Full Length Research Article

THE ROLES OF PRICE PERCEPTION AND PHYSICAL ENVIRONMENT IN DETERMINING CUSTOMER LOYALTY: EVIDENCE FROM FAST FOOD RESTAURANT OF MALAYSIA

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ARTICLE INFO

ABSTRACT

Over the last decade, fast food restaurant in Malaysia has witnessed immense growth and it is now catering to almost 100 million profits. In order to sustain customer loyalty, fast food restaurants are striving to achieve high customers' satisfaction through improved of facilities and better price. This study investigated the impact of physical environment and price perception on customer's loyalty in fast food restaurant of Malaysia. Selected sample sizes of 100 questionnaires were administered into second busier city in Malaysia, which is Penang and the respondents of this research were obtained from customers that frequently visit fast food restaurant in Penang, Malaysia. SPSS version 17 was used to analyse the obtained data. The results revealed that physical environment *(t=3.105, p=0.003)* and price perception *(t= 4.353, p=0.000)* has significant effect on customers' loyalty *(M=93.9640, SD=0.53058)*. Strategy planner or marketers can formulate a good strategy to compete with its competitors via the information that obtain and try to create loyalties among the consumer. So far there is no clear evidence about the factors influencing customer loyalty towards fast food restaurant in Penang, Malaysia. However, this paper stress on the factors that are important for building customer loyalty especially in Penang, Malaysia. Therefore, this paper is useful for those marketer, planners, and entrepreneur in formulating their business strategy as it stressed on the crucial factors of building customer loyalty in Malaysian food industry.

INTRODUCTION

In keeping up with a global current lifestyle, the trend of taking fast food as lunch, dinner even supper has become necessities of life, and demand of it is increasing day by day in Malaysia. Despites, Malaysia in the fast food industry is getting more intense in term of rivalry whereby the arising of many fast food companies that offer fresh, good services and variety of tasty foods has expand in the market. Therefore, all fast food restaurants services must keep in trace with the customers and made improvements by fulfilling customers' demand in order to retain existing customers rather than attract new customers. According to Aksu, (2006) gaining customer loyalty will have huge impact on competitive advantage which later bring successful in the future. Previous research had shown that the upgrading in the technological information regarding fast food details had gives tremendous effect on promoting the deals and offers for customer variety of choices

(Nezakati, Kuan, & Asgari, 2011). This reaffirm that customers is always attracted to something new or changes that suite the need of current trends and consequently will prevent of losing existing and potential customers (Aksu, 2006). This study is to examine how respondents will be influenced by factors of customer loyalty towards fast food restaurant in Penang, Malaysia. Therefore the specific objectives in this study are i) to examine price perception have positively effect on customers' loyalty towards fast food in Penang, ii) to investigate physical environment have significant effect on the customer loyalty towards fast food in Penang.

LITERATURE REVIEW

Fast Food

Few decades ago, regular consumptions of food purchased at fast food chain restaurants, which provide convenience foods in self-service or take away eating venues, has become the norm for children and adults, especially in US. For an

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example, in 2010, sales among the top 50 fast food chain restaurants exceed $141 billion in the US. A recent survey of adults found that there are 80% purchased fast food in the past month and 28% consumed fast food two or more times a week (Katherine W.Bauer, 2012). Home cooking has become second choice when people loves to take outside meals as their regular diet. A number of studies have shown increased frequency of takeaway and fast food consumption worldwide whereby Governmental reports in the UK indicated about 22% of residents were found to purchase foods from takeaway outlet at least once a week and 58% a few times a month. Instead of that, a similar frequency of consumption of takeaway or fast food has also been observed in other country (Agnieszka Jaworowska, 2013). Additionally, on a typical day nearly 40% of high school aged adolescents consume fast food. Foods sold at fast food chain restaurants are often of low nutritional quality and frequent consumption of fast food has been associated with less helpful dietary patterns among children, adolescents and adults. Studies have consistently found positive associations between fast food intake and excess weight and weight gain among adults whereas the relationship between fast food and weight among children is less clear (Katherine W.Bauer, 2012).

