

**THE INFLUENCE OF HOTEL RESTAURANT
ATTRIBUTES TOWARDS CUSTOMER
SATISFACTION AND RETURN INTENTION**



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**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTANCY
UNIVERSITI MALAYSIA SABAH
2016**

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MARRY TRACY ANAK PAWAN

**THIS THESIS SUBMITTED IN FULFILLMENT FOR
MASTER OF BUSINESS**



UNIVERSITI MALAYSIA SABAH

**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTANCY
UNIVERSITI MALAYSIA SABAH
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DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excepts, equations, summaries and references which have been duly acknowledge.

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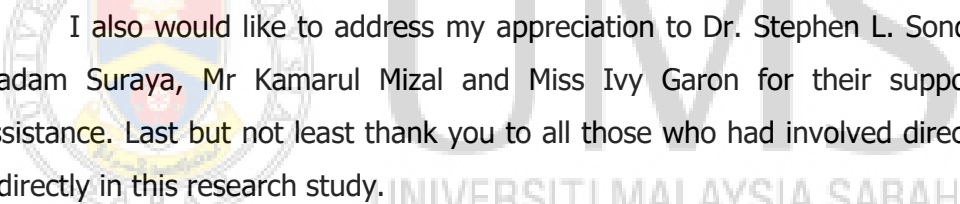
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ABSTRACT

The purpose of this study is to assess the influence of hotel restaurant attributes (food quality, service quality, atmosphere, price and value) towards customer satisfaction and return intention towards hotel restaurants. This study also examines the mediating effect of customer satisfaction towards relationship of hotel restaurant attributes (food quality, service quality, atmosphere, price and value) and return intention. Using a quantitative approach, a questionnaire was distributed to respondents who dined in at the hotel restaurants in the Kota Kinabalu. A total of 423 questionnaires were distributed to respondents in selected hotel restaurants in Kota Kinabalu. The selected hotels where data are collected are Promenade Hotel, Grand Borneo Hotel, Hyatt Hotel, Le Meridien Hotel, Courtyard and Novotel. Only 400 questionnaires are useable and were analysed. Meanwhile, data was analyzed using Partial Least Square via Structural Equation Modelling (PLS-SEM). The result showed that the food quality, service quality, atmosphere, price and value have a significant effect to the customer satisfaction. The mediation result showed that customer satisfaction mediates the relationship between food quality, service quality, atmosphere, price and value and return intention. This study assists the hotel industry in Kota Kinabalu generally in obtaining a better picture of key factors that determine customer satisfaction in order to stay competitive with other freestanding restaurant. Besides that, the attributes of price and value are new attributes added to the framework of the hotel restaurant attributes towards customer satisfaction and return intention. Most previous studies only discuss food quality and service quality toward customer satisfaction. Thus, this study makes a contribution the literature focusing on hotel restaurants in Kota Kinabalu, Sabah.

ABSTRAK

PENGARUH SIFAT RESTORAN HOTEL TERHADAP KEPUASAAN PELANGGAN DAN NIAT UNTUK KEMBALI

Tujuan kajian ini adalah untuk mengakses pengaruh sifat restoran hotel (kualiti makanan, kualiti perkhidmatan, suasana, harga dan nilai) ke arah kepuasan pelanggan dan niat untuk kembali di restoran hotel. Kajian ini juga mengkaji kesan pengantara kepuasan pelanggan terhadap hubungan sifat restoran hotel (kualiti makanan, kualiti perkhidmatan, suasana, harga dan nilai) dan niat untuk kembali. Dengan menggunakan pendekatan kuantitatif, soal selidik telah diedarkan kepada responden yang datang makan di restoran hotel di sekitar kawasan Kota Kinabalu. Sebanyak 423 soal selidik telah diedarkan kepada responden di restoran hotel yang dipilih di kawasan Kota Kinabalu. Hanya 400 soal selidik sahaja yang boleh digunakan dan boleh dianalisis. Hotel-hotel terpilih yang menjadi lokasi untuk mengedarkan soal selidik adalah Hotel Promenade, Hotel Grand Borneo, Hotel Hyatt, Hotel Le Meridien, Hotel Courtyard dan Hotel Novotel. Sementara itu, data untuk kajian ini dianalisis menggunakan Partial Least Square via Structural Equation Modelling (PLS-SEM). Hasil kajian menunjukkan bahawa kualiti makanan, kualiti perkhidmatan, suasana, harga & nilai mempunyai kesan positif terhadap kepuasan pelanggan. Hasil pengantaraan menunjukkan bahawa kepuasan pelanggan menjadi pengantara hubungan antara kualiti makanan, kualiti perkhidmatan, suasana, harga dan nilai dan niat untuk kembali. Hasil daripada kajian ini akan dapat membantu industri perhotelan di Kota Kinabalu secara umumnya dalam mendapatkan gambaran yang lebih baik terhadap faktor utama yang menjadi penentu kepada kepuasan pelanggan untuk kekal berdaya saing dengan restoran yang lain. Selain itu juga, di dalam kajian ini, ciri harga dan nilai merupakan sifat restoran hotel yang baru di dalam kajian ini. Kebanyakan kajian lepas hanya mengkaji pengaruh kualiti makanan dan kualiti perkhidmatan terhadap kepuasan pelanggan. Oleh itu, kajian ini juga telah menyumbangkan kepada sorotan literatur yang baru amnya di Kota Kinabalu, Sabah.

