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CUSTOMERS SATISFATION TOWARDS THE FAST FOOD RESTAURANTS' SERVICE QUALITY: A CASE STUDY IN MCDONALD'S, KUCHING, SARAWAK

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ABSTRACT

CUSTOMERS SATISFACTION TOWARDS THE FAST FOOD RESTAURANTS' SERVICE QUALITY: A CASE STUDY IN MCDONALD'S, KUCHING, SARAWAK.

By

Lim Sze Sze

Generally, this study aims to perform the assessment of the customers satisfaction towards the service quality provided by the fast food restaurants- McDonald's in Kuching area. In this study, five dimensions in SERVQUAL were applied as the indicators of the customers satisfaction. In brief, this study was conducted using survey method in which questionnaires were used as the instrument to collect the data. There were 200 sets of questionnaires had been distributed to the respondents and the response rate is 90 percent. Data collected in this study were analyzed using the descriptive statistic and the inferential statistic which consist of Pearson correlation and single linear regression. The findings of this study showed that majority of the respondents were having the moderate or even high level of satisfaction level towards the services offered by the McDonald's restaurants in Kuching. Meanwhile, there was a significant relationship between the five SERVQUAL dimensions studied and customers satisfaction. In addition, the findings also found out that service responsiveness is the most dominant dimension in enhancing the customer satisfaction.

ABSTRAK

TAHAP KEPUASAN PELANGGAN TERHADAP KUALITI

PERKHIDMATAN RESTORAN-RESTORAN MAKANAN SEGERA: SATU

KAJIAN KES DI MCDONALD'S, KUCHING, SARAWAK.

By

Lim Sze Sze

Pada umumnya, kajian ini bertujuan untuk melakukan penaksiran mengenai tahap kepuasan pelanggan terhadap kualiti perkhidmatan yang ditawarkan oleh restoran-restoran makanan segera- McDonald's di kawasan Kuching. Dalam kajian ini, lima dimensi dalam SERVQUAL diaplikasikan sebagai penunjuk kepada tahap kepuasan pelanggan. Secara ringkas, kajain ini dijalankan dengan kaedah tinjauan yang menggunakan borang soal selidik sebagai instrumen untuk memperolehi data. Sejumlah 200 set borang soal selidik telah diedarkan dan kadar respon adalah 90 peratus. Data yang diperoleh dianalisa dengan menggunakan statistik deskriptif dan statistik inferensi yang merangkumi Pearson korelasi dan liner regresi berasingan. Hasil dapatan kajian menunjukkan bahawa majoriti responden mempunyai tahap kepuasan yang sederhana bahkan tinggi terhadap perkhidmatan yang ditawarkan oleh restoran-restoran McDonald's di Kuching. Sementara itu, terdapat perkaitan yang signifikan di antara lima dimensi SERVQUAL yang dikaji dengan tahap kepuasan pelagnggan. Tambahan pula, perkidmatan yang meliputi perihal menyambut atau membalas (service responsiveness) merupakan dimensi dominan dalam meningkatkan tahap kepuasan pelanggan.

Statement of Originality

The work described in this Final Year Project, entitled
"Customers Satisfaction Towards The Fast Food Restaurants' Service Quality:
A Case Study In McDonald's Kuching, Sarawak."
is to the best of the author's knowledge that of the author except
where due reference is made.

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(Date submitted)   (Student's signature)
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ACKNOWLEDGEMENT

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CHAPTER 1

INTRODUCTION

1.0   Introduction

This chapter introduces the background of the research. It also presents the problem statement, research objectives, scope of research and the conceptual framework being used in this study.

1.1   Research Background

Services industries have become important in today's life. According to Albrecht (1985), services industries contribute over two-third of the Gross Domestic Product (GDP) in United State (U.S) and employ three out of four workers in the nation. In Malaysia, service industries also become a leading contributor in GDP.

Table 1: Gross Domestic Product by Kind of Economic Activity at Current Price

Sectors	2002		2003		2004	
	RM Million	%	RM Million	%	RM Million	%
Agriculture, Forestry and Fishing	33,141	8.7	37,987	9.2	42,665	9.1
Mining and Quarrying	34,097	9.0	41,071	10.0	56,679	12.1
Manufacturing	110,561	29.2	122,706	29.7	141,172	30.2
Construction	14,557	3.9	15,701	3.8	15,199	3.3
Services	186,631	49.2	195,396	47.3	211,855	45.3
Total	378,987	100	412,861	100	467,570	100

Source: Gross Domestic Product by Kind of Economic Activity at Current Price (2004)

Table 1 illustrates the contribution of the economic sectors to Malaysia's GDP. Obviously, service sector become the major contributor to the Malaysia's GDP compared to other sectors from year 2002 to 2004. This gives the indication of service sector is playing a crucial role in stimulating the economic growth of Malaysia. Many businesses have grabbed this opportunity to invest heavily in the services industry. With the growth of services industries, it has lead to massive development of the fast food restaurant industry.

