

# **Influencing Factors on Customer Satisfaction towards American Brands in the Food and Beverage Industry in Malaysia**

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## **ABSTRACT**

Customer satisfaction is the ultimate aim to food and beverage F&B industry as it ascertains that satisfied customers will stay loyal and reduce the amount of complaints towards their brand of choice. The main purpose of the research is to understand the influencing factors on customer satisfaction towards American brand in F&B industry in Malaysia. Convenience sampling method was used involving the respondents that consist of customers and shoppers within five mega malls in Kuala Lumpur to represent the total population of the study. The researcher used a multiple regression analysis to analyze 384 data from customers. The results indicate a positive and significant influence of all influencing factors (perceived quality, perceived value and Customer Expectation) on customer satisfaction. Customer expectation is seen to be the factor that was highly influential towards satisfaction, followed by perceived quality and perceived value. The implications of the study are discussed in the paper.

**Key Words:** customer satisfaction, customer expectation, perceived quality, perceived value.

## **1. INTRODUCTION**

Satisfaction of a customer is an integral factor for any company to exist and survive (Ozer & Kose, 2013). Products that

offer good value and competitive price, and brands that offer good quality of service are seen as factors that influence the customer satisfaction in most industries (Curakovic et al., 2012). According to Mondurailingam et al., (2015), restaurants in Chennai that offer the best service quality and best promotional strategies are seen to have the most influencing factors towards customer satisfaction. According to Abu Khalifeh and Mat Som (2012), hotels in Jordan that offer the best service of its kind influence most of guest satisfaction and guest loyalty and these factors are seen to be the most dominant factors for the success of this sector.

The food and beverage (F&B) industry that falls under the fast-food chain restaurant has very different impact, influence and factors as compared to other types of hospitality industry that also falls within the F&B industry. The type of service in restaurant chains involves different cultural social, economic environment conditions and can be extremely difficult as compared to others (Ozer & Kose, 2013). Customer satisfaction is the most important factor towards the success of any hotel business or sector, which also falls under the F&B industry. The hotel philosophy is to manage customers' expectations and demonstrate the ability to meet customers' needs at all times (Curakovic et al., 2012). Kentucky Fried Chicken (KFC) and Mc Donald which are part of the F&B industry but fall under the fast-food restaurant chain within the Indian market share proves that their customer satisfaction is closely related to the type of service quality that the two companies offered

and the type of promotional strategies that they actively participate in (Mondurailingam et al., 2015).

The F&B industry by definition is an industry that produces output to the customers in terms of food, beverages or both for consumers' consumption. The F&B industry however does not include manufacturing of food, drinks and retailing. The industry is concentrated on the manner of serving the food through a specific medium with a purpose that varies from one another. In the current 21<sup>st</sup> century, the industry has expanded greatly serving more than 100 million of meals per day.

Globalization has made international brands available throughout the world. A sudden influx of the American brand is not something new when most of the brand monopolizing the market came from the United States of America (U.S.A) (Belk, 1996). According to Direct.com (2015), the top 100 franchises in the world are brand originated from the United States of America (U.S.A). Under a mix industry, 80 types of products come from America and under the F&B industry, 28 brands come from America. In short, out of 100 brands 88 brands are from America and 12 other brands come from other parts of the world or countries. Within the F&B industry, whilst having 28 brands under America, eight other brands are from Canada, France, Spain and Sweden. From this observation, American brand is seen to be benefiting from the open trade market, when is seen to be monopolizing in most industries globally. This has created sudden influx of the American brand to the whole world. The level of acceptance is due to many supplies or choices of different brands from different industries inclusive of the F&B industry, dominated by the United States of America (Direct.com, 2015).

The purpose of this study is to analyze the influencing factors on customer satisfaction towards American brands in the Food and Beverage (F&B) industry in Malaysia. It is also meant to analyze whether the outcomes of satisfaction; customers are likely to be satisfied, complained or stayed loyal to a particular brand of choice.

## **2. LITERATURE REVIEW**

Customer purchase decision has a significant influence on customer satisfaction, customer loyalty (Susanto, 2013) and customer complaints. Customer satisfaction is a very vital role in the success of every business organization. This applies to both product and service. Businesses need to retain their current customers and expand their customer's base in order to achieve the business target. In order for this to happen, certain parameters or degrees of customer satisfaction need to be fulfilled (Sabir et al., 2014). While most of the restaurants both local strive hard to respond to the ever changing needs of the market and at the same time maintaining the profitable operations, many still have the same aim and that is meeting customer's expectations, perceived value, quality and ultimately satisfaction (Siguaw & Enz, 1999).

