food is regarded as a small quantity to be supplied and requires a short time to wait. "Oxford Dictionary" described fast food is the easiest food available and can be taken out and can be eaten anywhere. Fast food is a very severe competition in the market. There were a lot of fast food that has been operating in the Malaysia market. For example KFC, McDonalds, Starbucks, and others. Therefore, each organisation requires to retain a performance of business in order to retain market sustainability.

Fast food restaurants are now very well recognized throughout the world and Malaysia is also no exception in this development. In the fast food industry, competition is very powerful and will continue to be more intense. Therefore, in order to stay long in the marketplace, an organization should build the loyalty of their customers. Therefore, this fast food restaurant needs to compete with other traditional

restaurants in Malaysia such as Malay restaurants, Indian restaurants, Chinese restaurants and Thai restaurants as this restaurant is more familiar with the people of Malaysia. However, to concentrate more on the significant factors to fulfil customers who can influence them in customer satisfaction and can be customer loyalty, more studies need to be taken out. The factors that can be associated to be customer loyalty which is food quality, brand image, packaging and restaurant environment. In every business, customer loyalty are very essential in order to maintain in the market in Malaysia. According to R.K. Srivastava, (2015) mentioned that the main concern for a restaurant is to retain customers and become a customer loyalty.

Besides, customer satisfaction can be attributed to what they feel about the quality of the restaurant. Nowadays, all customers who come to fast food restaurants want quality because quality can satisfy them. High quality restaurants will make customers feel satisfied and this way can keep customers in order can build customer loyalty. Restaurants should always be cautious especially in understanding customer demand and ensuring maximum customer satisfaction can be achieved for the next time (Harrington, R. J., Ottenbacher, M. C., Staggs, A., & Powell, F. A., 2011).

Fast food restaurants in Malaysia have difficulty competing in increasing market share as Malaysian people are more familiar and approaching with traditional restaurants. Therefore, fast food restaurants need to understand how to know the customer demand and how to compete with other markets. If the fast food industry wants to maintain a strong market in business, they should have a loyal customers. Thus, this fast food restaurant can achieve this by making customers loyal with understanding demand and fulfil their needs and wants to be customer satisfaction.

## 1.2 PROBLEM STATEMENT

Industry of fast food is rising quickly and has been an increasing trend in the Malaysia market. This fast food product is a high demand because it is a convenient facility for lifestyle of customers. Therefore, restaurant of fast food can compete throughout the year competition for future. As the worldwide market is undergoing rapid and intense market changes, there is a lot of fierce competition that fast food restaurants must face in order to attract and maintain their customers. Therefore, restaurants of fast food need to be concerned about their customers, which means they are need to be creative and prepared to change to prevent the loss of customers in current and future.

Based on the observations in problem statement, student of university are regarded as the main consuming in fast food. According to (Seo HS, Lee SK, Nam S., 2013) stated that the frequency in consuming fast food is from adults and in their twenties with certain qualities such as fast food prepared, easily available and moderate priced. They more encourage to eat outdoors especially in fast food restaurants and can give convenience, save time and comfortable dining for them (Kueh & Voon, 2007). Therefore, a main purpose on this project is to examine the needs and wants of students and to understand their priorities that will lead to customer satisfaction towards fast food restaurants. So, industry fast food can develop their strategies to compete with other competitors in the market and can also figure out which factors will affect customers in becomes customer loyalty and can make innovative and value adds to their fast food restaurants.

The most significant milestone for a restaurant is customer loyalty. There are many studies mentioned that most of the customers are satisfied with the company or service, they are more likely to share their experiences with others and remain loyal. According to (Brodie et al., 2009; Gallarza and Gil, 2006; Hutchinson et al., 2009), the outcomes of the perceived value can be empirically recognized as customer satisfaction and customer loyalty. In fact, customers who are satisfied with the product or service provided are assurances of customer loyalty and the most important part of maintaining business sustainability in the market.

Therefore, the factors that affect customer loyalty for business are need to be concerned. However, the study of fast food restaurants in Malaysia is quite compete with other traditional restaurant and this is an opportunity to study and understand customer loyalty towards products or services provided in their business. Hence, factors that can affect customer satisfaction need to be concerned to be successful in their company because understanding customers ' needs and wants will make them a regular customer. In this study, the main factors that have been carried out in this research such as food quality, packaging, brand image and restaurant environment. Therefore, fast food organisation must be concerned in protecting and maintaining their customers with these factors.

Based on the factors above, this is important for the fast food business sector as it explains how improvements strategies can be made in relation to customer perceptions of its various properties. Furthermore, this study is needed for the fast food business sector to see the extent of customer satisfaction in establishing customer loyalty and what is the impact of food quality, packaging, brand image and environment. This will allow company organisations to obtain useful data when they decide to compete with other competitiveness to retain business efficiency and sustainability.