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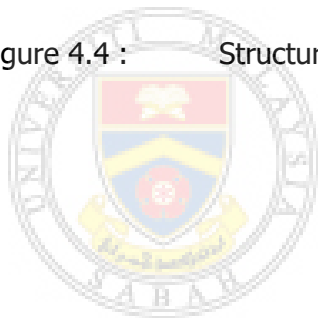
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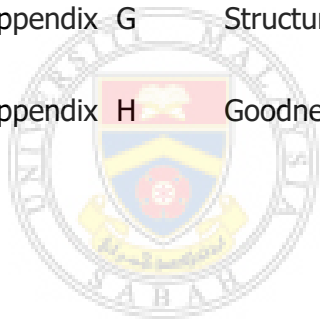
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CHAPTER 1

INTRODUCTION

1.0 Background

Eating out is a trend for customer who lives in the urban areas due to the hectic lifestyle. According to Harbib, Dardak and Zakaria (2011), even though Malaysian are like to have their home cooked meal, but with the shift of the times, increasing of the awareness and influence of western culture, the scenario has changed where the great shift in food consumption pattern among the urban people is visible. There are various motivations for eating out which economizing, efficiency, fun, taste and social interaction. Eating out gives consumers experiential values. The restaurant is a place where we experience excitement, pleasure and a sense of personal well being (Finkelstein, 1989). Ritzer (2001) argues that consumers are increasingly turning to value "efficiency, calculability, predictability and control," due to changes in lifestyle, demographic factors and technology in restaurant consumption.

Value represents important and desirable end goals. A general view of value guided this research, recognizing (1) a utilitarian outcome resulting from the conscious pursuit of an intended consequence and (2) an outcome related more too spontaneous hedonic responses (Babin et al, 1994). The former is called utilitarian value and the latter a hedonic value. Utilitarian consumer behavior has been described as task related and rational (Batra and Athola, 1991). The hedonic value is more subjective and personal than its utilitarian counterpart and results

more from fun and playfulness than from task completion (Holbrock and Hurchman, 1982).

People eating out because of the benefits they derived from food and restaurant meal in terms of a set of attributes describing different levels of important to each attribute (John and Pine, 2002). Development of a country contributes to the changing lifestyle for example the demand for getting better and quality of comfortable living (Guan and Barua, 2007). The rapid growth restaurant in Malaysia is an opportunity for consumer to make the best choice to dine and fulfill their wants, whether to dine in at the fast food restaurant, casual restaurant or hotel restaurant.

Hotel restaurant is a part of the augmented product in the hotel industry. Hotel restaurant contribute to the revenue to the hotel industry. Therefore, it is important to focus on the satisfaction of the customer that comes to dine in at the hotel restaurant. According to Chon and Maier (2010), food and beverage departments have substantially smaller operating margin than the rooms department in most hotels. However, food and beverages department which focus on hotel restaurant are integral part of most lodging concepts and therefore it is necessary to fulfill the needs and expectations of the customer.

Table 1.0: Three types of product in hotel industry

Types of products	Hotel products
Core Benefits	Rest and sleep
Actual Product	Bed, bathroom, towel, desk
Augmented Product	Hotel restaurant, Gymnassium, Swimming pool

Source: Chon and Maier (2010)

The hotel industry is commonly known to be part of the tourism industry that has been recognized as a very large industry in the entire world (Kudampully and Suhartanto, 2000). The Malaysian Association of Hotels (MAH) recorded a total 515 hotels with 98,238 hotel rooms to cater to the tourist arrival (MAH Press Release, 2010). Its commitment towards the industry is very encouraging and has stirred many hotel operators to strive harder in improving the quality of their service. Due to the competitive nature of this industry, it is imperative for hotel operators to strive harder in improving the quality of their service. The use of hotel facilities such as night clubs, room services, restaurants, bar, banqueting have become a basic components of lifestyle for many guest. Therefore, it is important to make sure the service meets the need of the customer.