The F&B industry is an industry that caters the service of food made within the kitchen and drinks prepared in the bar for the customers and guests at the F&B premises. Customer's satisfaction is a very vital factor in order to influence the group of customers to accept a brand or product. A study done in India found that consumers have chosen Kentucky Fried Chicken (KFC) over Mc Donald's though KFC has been in presence in the market slightly longer than Mc Donald's. One of the reasons of this choice is due to the level of service, food and promotion that have ensured great success to KFC over Mc Donald's (Mondurailingam et al., 2015). It is also highly critical for each restaurateur to pay extra attention to the service processes and the service recovery. Customers have very high expectations to the type of restaurants that have this focus. Being extra concern, care and making each of the customers feel special will bring back the customers to the restaurants. Other tangible dimensions are also equally important, these include the interior design of the restaurant, the dress code, other company within the diners, privacy and ambience of the restaurants which play significant roles in

increasing the customer’s level of satisfaction (Harr, 2008).

Empathy, assurance and tangibles are seen as the most important service dimensions of service quality, these were discovered in a research done in 2008 in Singapore on the service dimensions and quality affecting customer satisfaction. This includes making the customer feels special coupled with some tangible dimensions such as the interior design and atmosphere of the restaurant (Harr, 2008). The study has shown that different factors influence customer’s satisfaction levels within the F&B industry under the fine dining restaurants’ sector.

Customer satisfaction, customer loyalty and brand commitment on word of mouth of Wall’s Ice Cream in Manado are seen to have the most significant influence towards brand commitment on word of mouth. These were discovered in a research done in Manado, Indonesia. The research has also suggested that the management should give an in-depth consideration on the importance of independent variables such as customer satisfaction, customer loyalty and brand commitment for the word of mouth in purchasing the product predominantly (Kindangen & Pandowo, 2014). The research clearly shows customer’s satisfaction very much differs from one sector to the other within the same industry and in this case the ice cream producer in Manado, Walls that originated from United Kingdom.

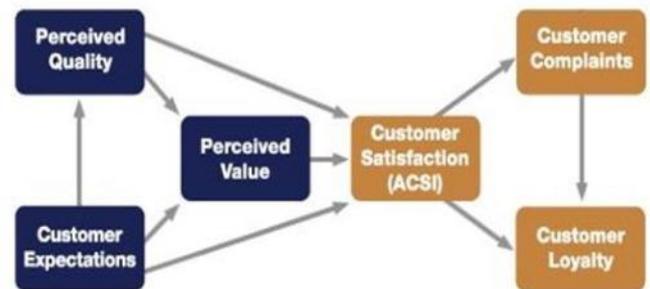
Reliability, quality of service, responsiveness and empathy are the contributing factors that are significantly interrelated with customer satisfaction in the tourist restaurants in the city of Amman, it was discovered in a field study research based on the service quality and its impact on customer satisfaction towards tourist restaurants, in Amman (Abdelmo'ti et al., 2012). It can be seen clearly that the F&B industry needs very special and sensitive approach as compared to other industries as far as the customer satisfaction level is concerned. Thus, the main purpose of this research is to investigate the influencing factors on customer satisfaction towards American brands in the F&B industry in

Malaysia. The second purpose is to identify whether customers are satisfied, stay loyal or complaint should the brand of preference did not meet their levels of satisfaction.

### 2.1 The American Customer Satisfaction Index (ACSI) Model

In 1994, a group of researchers at the National Quality Research Centre at the University of Michigan has successfully developed the American Customer Satisfaction Index (ACSI) and established it for the first time, in October 1994. It was derived from the Swedish Customer Satisfaction Barometer (SCSB). The index or model measures the quality of goods or services that is experienced by the customers (Valarie et al., 2006). The ACSI model is a cause-and effect model, which starts from “Customer Expectation” to “perceived quality” and to “perceived value”, these three factors will then affect the “customer satisfaction (ACSI)”, which is in the centre, and this will result in two other elements that are “customer complaints” or “customer loyalty” (Xue & Yang, 2008).

