

Factors Analysing Consumers' Preference Towards McDonald's and A&W in Malaysia

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KEY WORDS Fast food industry; restaurant; food; ethnicity

ABSTRACT The importance of consumer preferences towards the fast-food industry has become an important phenomenon. This study analyses the choice of the restaurant between McDonald's and A&W on the following factors like cleanliness, atmosphere, value, location, price, taste, children and variety. The data were analyzed using t-test and it was found that there is a significant difference on one factor where children's decision on the choice of the restaurant seems to be important. Analysis was also performed on various other dimensions like race, age, gender, income, eating habits, and time spent on media.

INTRODUCTION

Fast food industry, with major players such as Kentucky Fried Chicken (KFC), McDonald's, Wendy's, Pizza Hut and Burger King are all eyeing to carve their own niches in promising and prominent market in Asia. Stiff competition, from heavy media advertisements, billboards, promotional gifts and value package to intense price wars are becoming the phenomenon of the fast food franchisers. Knowing the Asian market, these food franchisers around the world are making inroads into these fertile markets.

This article studies the effect of this influx of western food in the multiethnic continent of Asia and we shall focus our study on the Malaysia fast food industry. This partial "migration" or transfer of culture from the western countries has not only changed the consumer spending pattern on food products but also have some impact on the consumer's lifestyle and perception on the food values. This paper will also try to find out the people's preference on their choices of fast food, their views and opinions on fast food and their responses on price, value and satisfaction.

The fast food industry, most of which originated from United States of America and Western countries, are sprouting in Asia and they are faced with increasingly intense

competition in their home countries. McDonald's Corporation for example, is increasingly relying on its international operations for the bulk of its profits and the majority of its new-store openings, with the expectation that 60 percent of its overall operating income reaped from outside the United States. This trend is basically attributed to several environmental factors and changes that have adversely affected the fast food industry in their home countries. On the other hand, with the increasing affluence of Asian consumers as a result of economic reform in countries such as China and industrialization process taking place in South East Asia, Asian consumers are now much more receptive to western lifestyle and influences. Coupled with two-income families and smaller family sizes, cooking ethnic food at home has become a burden. These young parents and their families have opted for the convenience of eating "quality" food and having a good selection of meals by way of take-out and home delivery services. This has therefore emerged as one of the most rapidly growing industry and has become a formidable trend in fast food business in Asia.

One of the most successful franchise system is McDonald's. A franchise organization is a contractual association between a franchiser (a manufacturer, wholesaler, or service organization) and franchisees (independent business people who buy the right to own and operate one or more units in the franchise system). Franchise organizations are normally based on some unique product, services, method of doing business, a trade name, a patent, or on goodwill that the franchiser has developed. Franchising has been prominent in fast-foods, video stores, health / fitness centers, hair cutting, auto rental, motels, travel agencies, real estate and dozens of other product and service areas.

McDonald's and A&W

McDonald's, being the world's largest

restaurant chain, has more than 23,000 restaurants in over 100 countries. McDonald's started its franchise business in 1954 in San Bernadio, California and the first restaurant outside of the USA was opened in Canada and Puerto Rico in 1967. Its vision is to dominate the global foodservice industry. Global dominance means "setting the performance standard for customer satisfaction and increasing market share and profitability through successful implementation of convenience, value and execution strategies", according to the Vice-Chairman. McDonald's "think globally, act locally" in order to be competitive in the global market. However, as a market leader, McDonald's serves less than one percent of the world's population or about 40,000,000 consumers daily.

McDonald's adapts its menu to local taste - Koshier beef in Israel, Halal beef in Malaysia, Vegetarian burgers in India. As competition in the home country is increasing, McDonald's has been successfully expanding its international operations. One example is the opening of McDonald's first restaurant in Kuwait in June 1994, the drive-through line was 7 miles long. In China, it operates the largest outlet in the world, a 2,520 square-meter site in Wangfujing, the heart of Beijing shopping district. McDonald's successful operating method has been widely adopted by many and has become a benchmark in the industry.