Thus, there are numerous efforts are being made to encourage the fast food industry to improve the nutritional quality of their menu offerings. For an example, in California, New York, and some municipalities, policy have been implemented that place limits on restaurants' use of trans-fatty-acid- containing oils, margerines, and shortenings in food preparation. To change that are motivated by changes in governmental policy, some of the fast food restaurants have announced plans to make improvements to the nutritional quality of their food on their own initiative (Mary O.Hearst, 2013). Apart from that, the leading fast food restaurant has aimed to lower the sodium content of several items. It shown that fast food restaurants are in unique position to improving the nutritional quality of US population by improving the nutritional quality of menu offering (Mary O.Hearst, 2013). Moreover, lifestyle changes that have taken place in many countries worldwide over the last few decades have been shown to impact food consumption patterns. One of the most prominent trends is the increasing frequency with which meals are consumed outside of the home environment. Even meals consumed at home are often purchased from catering outlets that offer takeaway or home delivery service. The traditional family dinner is increasingly being replaced by eating ''on the run'' at various locations throughout the day (Agnieszka Jaworowska, 2013).

Customer Loyalty

Customers may exhibit their loyalty in any many ways; they may choose to stay with a provider, or they may increase the number of purchases or the frequency of their purchases or even both. They could be an advocate of the organization concerned by playing a powerful role in the decision-making of others (Reichheld *et al.*, 2000; Zeithaml, 2000). Various authors have recognized that segmenting loyal can help in developing an understanding of the nature of loyalty orientation and can inform appropriate marketing actions (Rowley, 2005). Loyalty is something that consumer may exhibit upon brand, service, store, product categories and activity. Most important in the perception of consumer was:

consumers always seek truth and honesty. They need to feel comfortable and confident with the companies they do business with. Consumers are increasingly keeping their information close to the chest unless they have broad sweeping confidence in a company they do business with. All marketing efforts, and especially those that seek to build loyalty, must be real and tangible. They must make sense. Companies that build brands around an experience that naturally builds customer loyalty are most likely to win (Duffy D. L., 2005).

Factors Influencing Customers Loyalty towards Fast Food Restaurant

(i) Physical Environment

Physical environment can be defined as the human environment that has physical factors, for example soil, water supply and climate. Physical environment is one of the elements that make the customer satisfy; customer is the most important resource that a business should engage with. If a customer feels that the environment is uncomfortable, the possibility of customer to visit for the next time might be little. Since, services are mainly intangible and customers always present during the process, the physical environment can have a significant impact on perceptions of the overall quality of the service encounter, which in turn affects customer satisfaction in the restaurant industry (Bitner, 1992; Kotler, 1973; Parasuraman *et al*, 1988; Ryuand Jang, 2008).

According to Bitner (1992) found that the term "SERVICESCAPE" to describe the combined effect of all physical factors that can be controlled by service organizations to enhance customer and employee behaviors. It refers to the term of "build environment" or more specifically, the "man-made, physical surrounding as opposed to the natural or social environment" (Bitner, 1992, p.58). There are three primary dimensions of the "SERVICESCAPE" that influence consumers holistic perceptions. Which is i). Ambient conditions ii). Spatial layout and functionality, iii) Signs, symbols and artifacts. In addition, According to Chang (2000), perceived physical environment correspond precisely towards customer's satisfaction, therefore it explain that customer satisfaction is directly and positively associated with the aspects of positive approach behaviors towards customer loyalty.