Theoretical Framework



Adopted from <http://www.theacsi.org> (1994)  
 Figure 2: The American Customer Satisfaction Index (ACSI Model) Technology (1994)

According to Top 10 Malaysia (Malaysia, 2013), the top ten franchise brands in Malaysia are Clara International, Pappa Rich, Old Town White Coffee, Focus Point, Krista, Mary Brown, Bonita, Ms. Read, Snips and Secret Recipe. Out of these, Pappa Rich, Old Town White Coffee, Mary Brown and

Secret Recipe fall under the F&B industry or in other words the restaurant chains in Malaysia. According to Direct.com (2015), in Malaysia alone there are 17 American brands that are currently monopolizing the Malaysia's consumer market. The list consists of Subway, Mc Donald's, KFC, Burger King, Pizza Hut, Dunkin' Donuts, Domino's Pizza, Baskin-Robbins, Papa Johns, Wendy's,

Popeye's Louisiana Kitchen, Auntie Anne's Pretzels, Cinnabon, International House of Pancakes (IHOP), The Coffee Bean & Tea Leaf, Johnny Rockets and A&W Restaurants. In short, within the Malaysia consumer's market there are currently four Malaysian's F&B restaurants, which are competing with the 17 top American's F&B restaurants.

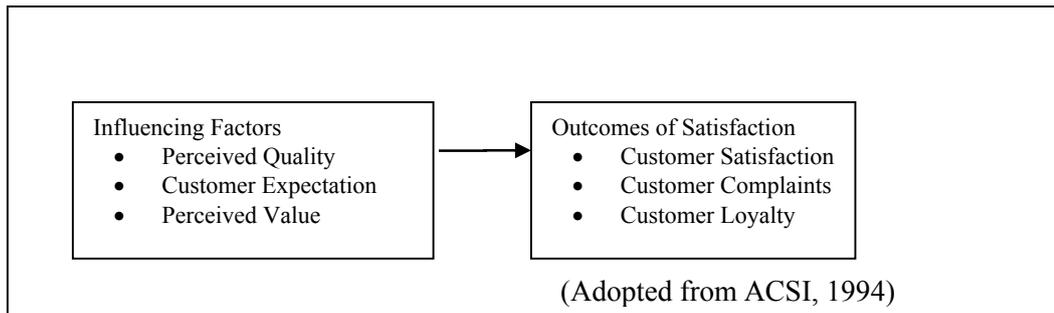


Figure 3: Conceptual Framework

### 3. METHODOLOGY

The research design used for this research is correlational research with descriptive studies. Convenience sample is the sampling frame used in this study. The respondents for this survey were customers and shoppers who visit the mega malls in Kuala Lumpur. Five malls involved, which were 1Utama Shopping Centre, Mid Valley Megamall, Pavillion Shopping Mall, Sunway Pyramid Shopping Mall and Suria KLCC. Kuala Lumpur with over 1,000,000 population is the best place to sample and represent the whole population of Malaysia and the sample size or the questionnaires used for this research is 384.

The questionnaire was used as a medium of data gathering. The questionnaire was designed based on the research questions that were prepared earlier by Mondurailingam (2015). The questionnaires were divided into four sections that is Section A (Demographic Information), Section B (Influencing Factors), Section C (Overall Satisfaction) and Section D (Customer Satisfaction). For the purpose of this study, the researcher decided to use a 5 point Likert scale type of assessment with the

values of 1=Highly Dissatisfied, 2=Dissatisfied, 3=Neutral, 4=Satisfied and 5=Highly Satisfied. The Likert scale used for Section D is a 5-point Likert scale with the values of 1=Very Unlikely, 2=Unlikely, 3=Neutral, 4=Likely and 5=Very Likely.

Table 1 shows the reliability statistics for influencing factors and Customer Satisfaction. Cronbach's alphas for influencing factors, which comprise of Perceived Quality, Customer Expectation and Perceived Value, were in the range of 0.833 and 0.877. Meanwhile, the Cronbach's alpha for Customer Satisfaction was 0.848.

According to George and Mallery (2006), Cronbach's alpha that is closer to 1.00 has the greater internal consistency. Generally, the acceptance reliability coefficient was 0.7 (George & Mallery, 2006). Cheng (2001) supported that value of Cronbach's alpha should be 0.70 higher in order to retain an item in the scale because the internal consistency is higher.

Table 1 shows the Cronbach’s alpha scores for each variable.