Fast food restaurant is the place where the meals are served to public quickly after ordering and by minimal services. According to Price (1997, p. 439), the fast food restaurants must have the characteristics as below:

- Low relative monetary price compared with other food service products.
- The end-product is served quickly (for example, up to about five minutes for take away and eat-on-site products and thirty minutes for home delivery).
- The food is cooked in bulk in advance and kept hot, or reheated to order.
- The food fast food restaurant is suitable for eating with the fingers and has disposable packaging.

Generally, the foods sold in fast food restaurants are hamburgers, fish and chips, scooped ice-cream, kebab, pizza, and fried chicken.

Besides the effect of the service industries, those people who are having the modern living lifestyle also contribute to the huge growth of the fast food industry.

Today's people are lacking of time to prepare their own food at home due to their busy working life. As a result, they used to have their daily meals outside most of the time. Apart from that, fast food restaurants also play the role as providing a place for those businessmen to discuss the business deal. Most of them are likely to choose fast food restaurant due to its reasonable price and comfortable environments. In addition, fast food restaurants also served as a place for those who would like to celebrate some special occasions such as birthday party, friends gathering at restaurants (Sureshchandar, Rajendran, & Anantharaman, 2002).

In recent years, there are several kinds of fast food restaurant such as McDonald's, Kentucky Fried Chicken (KFC), Pizza Hut, and Sugar Bun have been opened up in Kuching, Sarawak. Among these global operating fast food restaurants, McDonald's is one of the world's most well-known and valuable brands which holds a leading share in the globally branded quick service restaurants. Besides, it also plays the role as a global foodservice retailer with more than 30,000 local restaurants serving nearly 50 million people in more than 119 countries (About McDonald's…, 2005).

The establishment of McDonald's restaurants in Malaysia is under the joint venture agreement between Golden Arches Restaurants Sdn Bhd and McDonald's Corporation of USA. The first local McDonald's restaurant in Malaysia was founded in 1982 at Jalan Bukit Bintang, Kuala Lumpur. Malaysia's McDonald's had entered into Sarawak by opening up branches in Kuching and Sibu in 1993.

Nowadays, Golden Arches Restaurants Sdn Bhd runs 158 McDonald's restaurants nationwide (McDonald's in Malaysia, 2005).

In brief, McDonald's hold the practices of caring the well-being of children and families in everywhere they do the business. Besides, McDonald's have emphasized in providing the quality and safety food to their customers. Those of the famous fast food served by McDonald's are Big Mac, Quarter Pounder, Chicken Mc Nuggets, Egg Mc Muffin and so on (About McDonald's…, 2005).

The rapid growth of the fast food restaurant industry has lead to the intensive competition to the industry. Fast food restaurants nowadays have to compete with each other in order to gain the competitive advantages and be able to survive in business world. Most of them are going out of their way and trying to best serve their customers in order to generate profit.

In recent survey, "quality" and "customers satisfaction" were acknowledged by the respondent companies as important determinants in achieving profit maximization goals (Coulson & Brown, 1990). In this modern competitive environment, the focus of service quality is now considered as an essential strategy that can make a business outperforms their competitors. Companies that have goods and services that are perceived as high quality typically have greater market share and profit return than the companies that have goods and services that are perceived as low quality (Kim, Lee, & Yun, 2004). Obviously, service quality is the most vital factor in affecting the business performance in both short and long run. Attention to

service quality can help an organization to differentiate itself from others and being success in the competitive edge.

In view of this, fast food restaurants in Kuching are trying their best to deliver service with superior and differentiated service quality. Most of them have put the greatest efforts to maintain the Service Quality Excellency. The main reason of fast food restaurants in providing the excellence service quality is to enhance the customers satisfaction.

According to Vavra (1997), customers satisfaction is essential for corporate survival. Customers always are the main source of profit to the organization. Likewise, in the service organization like McDonald's restaurants, the target profit obtained from their customers. Without their regular visit, it will eventually lessen the organizations' profit. So, McDonald's restaurants today tend to compete with each other in satisfying their customers to generate profit and build a reputable image among their industries.

With the strategies to stand competitive in the industry, McDonald's are not only focus on the provision of quality food. Meanwhile, the well organized of policies also been emphasized by McDonald's management team. According to (McDonald's corporate responsibility, 2005) McDonald's nowadays tends to implement the effective strategies with the purpose of enhancing customers satisfaction. The example of strategies held by McDonald's are described as follow:

- Working hard to gain the comprehensive understanding about the complex issue that confront the industry so that they can make a significant different.

- Implementing the food safety system from farm to counter, with quality, safety standard and regular check in critical areas.