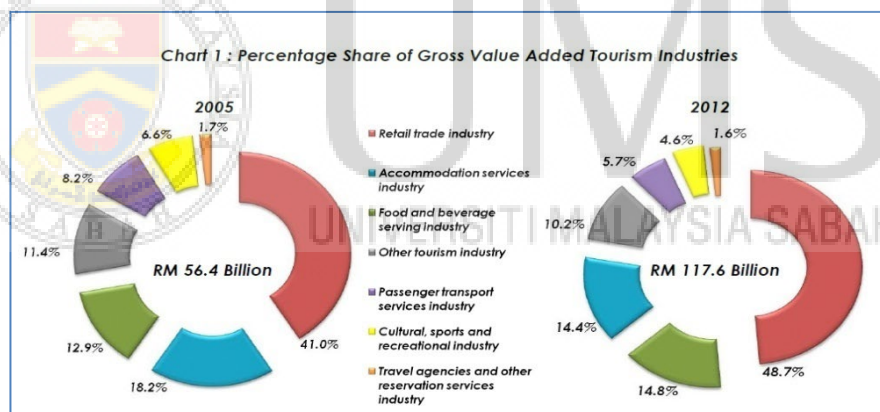
People concentrate on satisfying these needs before turning to higher needs (Lewis, 2007). In a fast paced and wealthy society, eating out in restaurants has also become an important social and business event. The consumers usually have a wide range of option to choose. There are varieties type of restaurants offering a full range of food varieties and services. As the number of restaurants has increased, indirectly food service business has become more competitive. Being able to meet customer basic expectations in today's situation at best can ensure business survival in the foodservice industry.

One of the largest challenges facing food and beverages industry today is the growing competition (Karatepe and Ekiz, 2004). Growing competition in the restaurant industry and the increasing importance of guest patronage impose the need to provide a better services and satisfy the guests. According to Soriano (2002), restaurant failures are partly a result of the poor management that lack of strategic orientation in measuring and focusing on customer satisfaction. Customer satisfaction can directly affect customer loyalty, organizational profit, return patronage, complaint behavior and word of mouth communications (Soriano, 2002). Therefore, understanding the antecedents and consequences of customer

satisfaction is important in order to cater the needs of the customer when they dine in at the restaurant.

Based on the Gross Value Added Tourism Industries (GVATI) in figure 1, food and beverage serving industry was the third highest contributor to the GVATI in 2005. It recorded 12.9 percent which reflects to RM7.3 billion. In 2012, this industry grew at 14.8 percent and generated a value added of RM17.4 billion. It shows that the food and beverages industry is growing competitively in Malaysia. Hotel restaurants have recently realized that they have to compete with free standing restaurants. Now hotels are emphasizing and concepting their restaurant to be more outstanding and fulfill the need of the patrons (Parsons, 2013).

Figure 1: Malaysia Tourism Satellite Account 2005-2012



Source: Malaysian Tourism Satellite Account, 2005-2012

There are many restaurant types out there. New restaurants open all the time and have a variety concepts from pizza chain to fine dining and sushi restaurants to breakfast's café. Despite the broad range of restaurant concepts, most are classified by one of three major restaurant types: full service, fast casual and quick service.

According to Parpal (2015), full service restaurant encapsulate the time honored tradition of going out to eat. These restaurants invite guests to be seated at tables while the waitress take their full order and serve food and drink. Full service restaurants are typically either fine dining establishments or casual eateries. In addition to the kitchen staff they almost always employ hosts, servers and bartenders. Two standard types of full service operation include fine dining and casual dining restaurants. Fine dining restaurant top the ladder when it comes to service and quality. They usually gain perceived value with unique and beautiful décor, renowned chefs and special dishes. In fine dining, the service style is top mark. There are well trained and experienced servers and sommeliers attend to guests and providing excellent knowledge of food and wines. The atmosphere in fine dining establishment is one of the keys to its perceived value, where the lights soften the mood (Reynolds and Wachter, 2013). Besides that, the music should reflects the concept yet not overpower guest conversation. The decor should have an elegant and unique perspective. Overall, fine dining establishment strive to create an exceptional dining experience. Fine dining restaurant did facing a challenge in operating it. Their biggest challenge is when the poor economic times. People who do not feel that they can afford to eat at the upscale restaurant they often cut them out of their budget. These restaurants must constantly maintain an elevated level of service and quality in every aspect including dinner service, food presentation and restroom cleanliness. However, there is also an advantage of running a fine dining restaurant is that managers and servers are frequently experienced and committed to building a career in fine dining. For instance, managers typically require five to seven years of experience as well as an immense knowledge of food and wine. Chef need to be experienced as well perhaps even requiring a culinary degree. Celebrated chefs will also give fine dining the upper hand when it comes to quality food and artistic presentation.

Another type of full service restaurant is the casual dining restaurants (Parpal, 2015). They are typically more affordable and often geared toward families. Casual dining restaurants offer full table service but the décor, food and