Table 1: Reliability statistics for each dimension in a construct

Scales	No of Items	Reliability Coefficient (Alpha)
INFLUENCING FACTORS	5	.833
Perceived Quality	5	.897
Customer Expectation	5	.877
Perceived Value		
OUTCOMES OF SATISFACTION		
Customer Satisfaction	5	.848
Customer Complaints	5	.889
Customer Loyalty	5	.875

Reliability analyses were conducted for all dimensions under investigations for both independent and dependent variables. It was found that all dimensions had a Cronbach’s alpha of above 0.7. According to Salkind (2006) and Hair et al. (2011), a Cronbach’s alpha of above 0.7 is considered as excellent. Table 1 displays the summary of the reliability statistics for all dimensions under investigation. Items needed to be recoded were done accordingly. As a result, the values of Cronbach’s alphas for this study were reliable and valid.

#### 4. FINDINGS

##### 4.1 Regression Analysis

To test the influence of the influencing factors variables on the Customer Satisfaction variables, a series of multiple regression analysis were performed.

Table 2: Results of Regression Analysis

	Customer Satisfaction	Customer Complaints	Customer Loyalty
Perceived Quality	.301***	-.167**	.116***
Customer Expectation	.073*	.218***	.295***
Perceived Value	.550***	-.275	-.081
R <sup>2</sup>	.650	.145	.107
Adjusted R <sup>2</sup>	.647	.138	.100
F Value	235.067	21.448	15.204
Significance F Value	.000	.000	.000
Durbin-Watson	1.876	1.248	1.521

Note: \* significant at 0.1; \*\* significant at 0.05; \*\*\* significant at 0.01

Table 2 summarizes the results of multiple regression analysis between influencing factors variables and outcome variables. Pertaining to Customer Satisfaction variable, the regression model is substantial with R<sup>2</sup> of .650, indicating that 65.0% of the variance explained by the influencing factors (F (3, 380) = 235.07, ρ = 0.000). With regard to Customer Complaints variable the regression model indicates that it is significant (R<sup>2</sup> = .145 or 14.5%) and 14.5% of the variance in the model was explained by the Influencing Factors variables (F (3, 380) = 21.45, ρ = 0.000). Lastly, relating to the Customer Loyalty variable, the regression

model is significant with R<sup>2</sup> of .107, indicating that 10.7% of the variance was explained by the Influencing Factors (F (3, 380) = 15.20, ρ = 0.000).

Investigating the contribution of the individual independent variable in explaining one of the dependent variable that is the Customer Satisfaction, Perceived Value (β = .550, ρ<.01), Perceived Quality (β = .301, ρ<.01) and Customer Expectation (β = .073, ρ<.1), all three independent variable have very high and significant relationship with Customer Satisfaction. Perceived Value is at the top of the list followed by Perceived Quality and Customer Expectation in their

influencing factors towards Customer Satisfaction.

Contribution towards Customer Complaints are, Customer Expectation ( $\beta = .218, \rho < .01$ ), Perceived Quality ( $\beta = -.167, \rho > .01$ ) and Perceived Value ( $\beta = -.275, \rho > .01$ ). All the three independent variables are seen to have very high and significant relationship with Customer Complaints top with Customer Expectation and Perceived Value. However, Customer Expectation is seen to have the highest correlation and influencing factor towards Customer Complaints. Both Perceived Quality and Perceived Value are seen to have negative correlation and influencing factor towards Customer Complaints.

Lastly, relating to Customer Loyalty, Customer Expectation is observed to be have very high and significant relationship with Customer Loyalty ( $\beta = .295, \rho < .01$ ), Customer Expectation is also very highly correlated and influencing towards Customer Loyalty. Perceived Quality ( $\beta = .116, \rho < .01$ ) and Perceived Value ( $\beta = -.081, \rho > .1$ ) have both non-significant relationship with Customer Loyalty however Perceived Quality is positively correlated and influential towards Customer Loyalty and Perceived Value is negatively correlated towards Customer Loyalty.

## **5. CONCLUSION**

Based on the results of the research, it can be said that all the three factors play equal significant influence towards American brands in the F&B industry in Malaysia however the highest and significant influence is the customer expectation factor.