### 1.3 RESEARCH QUESTIONS

The study aims to examine the impact of customer satisfaction among students in Peninsular Malaysia on customer loyalty towards fast food restaurant. The study objectives of this study are:

- i) What are the different characteristic of customer loyalty towards fast food restaurant in Malaysia?
- ii) What are the relationship between customer satisfaction and customer loyalty in fast food restaurant in Malaysia?
- iii) What are the highest factor(s) that influencing of customer satisfaction towards customer loyalty in fast food restaurant in Malaysia?

### 1.4 RESEARCH OBJECTIVES

Research questions are used as a guide to conduct this study and there are some research questions that need to be answered to explain and formulate objectives. Research questions are as below:

- i) To determine the different characteristic of customer loyalty towards fast food restaurant in Malaysia.
- ii) To investigate the relationship between customer satisfaction and customer loyalty in fast food restaurant in Malaysia.
- iii) To identify the highest factor(s) that influencing of customer satisfaction towards customer loyalty in fast food restaurant in Malaysia.

## 1.5 SCOPE OF STUDY

For this research, a number of places or scope of the study region were selected for researchers to provide the right target respondents to conduct this task. This study are more focus in fast food industry and the selection respondents are among university's students in Peninsular Malaysia where consists of four region which are Northern area, Southern area, East Coast region and Central region. This study was conducted for students from IPTA, IPTS and others throughout in Peninsular Malaysia and also comprised of all levels of education such as (pre-diploma, diploma, degree, master and PhD). Fast food enthusiasts are mostly from teenagers and the frequently visitor among teenagers towards fast food restaurants is high. Thus, this study was conducted on students as they are still among adolescents and make it easy to accept opinions on surveys conducted.

## 1.6 SIGNIFICANCE OF STUDY

The results obtained from this study are important for analysed and determined characteristics of demographic in which it affects consumers in making choices at fast food restaurants. Besides, it is to identify the impact of customer satisfaction on fast food to be loyal customers among students. Since fast food is a become trends nowadays, There is some competition that needs to be faced by every company to preserve market sustainability. Therefore, the analysis of the relevant factors provides valuable information to enhance the business and give indication of the desire of behaviour in taking fast food among teenagers.

Besides, this study helps an academic to increase the skill of knowledge and provide a better understanding about factors that impact of customer satisfaction on customer loyalty and intention towards fast food restaurant. In addition, can helps industry fast food restaurant to stay in the marketplace even if the market is newly developed in Malaysia. Fast food restaurants can preserve and protect their customers by understanding the key factors in this study thus building customer loyalty. Other

than that, they can also protect their industry from other competitors who are in the market and can increase their profits in Malaysia market. Furthermore, they can gain more profit from existing markets by expanding their market and entering new markets. They also can get benefit from the experience found in this study to satisfy the needs and wants of customers and become customers as loyal customers. In fact, fast food restaurant can determine which areas are strategic and effective way to get more profits and reduce costs. In addition, they can plan on allocating budgets and can set appropriate investment programs for the future.

Last but not least, the fast food business have a better understanding of information about factors that can really attract customers. Marketers can plans and develop their own strategies by understanding the factors affecting customer loyalty to meet their needs and wants. According to (Wright, P., Friestad, M. and Boush, D.M., 2005) understanding behaviour patterns in fast foods can help educators and policymakers overcome their weaknesses and improve their performance in maintaining the marketplace. They can make this study as a reference where to carry out the factors influencing the customer to be loyal customers in their business.

## 1.7 CONCLUSION

In this chapter explains the background and summary of the research project. It is also the basis and the introduction of this project. This chapter explains clearly about the introduction, background of study, problem statement, research question, research objective, scope, and significance of study. The next section will clarify more about the literature review that relates in this chapter.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 INTRODUCTION

Based on this chapter, it will explain and support the theoretical framework that were chosen. This chapter also conducted further to understand a particular meaning or term and explained about Dependent Variable (DV) and Independent Variable (IV).

#### 2.1 FAST FOOD INDUSTRY

Fast food consumption risen quickly around the world over the past decade and has shown that the number of fast food restaurants in Iran has grown quickly and the number of fast food consumption customers in Iran has also become a trend, (Bahadoran Z. M.P, G. M, Hosseini-Esfahani F. A.F., 2012; Sharifirad G. Y.P, Azadbakht L. M.MA, Hassanzadeh A. 2013). The use of fast food products is a growing demand in today's society (N. Hossein. Y. L. Kuan and O. Asgar. 2011). According to (Masilamani and Sundaram, 2012) states the development of industry