As for A&W, it has been in business since 1919 and it started the franchising business since 1925, about 30 years earlier than McDonald's. However, A&W has only less than 1,000 stores world-wide in less than 20 countries as compared to 23,000 of McDonald's in more than 100 countries. From the beginning with the first cold root beer served in Lodi, California in 1919, until today, with new ownership, new concepts and the brand loyalty of the consumers, A&W has only started late in 1980's to expand internationally to capture the lucrative markets abroad. With 62 outlets in Malaysia at present, A&W is fighting out to capture more market shares and even has plans to open up 20 outlets a year in Malaysia before the economic crisis. Currently McDonald's has 120 outlets in Malaysia and is still the market leader.

Literature Review

This paper looks at how these international

franchisers compete in Malaysia and examine what marketing strategies are employed to sustain their competitive edge in the fast food industry. The fast food sector in Malaysia has been experiencing tremendous changes since the 1980's except the survival of small family run stalls. The importance of restaurant selection and the impact of in-store stimuli on consumers is best reflected in the strategy of major fast food restaurants. For example, greater affluence and time constraints of dual-earning households have led many consumers to put more emphasis on variety and value. Consumers go through a process of complex decision making in selecting fast food shops and they may endure store loyalty. The principles of low involvement decision making of product or brands apply equally well to stores (Spiggle and Sewall, 1987). Consumers may select a restaurant simply because it is not worth the time or effort to go around. In such cases, restaurants may be selected for their location. The strategic implications of these differing restaurants decision processes parallel for those brands use frequent advertising as a reminder for low involvement shop selection; use image-oriented advertising for high involvement restaurant selection.

Consumers have a number of enduring perceptions, or images in their evaluations of fast food. Some of them provide the environment, and services that they feel reflect the restaurant image as well as the consumer's self-image. Consumers tend to go to the restaurants that have images consistent with their own self-image. Today, major department stores and supermarkets have begun to focus on the need to build a strong store image for their outlets. Similarly, fast food restaurants focus a lot to build their strong image. They recognize the importance of building an identity to attract loyal customers. Instead of focusing on price promotions, they are increasingly stressing customer service and the provision of "a pleasant shopping experience" (Fahey, 1990).

Compared to the manufacturing firms, fast food restaurants face unique problems in positioning and promoting their offerings. These include restaurants attributes and the importance of its environment. Because these attributes are intangible, image has become a key factor in differentiating their service from the competition. Thus, marketing objective is to enable the

consumer to link a specific image with a specific brand name or location.

The term "image" is currently used in a variety of contexts: corporate image, brand image, public image, self image, restaurant image, and so on. As a whole, an image can be defined as "the sum of beliefs, ideas, and impressions that a person has of an object." (Kotler and Clarke, 1987). The process of choosing a specific store or a restaurant is a function of consumer personality. Consumers in each market segment form images of various stores/restaurants based on their perception of the attributes that they consider important. This overall perception is known as store image. This concept has been defined in various perspectives (Lindquist, 1975; Hansen and Deutscher, 1978; Hirschman, 1981). Perhaps the classic definition of store image was from Martineau's idea of store personality as "the way in which a store is defined in the shopper's mind, partly by its functional qualities and partly by an aura of psychological attributes". (Martineau, 1958). Modern conceptualizations of store image include the definition by Mazursky and Jacoby (1986):

"... a cognition and/or effect (or a set of cognitions and / or effects) which is (are) inferred either from a set of ongoing perceptions and / or memory inputs attaching to a phenomenon (i.e. either an object, or event such as a store or a product, etc.) and which represent(s) what that phenomenon to individual." For decades the conceptualization of store image has been improvised running along the same ideas as what is being proposed by these researchers.

Over the years, there has been numerous attempts to understand store or restaurants image. The studies of store image were mainly centered on its relationship to store patronage as well as how store image develops (Mazursky and Jacob, 1986). Extensive research review of this issue can be found in Lincoln and Samli (1979), Hirschman (1981), Berkowitz et al. (1978), Wyckham et al. (1971) and Pessemier (1980).

Image formation and mental processes whereby information and experiences are evaluated, result in predisposition that generally guide patronage (Granbois, 1981). The closer the store's image is to consumer's needs, the more positive the individual's predisposition toward

the store and the greater the probability the consumer will shop in the store (Monroe and Guiltinan, 1975). Research done by several scholars (Cohen, 1966; Axelrod, 1968; Tigert, 1983; Woodside and Trappey III, 1992) indicate that customers unaided top-of-mind retrieval of store name in response to a general category question is related to their primary choice of store.

