



EFFECTS OF WORD-OF-MOUTH COMMUNICATION ON
PURCHASING DECISIONS IN RESTAURANTS: A PATH
ANALYTICAL STUDY

NUR FADILLA BINTI HALIM

2011907647

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (MARKETING)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SABAH

DECEMBER 2014

ACKNOWLEDGEMENT

It is our pleasure to express our sincere gratitude to my MKT669 advisor, Miss Jacqueline Koh Siew Len binti Stephen and my second examiner Prof. Madya Hjh Rosdiana Hj. Sukardi for their support throughout the research process. They had devoted their valuable time and efforts in patiently guiding us to complete this project and their excitement in teaching. Their encouraging and personal guidance has provided the good basis for this present report. Therefore, I would like to convey my special thanks to them for their assistance and encouragement.

Deepest gratitude also due to all the respondents, without their time and energy to answer my questionnaire, this study would not have been successful. Special thanks also to all my friends for putting their all in helping me conducting this research.

I would also like to convey thanks to UiTM Sabah Campus for providing superb internet facilities that enable me to look for information and giving me the opportunity to conduct this research project. Last but not least, I want wish to express our love and gratitude to our beloved families and friends for their endless understanding and support through the duration of my studies.

TABLE OF CONTENTS

TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGMENT	iv
TABLE OF CONTENTS	v
LIST OF FIGURES	vii
LIST OF TABLES	viii
LIST OF ABBREVIATIONS	ix
ABSTRACT	x
1.0 CHAPTER 1 INTRODUCTION	
1.1 Background of Study	1
1.2 Problem Statement	3
1.3 Purpose of Study	4
1.4 Research Questions	4
1.5 Research Objectives	4
1.6 Scope of Study	5
1.7 Significant of Study	5
1.8 Limitation of Study	5
1.9 Definition of Terms	6
2.0 CHAPTER 2 LITERATURE REVIEW	
2.1 Definitions of Word-of-Mouth	8
2.2 Theoretical Models of Word-of-Mouth by Dongsuk Jang (2007)	8
2.2.1 Independent Variables	8
2.2.2 Mediators	10
2.2.3 Dependent Variable	10
2.3 Hypotheses by Dongsuk Jang (2007)	12

3.0	CHAPTER 3 RESEARCH METHODOLOGY	
3.1	Research Design	14
3.1.1	Sample Size	15
3.1.2	Sampling Technique	15
3.1.3	Data Collection Technique	15
3.1.4	Survey Instrument Development	16
4.0	CHAPTER 4 DATA ANALYSIS AND RESULTS	
4.1	Descriptive Statistics for Casual Dining Samples	17
4.1.1	Demographic Profile of Respondents	17
4.1.2	Dining Patterns and Word-of-Mouth Characteristics of Respondents	20
4.2	Assumption Tests for Casual Dining Samples	23
4.2.1	Normality Test	23
4.2.2	Reliability Test	25
4.3	Structural Equation Modeling Process and Results	27
4.3.1	Confirmatory Factor Analysis for the Measurement Model	27
4.3.2	Structural Equation Model	30
4.3.3	Hypothesis Testing	32
5.0	CHAPTER 5 DISCUSSION AND CONCLUSION	
5.1	Discussion Results	36
5.2	Conclusions	39
5.3	Recommendations for Future Study	41
6.0	APPENDICES	42
6.1	Survey Questionnaire	42
7.0	REFERENCES	49

ABSTRACT

This study examined a word-of-mouth communication structure in the restaurant where main variables of the word-of-mouth process on purchasing decisions were recognized and their connections were investigated in a restaurant setting. Therefore, a restaurant word-of-mouth model was suggested.

Objectives of this study was firstly to identify the main factors of restaurant word-of-mouth communication, secondly to discover which word-of-mouth factors directly affect the consumer's restaurant product/service purchase decision and lastly to find out the degree to which word-of-mouth factors determine the consumer's word-of-mouth search efforts for a restaurant.

Referring to extensive literature review, eight restaurant word-of-mouth variables and thirteen hypotheses were formulated. They were based on the theoretical background of communication models, Dongsuk Jang (2007) word-of-mouth model. The findings of this study suggest that factors of word-of-mouth receiver and sender's perceived expertise, tie strength, self image, reference group, and word-of-mouth search effort influence the consumer's restaurant service/product purchase decision.

It was fascinating that most of the respondents' responses were positive word-of-mouth. It shows that positive word-of-mouth has a bigger impact on a restaurant consumer's word-of-mouth experience. It is also worth mentioning that the word-of-mouth channel most respondents used was face-to-face.