- Recognizing the employees as the most valuable resource and training them with the knowledge needed to best serve the customers.

- Diversifying the workforce in order to obtain the customers' needs in different culture markets.

1.2   Problem Statement

In today's business world, most of the businesses are striving hard to stand out among their competitors. Customers nowadays are becoming more demanding and hoping to be served better by the service organizations. Therefore, fast food restaurants are facing the greatest challenges in occupying their service in customers mind relative to the competitors. Gilbert, Veloutsou, Goode, and Moutinho (2004) pointed out that the key to sustainable competitive advantages lies in delivering high quality service that will in turn satisfy the customers. Hence, providing superior service should be concerned as the important strategy by the McDonald's restaurants in satisfying their customers.

According to Assael (1987), retaining the existing customers is more profitable and involved minimum cost than attracting the new customers. Naumann (1995) found out that it costs about five times as much in time, money and resource

to attract a new customer as it does to retain an existing customer. In view of this, customers satisfaction should become a primary goal for the McDonald's restaurants today. As suggested by Beckman and Gilson (1986), customers satisfaction is recognized as a great important of its influence on repeat purchase and worth of mouth recommendation.

By improving the customers satisfaction, it will bring advantages to fast food restaurants. For example, satisfied customers will be more likely to tell others of their favorable experience (positive word-of-mouth). Besides, satisfying customers' needs can also increase the probability of the customers to return back to their services. In contrast, dissatisfied customers will be more likely to switch to the competitors or complaint to the service provider if their expectation towards the service had not been met. Furthermore, they are intended to behave negative word-of-mouth by telling 15 to 20 persons about the poor services that they have ever met (Peter & Olson, 1987).

In order to prevent the customers from switching to the competitors' service or tell others about their bad experiences, McDonald's restaurants in Kuching have to enhance the customers satisfaction by improving their service quality. However, it is still questionable about "What are the main determinants of service offered that influence customers satisfaction level?" Absolutely, McDonald's restaurants in Kuching must first identify the elements that construct the quality because customers satisfaction is not longer rely on the price of service but is quality of the service provided.

In solving this question, Parasuraman, Zeithaml, and Berry (1985, 1988, 1990) had proposed a clear conceptual model named as SERVQUAL with its five service dimensions that related with service organization and contribute to the customers satisfaction. The five service dimensions in SERVQUAL known as Reliability, Responsiveness, Assurance, Empathy and Tangible.

SERVQUAL has been found as the effective tool and best applicable to various types of industries (Davies, Baron, Gear, & Read, 1999). Thus, the main interest of this study is to assess the customers satisfaction level towards the service quality provided by McDonald's restaurants in Kuching area. Besides, this study also intends to find out the importance of the five service dimensions of SERVQUAL in influencing the customers satisfaction level. In addition, this study also aims to provide a guideline for the McDonald's restaurants in Kuching to improve their service according to the result of the research. Consequently, McDonald's restaurants in Kuching can adapt the effective strategies in providing the service quality that best suit the customers' requirements. In conclusion, this study is beneficial for the McDonald's restaurants in Kuching in helping them to achieve the favorable position in the competitive edge.

1.3   The Research Objectives

Through the application of the SERVQUAL dimensions, the main interest of this study is to assess the customers satisfaction levels towards the McDonald's restaurants' service quality in Kuching area.

1.3.1 Specific Objectives

I)   To examine the significance of the following SERVQUAL dimensions in contributing the customers satisfaction.

    i)   Reliability of the services

    ii)   Responsiveness of the services

    iii)   Assurance of the services

    iv)   Empathy of the services

    v)   Tangible of the services

II)   To identify the significance and type of the relationship existed between the SERVQUAL dimensions and customers satisfaction.

III)   To figure out the dominant SERVQUAL dimension which has the greatest contribution to the customers satisfaction towards McDonald's restaurants' service quality.

IV)   To provide the useful suggestions or guidelines to McDonald's restaurants in Kuching in order to further improve their service quality.

1.4   The Conceptual Framework

Figure 1: SERVQUAL Model

Consumer

| Word of mouth communication | | Personal needs | | Past experience |

Expected service

Gap 5

Perceived service

Marketer

| Service delivery (including pre- and post-contacts) | | Gap 4 | | External communications to consumers |