Store image and patronage are found to be closely related in many instances (Doyle and Fenwick, 1974); Arnold et al., 1983; Kumar and Leone, 1988). In a study by Arnold et al. (1983), location, price, assortment, fast checkout, friendly and courteous service, and pleasant shopping environment were critical determinants of store patronage. The first two determinants, location and price, appeared to dominate the choice process. Tigert (1983) obtained some indication of the substantial influence of attitude-accessibility as a moderating variable between store image and store choice using selected determinants of store image. It was found that location and convenience were the most important determinants, followed by price and courteous services. In addition, the image of a shopping area was found to be a significant factor affecting shopping trips and expenditure behavior (Wee, 1986) and store loyalty (Sirgy and Samli, 1985).

Store image has also been found to affect perceptions of product quality. Research by Darden and Schwinghammer (1985) suggests that store cues may influence shopper's quality perceptions of product categories found in store chains. Render and O'Connor (1976) also demonstrated that in some cases the image of stores relates to the perceived quality of some product categories (Andrews and Valenzi, 1971; Szybillo and Jacoby, 1972; Wheatley and Chiu, 1977). Finally, consumer's perception of quality of a store merchandise is found to correlate with store patronage (Jacoby and Mazursky, 1985; Olshavsky, 1985). Perceptions of product quality and preferences of products are closely linked to choice behavior.

METHODOLOGY

The objective of this study is to find out the consumers preferences toward, McDonald's and A & W in Malaysia by comparing all the

determining factors such as marketing mix (price, place, promotion, product), consumers price value-satisfaction level, their perception on Q.S.C.V. (Quality-service-cleanliness-value) of fast food restaurant, spending pattern and eating preference such as take-out services, delivery or at the restaurant. The preferred menu and the survey on their exposure to the influence of media advertisement are also included. Demographic analysis will also help us to draw a conclusion on the customer's social groups and its composition.

Specific Objectives

- 1) To study the market potential of this industry and to find out how McDonald and A & W can further increase their market share.
- 2) To identify factors that are important to gain competitive advantage and also to use efficient marketing strategies.
- 3) To enable fast food operators to target on health conscious consumers by offering nutritious food.

Hypothesis

- 1) There will be a significant difference in the preference of Malaysians towards McDonald's over A & W.
- 2) There will be a significant difference in the success of McDonald over A & W due to massive advertisement.
- 3) There will be a significant difference in the perception of consumers towards nutritional values of eating fast food.
- 4) There will be a significant difference in the marketing mix of McDonald vis a vis A & W.

This study was carried out by distributing questionnaires and conducting personal interviews with people who know and have visited and eaten at either McDonald's or A & W. A total sample of 302 respondents collected from the general public, offices and factory workers in the following places in Malaysia. The distribution of sample is summarized in table 1.

Table 1: Distribution of sample

Malacca	25%
Kuala Lumpur	25%
East Coast	10%
Johor Bahru	15%
North Malaysia	10%
South Malaysia	15%

The data collected includes demographic factors, product comparatives, price and locations, service expectation and influence of promotion on the consumers. Personal interviews were also conducted to gather additional information. This information would help us to understand the consumer needs, expectations, spending power and having lunch at the fast food outlets. The data is based on two sources, primary and secondary data. Primary data was gathered through questionnaires and by way of personal interviews. Secondary data was collected from articles of leading magazines, journals and from Internet sources. Interviews with a few A & W and McDonald's supervisors on their company strategies were also gathered. A stratified convenience sampling method was used to collect the data. The questionnaire was administered in both English and Bahasa Malaysia. Some of the data collection was done at A & W and McDonald's outlet itself.

The data were analysed using a t-test. The results were given in table 1, these indicate that there is a significant difference between Chinese and Malaysian. For the Malaysian, the choice of restaurant depends on the children. Where as this influence was not seen in the Chinese population. This can be attributed to more freedom and decision making on the part of the children in the choice of restaurant.