(ii) Price Perception

Prices perception which also means the process of consumer who know to survey and compare the quality and price before make purchase. Price is amount of money that a customer or consumer willing to pay for a certain item, food or services. Price is one of the sensitive options when a consumer consider to purchase or not to purchase. In fact, price is also very important to any business to gain their profits. So a fast food restaurant's manager need to know about the important of customer their price perception and value. Consumers' perception of price was also correlated with their purchase decision (Corfman, 1991). The value of the price wills become the factors that will affect the perception of the consumer toward the product. Products with higher price compared to the others but with the same quality, then the tendency for

consumer to choose the product with the lowest price would be high. There is evidence in the literature that perceived price fairness is a (multi-faceted) psychological factor which has an important influence on consumers' reactions to price (Campbell, 1999). That it is one of the reasons why individuals make certain purchase decisions, and that fairness involves community norms (Huang *et al*., 2005). If these norms are violated, such behavior may occur such as they may perceive price as to be unfair, consumers may react negatively by avoiding transactions to happen, contacts with the provider or even engage in punitive actions such as boycotts (Homburg *et al*., 2005).The price will be the reason the customer to purchase the product. They will compare with the same product categories and choose the one with the lowest price.

According from the previous research they found that impact of price on perceived value have a negative link which mean the higher price, the lower value is perceived (Dodds *et al*. 1991; Grewel *et al*. 1998). By imagine on this current situation, we can estimated that a consumer go for shopping they tend to purchase a lower price product and get a high quality products. According to (Hutton, 1995) found that most of the consumers are trying to get a lower budget spending, due to get a better quality at lower price.

However, there are also a few consumers that willing to spend their money on a product that they really like with ignoring the product quality. Based on Sternquist, (1998) found that a highly price value on a certain product result in a greater willingness by consumer to adopt a new product. Price is the most element that determination customer decision towards choice of products and services as well as in establishment loyalty among customers. It is supported by (Chaudhuri and Holbrook, 2002) a marketer need to be alert that the pricing strategy will influence a business overall profitability. Furthermore, based on the previous research Waterson (2003), customer's choice was strongly effect by the perceive costs, price and reputation of the company. According to Anuwichanont (2011), the price is the one element that affect the consumer while make purchasing between brand effect, brand trust and loyalty.

Nevertheless, based on Consuegra, Molina and Esteban (2007), if an organization increase their service price will also acceptable by the consumer which also need able to give a bigger satisfaction to the consumer. In this situation, it brings the positive relationship between changes of price increase acceptability and customer satisfaction. The impact of consumer take fast food restaurant is because of the economic recession, most of the youth having their budget problem which make them trying their best to save their money with take a bread or biscuit as their lunch break. According to (Voon,2012) now the trend of youth which doesn't have the ability of fulfilling their economic, so they may find a cheaper fast food restaurant as their meal for an example McDonalds lunch set or KFC lunch set. Hence, the price perceptions have the positive significant towards the customer loyalty.

MATERIALS AND METHODS

Background of the study area

McDonalds is the place where we can find most of the people who want to find an easy way to have their meals with a convenience environment and cheaper price. McDonalds in Penang was selected as a location for data collection. Total population who came into the McDonalds is infinity therefore researchers tends to take samples as 50 males and 50 females.

Questionnaire

Questionnaire were consists of 4 sections whereby section A is about demographic profile of respondent (gender, ethnic and age), section B is general questions (e.g., respondents' decisions to eat at fast-food restaurant, frequently visiting of a restaurant, method influence of visiting the restaurant and etc) while section C consists of questions on physical environment and price perception which emphasized on the answers based on five-point likert scale 5 (strongly agree) to 1 (strongly disagree) and section D is the dependent variable (customers' loyalty).

Statistical Method

There were two types of statistical procedure which is descriptive statistics used to describe population of a study in this research and inferential statistics that was used to make predictions about a population by using observation to analyze the respondents' results. Primary and secondary data were collected. SPSS version 17.0 was used to analyze the data.

