

UNIVERSITI TEKNOLOGI MARA

**EFFECT OF AMBIENCE, FOOD
QUALITY AND PRICE FAIRNESS ON
CUSTOMERS' LOYALTY: FOCUS ON
ARABIC FOOD RESTAURANTS IN
JOHOR BAHRU**

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ABSTRACT

The Malaysian government immediately implemented the Movement Control Order (MCO) to break the COVID-19 chain and were impact to restaurants sector. However, based on the survey, it was found that the preference for Arabic Food Restaurant changed after post-Covid. Thus, the Theory of Loyalty was applied in this study to represent quality construct in the customers' loyalty model and help identify areas for further improvement. This study used the SWOT (Strength, Weakness, Opportunity and Threats) approach to analyse the issues at Arabic Food Restaurants. This study aims to determine how customers' loyalty to an Arabic Food Restaurants was impacted by factors such as ambience, food quality, and price fairness. The approach of this study is a quantitative method using a structured questionnaire. A total of 400 questionnaire online forms were processed using the statistical tool SPSS to test the hypotheses that had been developed. In this study, finding shows that ambience, food quality and price fairness has strong relationship with customers' loyalty. All null hypotheses are accepted. Therefore, Arabic Food Restaurant owners need to allocate strategies focus on the ambience, food quality and price fairness as factors to cater customers' loyalty in order to compete with other rivals.

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CHAPTER 1

INTRODUCTION

1.1. Preamble

This chapter begins with a general overview of the concept of motivation including the background of the study on customers' loyalty toward Arabic Food Restaurants in Johor Bahru. The discussion then shifts to the situational analysis that will outline the current situation of Arabic Food Restaurants thoroughly diagnostics tool of SWOT analysis. The next subsection stresses out the problem statement which justifies the study conducted then shifts to the research objectives and questions that guide the research. The significance of the study was discussed next and ending with the limitations of this study.

1.2 Background of Study

The restaurant customers' loyalty can be seen as an essential factor and it could be a key determinant of success. In today's competitive business environment, the restaurant's primary goal is to retain existing customers as well as increase sales and profits (Han & Ryu, 2009). According to Ing, Lin, Xu and Thurasamy (2019), businesses need more effective strategies in an effort to retain customers' loyalty in order to remain competitive in the heavily crowded food service. Due to the competitive nature of this industry, it is important for restaurants to continuously look for new strategies to improve their services.

Reichheld and Schefter (2000) found three main reasons why restaurants would want to enhance sales through loyal customers; loyal customers are less price sensitive, visit more frequently and are more open to new menus and service offers. Therefore, customers' loyalty leads to continued business success and increases restaurants competitive advantage.

The advantages of customers' loyalty include giving continuous profit, lowering marketing costs, increasing per-customer revenue growth and more referrals (Reichheld & Schefter, 2000). As stated by Gallo (2014), it is estimated that a 5% increase in customers' loyalty can result in a 25% to 95% rise in restaurant revenues.