The respondents are made up of 51% female and 49% male with majority of them (72%) in the age group of 20 - 40 years old. 47% of the respondents are married, out of which 42% are with children (Fig. 1). Majority of the respondents revealed that they were influenced to come to McDonald's by their children. The parents admittedly expressed that they would not purposely frequent the fast food restaurant if not coaxed by their children. Finally three quarters of the respondents belong to lower to middle income group with monthly household income of less than RM 5,000. This data also reflected that the fast food goers are mainly comprised of lower to middle income group whereas the health conscious consumers belonging to the higher income group are not in favour of visiting these outlets. In terms of races, 56% of the respondents are Chinese, 33% Malay, 10% Indian and Others 1%, a reflection of the purchasing power gap between the different ethnic groups, where the Chinese has the

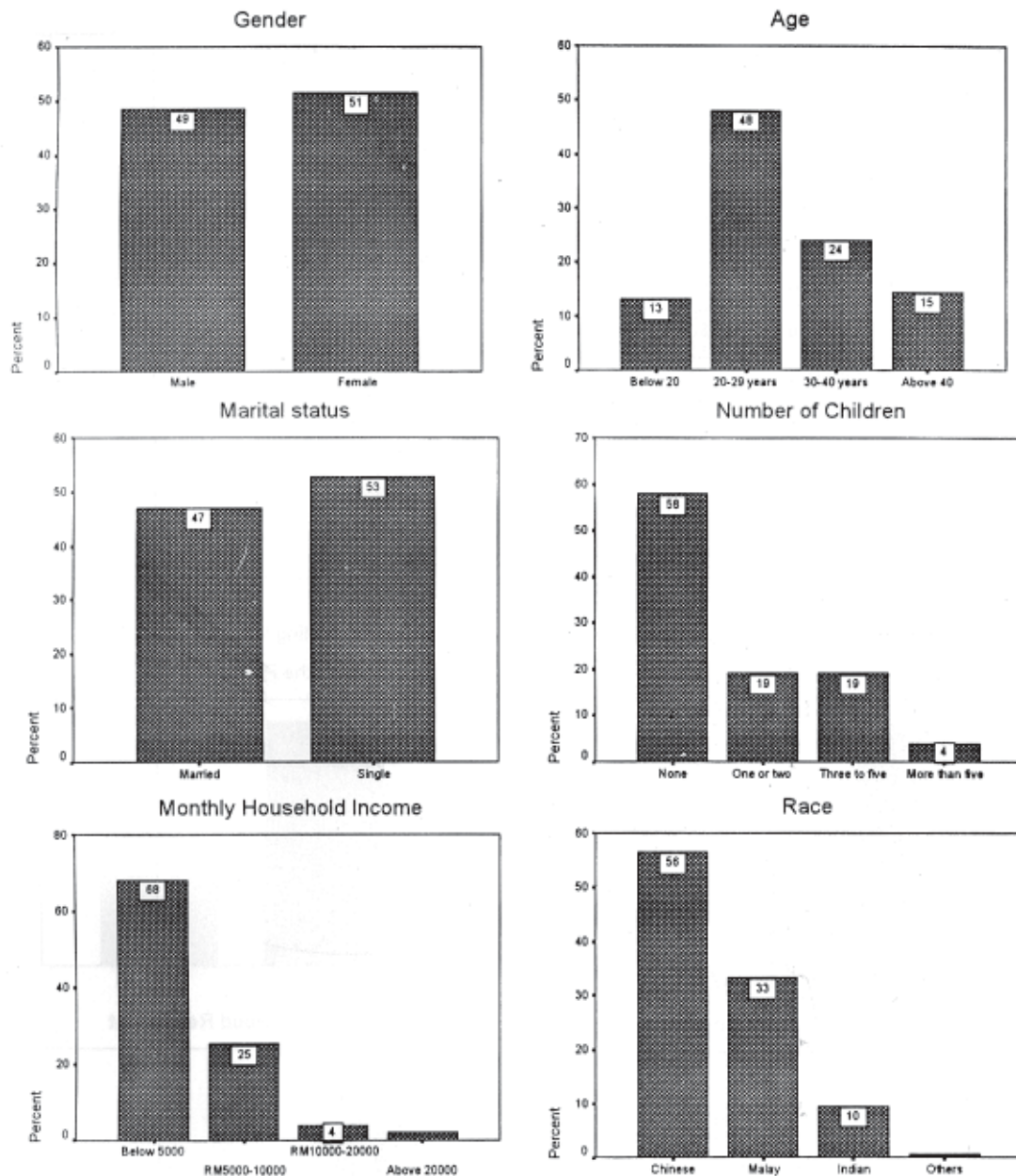


Fig. 1. Distribution of respondents in different categories

greatest purchasing power.