From the research conducted, it is concluded that all variables correlated and significant towards each other with different levels of variance and influential percentages between the independent variables and dependent variables. However, in conclusion it can be said that all the three influencing factors play significant roles in each of the variables within the dependent variables or outcomes of satisfaction. In order to obtain full customer satisfaction, priority should be

given towards the customer Perceived Value followed by Perceived Quality and Customer Expectation. In order to mitigate Customer Complaints, Customer Expectation followed by Perceived Quality should be the main concentration within the industry of any brand be it American, other International brands or local in terms of brands or restaurants as these two influencing factors determine whether a customer is likely to lodge a complaint or otherwise. In order to retain and obtain customer loyalty, the industry should give more concentration towards Customer Expectation as this is the most and highly influential factors that determine whether a customer is likely to stay loyal to any particular brand or restaurant of his choice.

Overall Perceived Value has the highest correlation and influence towards Customer Satisfaction followed by Perceived Quality towards Customer Satisfaction. Customer Expectation is the third highly influential towards one of the dependent variables that is the Customer Loyalty followed by Customer Expectation and Customer Complaints. Perceived Quality has a negative correlation despite having a significant relationship with Customer Complaints, which means, both variables are not interdependent upon each other but is seen significant towards each other. Lastly, Customer Expectation is seen the last to have high correlation between Customer Satisfaction. Last but not least, Perceived Quality which does not have any significant relationship with Customer Loyalty is seen to have a positive correlation with Customer Loyalty and Perceived Value who also does not have any significant relationship with Customer Loyalty is seen to have a negative relationship with Customer Loyalty, meaning to be both variables are not interdependent between each other.

Influencing factors is seen to explain 65.0% of the variance in Customer Satisfaction variable, these factors explained 14.5% of the variance in Customer Complaints and the influencing factors explained 10.0% of the variance in Customer Loyalty.

Explaining outcome variables, which consist of Customer Satisfaction, Customer Complaints and Customer Loyalty, Perceived Value, is seen to be the highest influencing factors towards Customer Satisfaction followed by Perceived Quality and Customer Expectation. In short, it is extremely vital to concentrate on Perceived Value and Perceived Quality followed by Customer Expectation in order to achieve high customer satisfaction.

Another variable within Customer Satisfaction is Customer Complaints. All the three variables are highly significant with Customer Expectation and Perceived Value followed by Perceived Quality. However, Customer Expectation has positive correlation and influence towards Customer Complaints as compared to Perceived Quality and Perceived Value, which both are seen to have significant relationship, but both have negative correlation and influence towards Customer Complaints. This means, it is important to understand customer expectation as it is highly influential towards customer complaint towards any brand of their choice that has failed to meet their expectations as compared to the customer perceived quality and perceived value as both have negatively correlation with Customer Complaints.

The last outcome variable is Customer Loyalty. Customer Expectation is seen to have very high and significant relationship with Customer Loyalty and is positively correlated and influential towards Customer Loyalty. Both Perceived Quality and Perceived Value have non-significant relationship with Customer Loyalty though is seen positive and negative correlated respectively with Customer Loyalty. This means that, Customer Expectation is vital for the brand to concentrate in order to regain customer loyalty. Perceived Quality and Perceived Value have no significant relationship and are seen positive and negatively correlated, which means these two variables though not significant in relationship are able to influence customer loyalty to a certain degree.

## **6. RECOMMENDATIONS FOR FUTURE RESEARCH**

The purpose of the section is to suggest some recommendations that can be done for future research in investigation the relationship between the influencing factors and outcomes of satisfaction. It is recommended that similar studies can be conducted to other types of industry and not necessarily confined to food and beverage industry either for American brands, other brands of other countries and the local or Malaysian brands predominantly. This is recommended as to identify whether there are any similarities in the findings to show that the influencing factors have significant influences towards outcomes of satisfaction. Furthermore, this study is only focusing on the influencing factors that are Perceived quality, Customer Expectation and Perceived value. Future researchers especially those who are interested in associating influencing factors with Customer Satisfaction should consider other factors for example other types of requirement that fit current market and economy for example, involvement of e-marketing, interactive commerce and interface of reaching more towards customer satisfaction such as Facebook, Instagram and twitter.

Moreover, similar study should be conducted by comparing the influencing factors and Customer Satisfaction probably in each state of Malaysia to get the real gist of Malaysia's population or to only have pure Malaysians as respondents by excluding the foreigners and other nationalities for a more precise result for a Malaysian context. In addition, a similar study should be conducted by using a qualitative approach such as interview in order to obtain detail information and data on a particular research topic area. It will provide the researcher more insights on the particular research area. Finally, as some of the variables explained less than 20% of the variance, future researchers might want to add different variables or use different instruments to strengthen the variance explained and achieve greater explanation percentage.

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