Gap 3

| Translation of perceptions into service quality specifications |

Gap 1

Gap 2

| Management perceptions of consumers expectations |
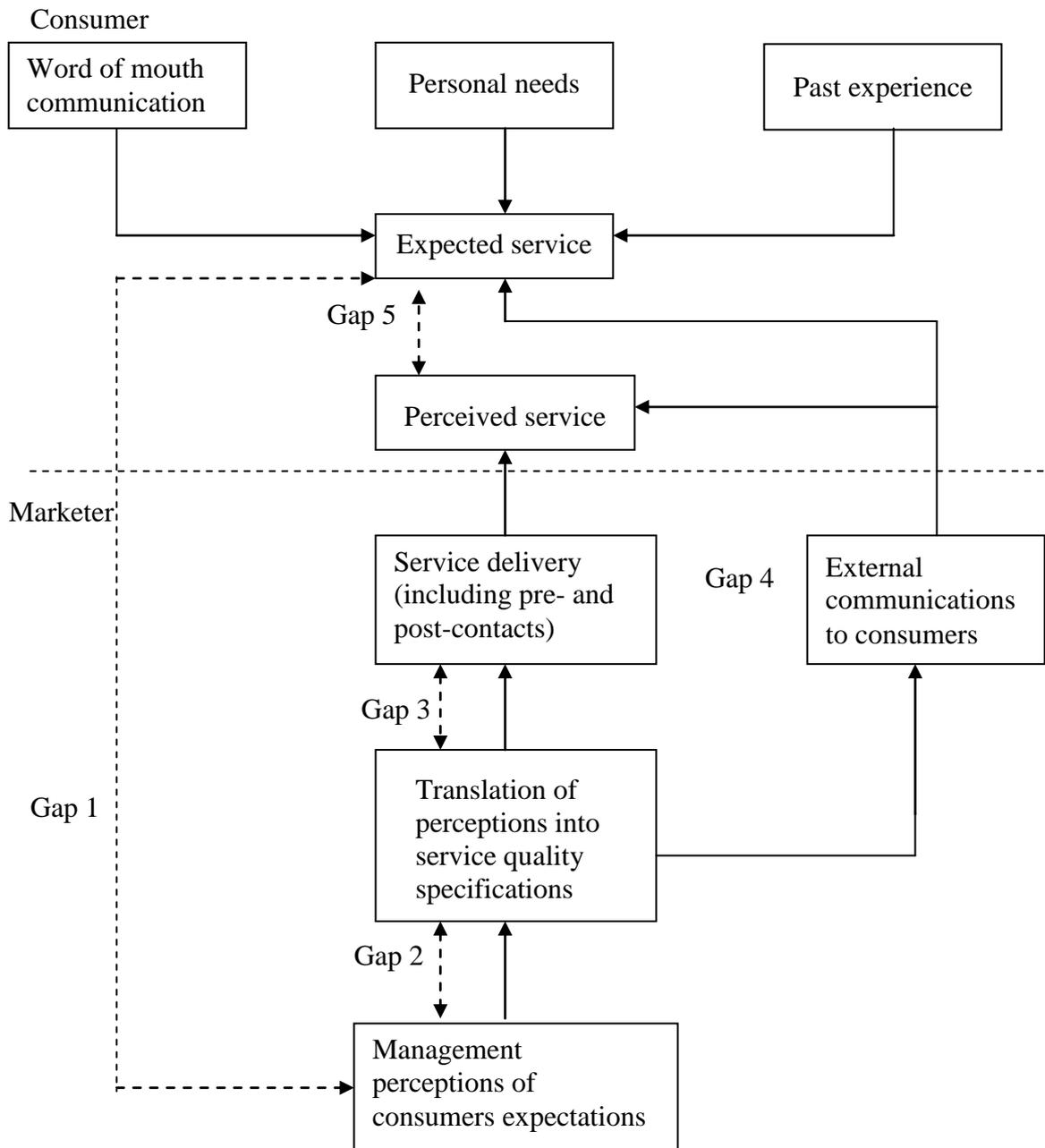
Source: Parasuraman, Zeithaml, and Berry (1985).

The model in Figure 1 shows the conceptual framework named as SERVQUAL model proposed by Parasuraman et al. (1985). The SERVQUAL model consists of five gaps whereby gaps 1-4 are shortfalls within the service organization and contribute to gap 5. Gap 5 is the service quality shortfall as seen by the customers.

Gap 1 is the difference between consumer expectations and management perception of consumer expectations. Gap 2 is the difference between the management perceptions of customer expectations and the service quality specifications. Gap 3 is the difference between service quality specification and the service actually delivered. Gap 4 is the difference between service delivery intention and what is communicated about the service to customers. Gap 5 is the discrepancy between the customers' expected services and the perceived service actually delivered (Parasuraman et al., 1985, p. 45). The customers satisfaction level towards the service quality can be obtained from the comparison between the expected services and the perceived services (Fitzsimmons & Fitzsimmons, 2001).

The level of customers satisfaction also view as the result of the perceive service quality. That means the customers are highly satisfied or delighted when they have perceived the higher level of service quality and vice versa. Hypothetically, Lovelock (2001) found out that perceive quality or customer satisfaction is depend on the performance of the five service dimensions of the SERVQUAL.