DISCUSSION

Eating Habits of Respondents

Majority of the respondents go to fast food

at least once a month, with 81.3% preferred to eat in restaurant rather than deliver to home or takeaway (Fig. 2). This is an indication of the modern living lifestyle where the two-income family who opts for convenience rather than troublesome traditional home cooked food.

Table 2: Importance of different factors in the choice of restaurant

Factor	Race	N	Mean	Std. Deviation	T	Sig. (2 tailed)	Mean Difference
Cleanliness	Chinese	155	4.42	0.7	0.421	0.674	-0.0429
	Malaysian	85	4.38	0.84			
Atmosphere	Chinese	149	4.04	0.84	0.120	0.905	-0.0143
	Malaysian	77	4.30	0.87			
Children	Chinese	141	3.24	1.42	-4.315	0.000*	-0.76
	Malaysian	86	4	1.02			
Fast	Chinese	150	4.30	0.71	-0.719	0.473	-0.0735
	Malaysian	83	4.37	0.81			
Value	Chinese	145	3.32	1.24	-1.133	0.258	-0.19
	Malaysian	80	3.51	1.10			
Location	Chinese	152	4.07	0.90	1.038	0.300	0.13
	Malaysian	74	3.93	0.93			
Nutrition	Chinese	154	4.06	0.91	-0.936	0.350	-0.11
	Malaysian	89	4.18	0.95			
Price	Chinese	156	4.06	0.97	0.357	0.721	-0.0458
	Malaysian	84	4.01	0.90			
Taste	Chinese	161	4.66	0.6	0.320	0.749	0.0268
	Malaysian	95	4.63	0.72			
Variety	Chinese	150	4.09	0.78	0.674	0.501	0.0813
	Malaysian	83	4.01	1.04			