RESULTS AND DISCUSSION

Demographic Profile of respondents

Results of demographic profile of respondents shows the total of respondents are equally distributed which is 50% male and 50% female involved in this survey. For the ethnic part, total respondents who involve in this study were include 36 (36%) Malay, 50 (50%) Chinese and 14 (14%) Indian. Distribution of age in this study explains about the age groups whereby 17% of respondent from age range between 0-20, 59% from the age range between 21-40 and 24% from the age range between 41 -60 and lastly which is 0% for age range between 61 and above.

Factor Influence Customer Loyalty towards Fast Food Restaurant

H1: Physical Environment has a positive impact on the customer's loyalty towards fast food restaurant in Penang

H2: Price perception has a positive impact on the customer's loyalty towards fast food restaurant in Penang

Table 1. Results of Regression Analysis on Turnover

Variables	Beta	*t*	*p*
The Physical Environment	0.204	3.105	0.003
The Price Perception	0.328	4.535	0.000
R Square = 0.787			
Durbin-Watson = 1.821			
F = 69.409			
Sig. F = 0.000			
Condition Index = 25.198			

According to the regression analysis showed on Table 1, physical environment (*M*=3.7400, *SD*=0.70811) has

significant effect whereby *t=3.105, p=0.003* with the customer loyalty (*M*=93.9640, *SD*=0.53058) towards fast food restaurant in Penang. Hypothesis 1 stated physical environment has significant effect on customer loyalty towards fast food restaurant in Penang, therefore, hypothesis 1 is accepted at the significant *p*-value is less than 0.05. The result was supported by Chang, (2000) whereby perceived physical environment is direct indicator of a customer's satisfaction which associated with aspects of positive approach behaviors towards customer loyalty. Instead of this, according to the regression analysis above price perception (*M*=3.7620, *SD*=0.68384) has significant effect on customer loyalty towards fast food restaurant in Penang as shown by the value of t= 4.353, *p*=0.000. Thus, hypothesis 2 stated that the price perception has a significant effect on customer loyalty towards fast food restaurant in Penang is accepted at the significant level of *p*-value is less than 0.05. This was supported by Anuwichanont, (2011) the price is the element that affect the consumer while make purchasing between brand effect, brand trust and loyalty. In additional, Kim WG, (2006) also stated that fairness of price is the psychological factor that affects the consumer's decision when purchased. R-Square in this study reflects the number of 0.787 which is moderate effect. Durbin-Watson value is 1.821, which felt within the acceptable range of 1.5 to 2.5 for a test to be relevant. Therefore, there was no auto correlation problem with the data.

Conclusion

The result of the study has showed the connection between physical environment and price perception influenced on customer loyalty towards fast food restaurants in Penang. Thus, the information that obtained will be able to give helpful information to the owner of fast food restaurant or franchisor in identifying the factors influence customer loyalty towards fast food restaurants in Penang. It helps them to further understand what the customer needs and wants in order to generate high revenue and enhance the image and reputation of its restaurants. The information of this research may lead an entrepreneur or owner of restaurant to take the right action in expanding their business and establishing sales volume. The limitations of this study are the findings of the result are prone to the northern part of Malaysia, since the respondents were selected from Georgetown, Penang.

Furthermore, the questionnaire was distributed randomly to the customer during their meal time and it may affect the respondent to answers the questions while having their meal such as biases, rushing, or maybe for the sake of filling the empty space. Moreover, the results of this study can't be generalized to all fast food restaurants in Malaysia especially in southern part of Malaysia. Thus the results may not accurate. This study warrant for future research and highly encourage using random sampling, more independent variables and more hypothesis to be tested. Nevertheless, the entire objectives that set were achieved. From the findings, physical environment and price perceptive had a significant effect on customer loyalty towards fast food restaurant in Penang. The findings of this research can act as guidelines for entrepreneurs and owners of fast food restaurants to improve their business growth in terms of performance and revenue. Furthermore, the information obtained in this research could

help attracting and retaining new customers and also understanding customers' need for future improvement.

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