*Reject H0

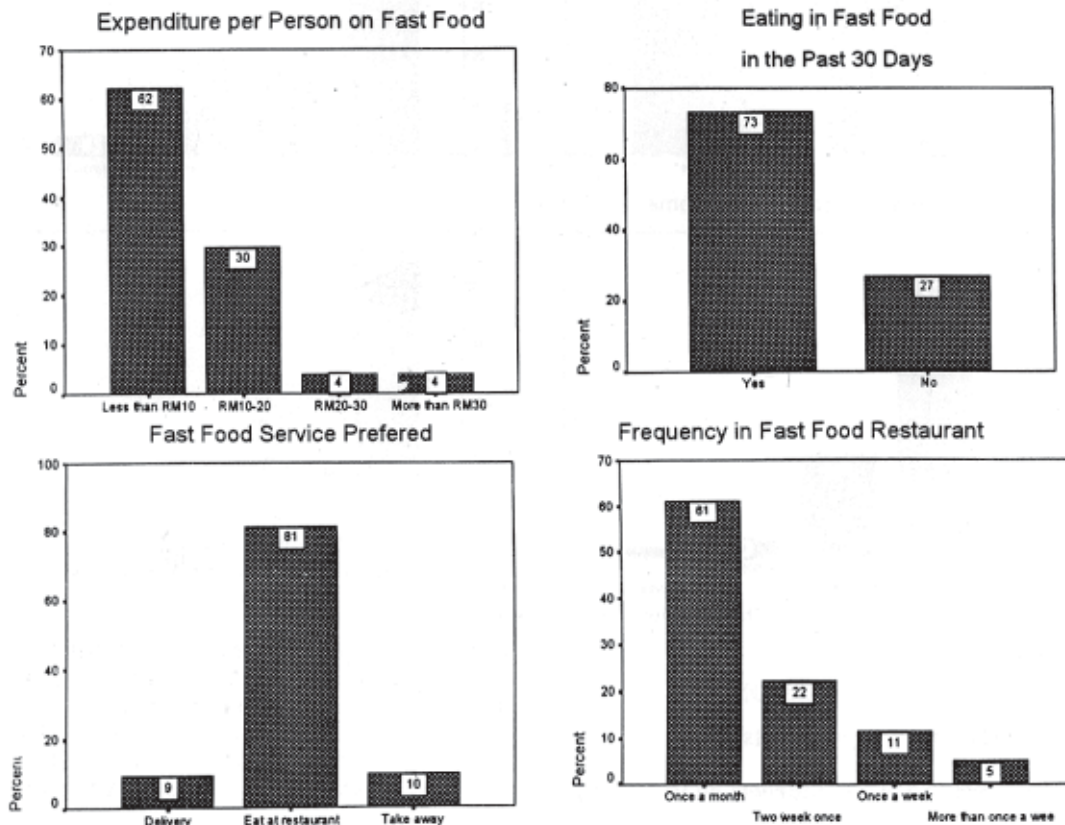


Fig. 2. Eating habits of respondents

Majority of the respondents (92%) spends less than RM 20 per person on a meal at fast food restaurant, which are an indication of the rise in middle income group and the improved purchasing power of Malaysian consumers who are receptive to Western life-style.+

Price and Place

Taste is the main determining factors for choosing a fast food restaurant. Other reasons of significant importance include pricing, variety of choices, efficient services, strategic location, good atmosphere, cleanliness and nutritional value of the food. Most of them do not pay attention to the gift value package. The respondents were also made aware of the importance of the Quality Service Cleanliness Value when comparing the performances of the two restaurants, in which McDonald's has better ranking than A&W. The study also conform to our Hypothesis III, which stated that McDonald's marketing mix is stronger than A&W, and is more successful in managing its Quality Service Cleanliness Value. Nevertheless, our Hypothesis IV has been rejected and the results indicate that the nutritional value of the

fast food is not an important factor to the present consumers (Fig. 3).

Promotion

The majority of the respondents are interested to go to fast food restaurant because of their children as a result of the advertisement in TV, Newspaper, Radio and Billboard, where McDonald's is perceived as a fun place which is safe and attractive for their children to go. Majority of the respondents were also of the view that McDonald's is the leader in their promotional activities especially in TV commercial being run at the right time and right programme (Fig. 4). Whereas A&W's low frequency of advertisements has not been able to play a significant role in building consumers awareness.

Product

For those respondents who are frequently visiting McDonald's, find their favourite choice are ranked from Mc Chicken, to Filet-O-fish, Big Mac, Fried Chicken, Mc Nuggets and others (Fig. 5). While for those respondents who frequent

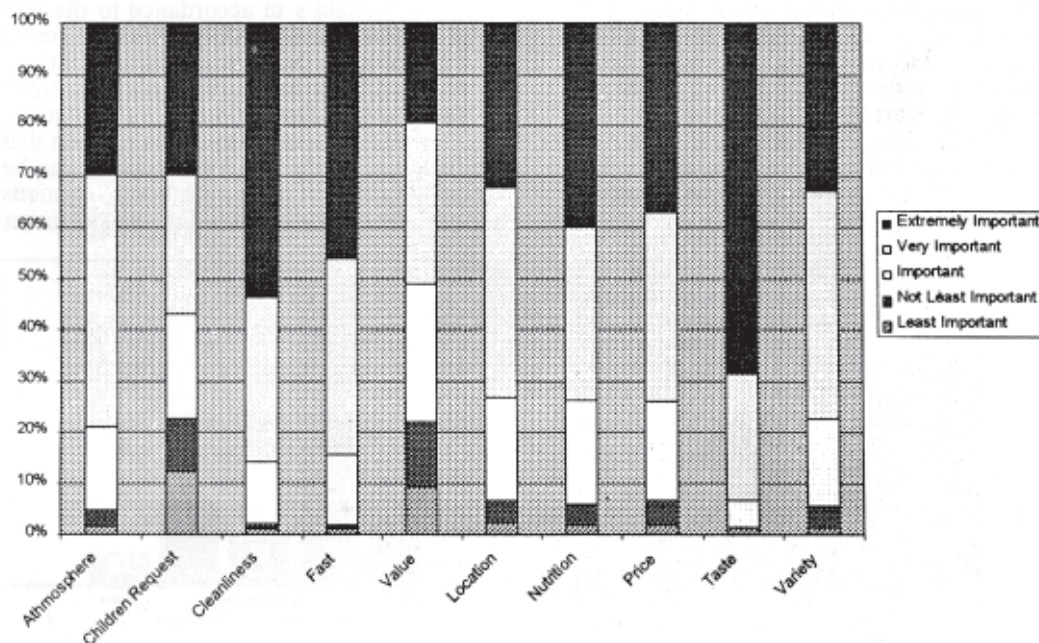


Fig. 3. Importance of factors when eating out at fast food restaurant

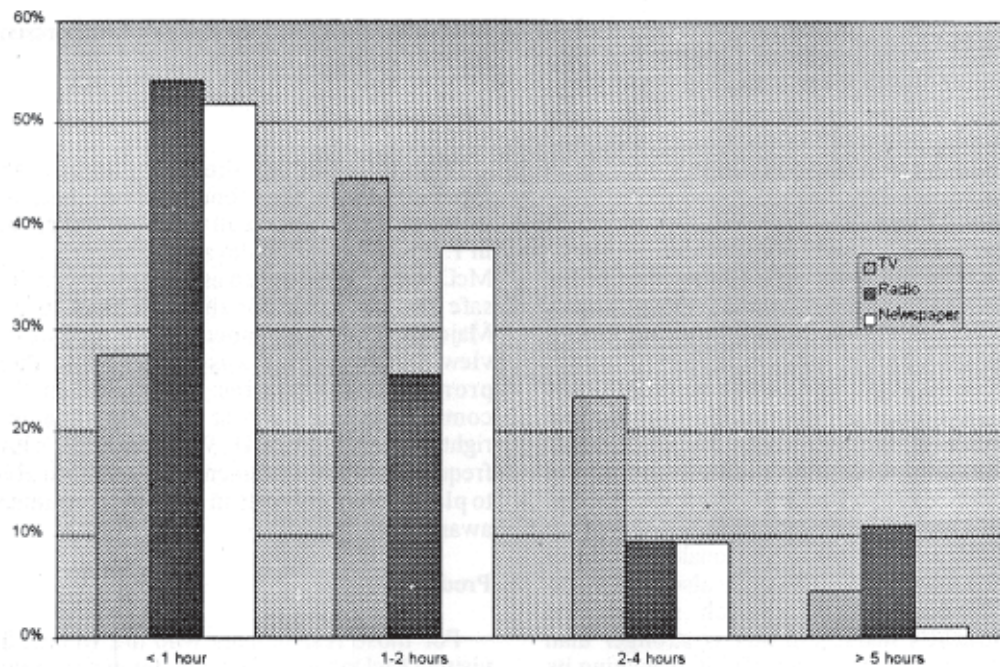


Fig. 4. Time spent on media

A&W, about half of them opted for Root Beer followed by Tuna Burger, ice Cream, Cornie Dogs, and others. This data clearly demonstrated that each of the two franchisers have their star products which are the main appeal to the fast food goers and have distinctively placed, their respective restaurants with their own competitive edge. Surprisingly, both McDonald's and A&W goers cited the distinctive taste as the main reason attracting them to eat in either McDonald's or A&W.

Selection between McDonald's and A&W
Majority of the respondents (81%) preferred to eat in McDonald's in accordance to the test Hypothesis 1 (Fig. 8). McDonald's is preferred over A&W due to their superiority in all factors surveyed except on easy parking where as A&W is on par with McDonald's (Fig. 7). However, many respondents are also of the opinion that the operators of the fast food business can be further improved if more consumers' opinions and preferences can be taken into consideration

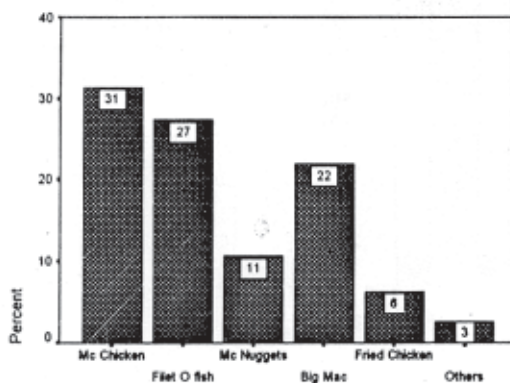


Fig. 5. McDonald's favourite choice

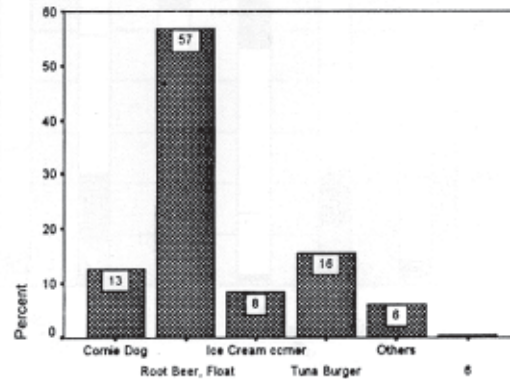


Fig. 6. A & W favourite choice

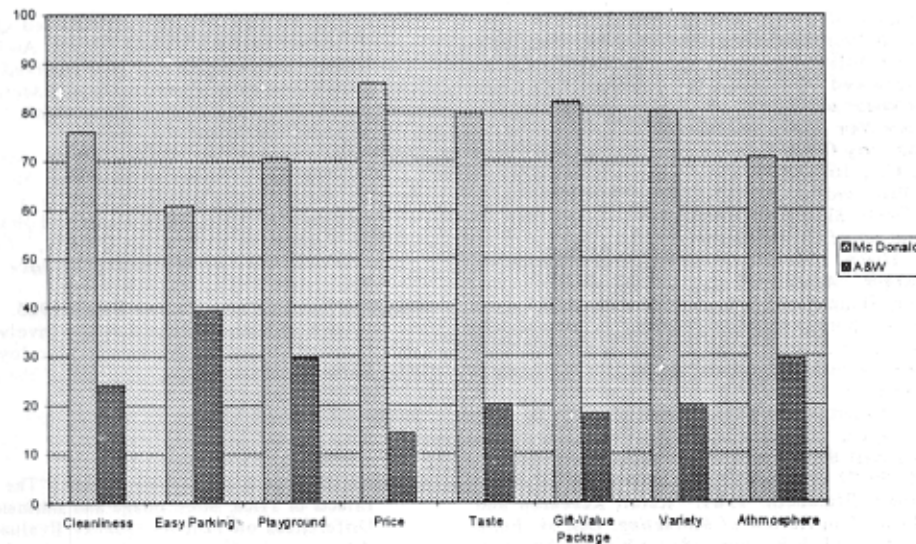


Fig. 7. Selection factors between McDonald's and A & W

when it comes to service improvement. With the increasing role of the women in workforce, there is every possibility of increasing restaurant sales, as more and more working women will not be able spend time towards the preparation of food at home. Quick service restaurants like McDonald's and A&W will become the right choice for this segment of customers. It is reported that working women in Malaysia make about half of the entire female adult group in the country. It can therefore be seen that there is a huge potential for the fast-food industry.

CONCLUSION

It is concluded from the findings that there is a significant difference as regards cleanliness, atmosphere and taste between McDonald and A&W. It shows that McDonald's strategy of providing tasty food with good environment and better ambience works well in attracting the Malaysian consumer. The study thus confirms that the McDonald is considered as moment leader in the fast food restaurants. In choice of food and location the children are considered as a most influencing role in purchase decision. Above all McDonald and A & W have their dominance in their product category.

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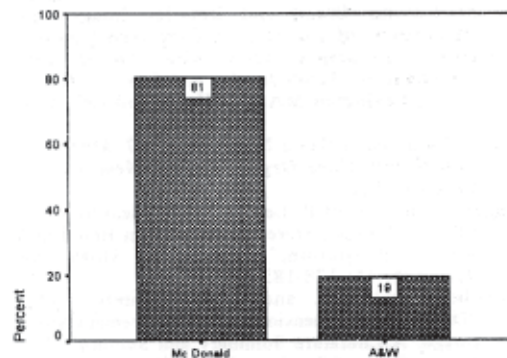


Fig. 8. What is your overall preference?

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