UNDERSTANDING AND RESPONDING TO CONSUMERS IN FOODSERVICE INDUSTRY

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   - MSc. (Food Management), University of Surrey (2005)
   - BSc. (Food Studies), Universiti Putra Malaysia (2002)

CONTENT OF PRESENTATION

1. Introduction to foodservice industry.
2. Understanding consumers.
3. Responding to consumers.
FOODSERVICE INDUSTRY

Food and Beverage Operations

Commercial

Open Market
- Hotels
- Restaurants
- Pubs
- Fast food and take-away

Restricted Market
- Travel Catering
- Clubs
- Contract Foodservice
- Function and Event Catering

Subsidized or Welfare

Employee Catering
- Contact Foodservice
- In-house Catering

Institutional Catering
- Schools
- Universities and Colleges
- Hospitals
- The Services
- Prisons
- Care House
## Sectors of the Foodservice Industry – HK Terminology

<table>
<thead>
<tr>
<th>Industry sector</th>
<th>Purpose of the foodservice operation</th>
<th>Historical Summary</th>
</tr>
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<tbody>
<tr>
<td>Hotel, motel and other tourist accommodation</td>
<td>Provision of food and drink together with accommodation service</td>
<td>Supported by developments in transport and business and leisure-related tourism</td>
</tr>
<tr>
<td>Restaurants including conventional and specialist operations</td>
<td>Provision of food and drink, generally at high price with high levels of service</td>
<td>Grew out of hotel restaurants (which were originally highly formal) through chefs wishing to start their own business</td>
</tr>
<tr>
<td>Popular catering including cafés, pizza, grills and steak house</td>
<td>Provision of food and drink generally at low/medium price with limited levels of service and often high customer throughput</td>
<td>Has gone through various phases.</td>
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## SECTORS OF THE FOODSERVICE INDUSTRY – HK TERMINOLOGY

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<td>Fast food including McDonalds and Burger King, KFC etc.</td>
<td>Provision of and drink in highly specialized environment, characterized by high investment, high labor costs and vast customer throughput</td>
<td>Heavily influenced by USA concepts; highly sophisticated meal packaging and marketing</td>
</tr>
<tr>
<td>Takeaway including ethnic, snacks, fish and chips, sandwich bars</td>
<td>Fast provision of food and drink</td>
<td>Developed from a variety of concepts.</td>
</tr>
<tr>
<td>Outdoor catering (ODC) (or ‘off-premises catering’ or ‘event catering’)</td>
<td>Provision of food and drink away from home base; suppliers usually associated with a major event</td>
<td>Developed through the need to provide services at special events. The term ODC is misleading as little of this catering actually takes place outside</td>
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<td>Retail stores</td>
<td>Fast provision of food and drink</td>
<td>Developed originally from prestigious stores wishing to provide food and drink as part of the retailing experience</td>
</tr>
<tr>
<td>Events/banqueting/conferencing/exhibitions</td>
<td>Provision of large scale food and drink for events</td>
<td>Originally associated with hotels but has now become major sector in its own right</td>
</tr>
<tr>
<td>Leisure attractions such as theme park, museums, galleries, cinemas and theatres</td>
<td>Provision of food and drink to people engaged in another pursuit</td>
<td>Increase in leisure have made profit from food and drink</td>
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<td>Industrial catering either in-house operations or through catering/foodservice contractors</td>
<td>Provision of food and drink to people at work</td>
<td>Developed out of recognition that better fed workers work better.</td>
</tr>
<tr>
<td>stations</td>
<td>Provision of food and drink, together with petrol and other retail services, often in isolated locations</td>
<td>of motorway building.</td>
</tr>
<tr>
<td>Transport catering including railways, airline and marine</td>
<td>Provision of food and drink to people on the move</td>
<td>Grew out of the need to meet the demands of the travelling public. Originally service were of high levels, reflecting the type of traveler. Eventually changed to meet the needs of a wide range of traveler.</td>
</tr>
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<td>Welfare catering or Social caterer/ foodservice (student, healthcare, Institutional and military)</td>
<td>Provision of food and drink to people in colleges, universities, the armed forces and to people through established social need</td>
<td>Highly regulated and maintained</td>
</tr>
<tr>
<td>Licensed trade including wine bars, licensed clubs and member’ club</td>
<td>Provision of food and drink in an environment dominated by licensing requirements</td>
<td>Developed from bars and other drinking places with increased regulation and liquor licensing requirements</td>
</tr>
</tbody>
</table>
CONSUMER MARKET

General market

• Non-captive: customer have a full choice.

Restricted market

• Captive: customers have no choice, for example, welfare.
• Semi-captive: customer have no choice before entering for example, marine, airline, trains, some hotels and some leisure activities. The customers chosen alternatives to these but, once chosen, have little choice of food and beverage.

Cousins (2019)
CUSTOMER
VERSUS
CONSUMER

COMPARING THE 2 TYPES OF USERS

A Customer is the one who purchases the product.

A Consumer may or may not purchase, but is the end-user.

A Customer can resell the product for getting profit.

A Consumer cannot resell the product for profits.

A Customer could be anybody - individual, company or mass.

A Consumer is a single entity or company as a whole.

A monetary transaction is a must to buy the product.

A monetary transaction is optional.

Mohanty (2020)
**TYPE OF CONSUMERS**

- **Extrovert**: Look for branded items and strive to become a loyal one.
  - Convert to only high quality products and services.

- **Inferior Goods**: Normally comes from low-income status.
  - Purchase only products that are needed for survival.

- **Commercial**: No matter their actual requirement of purchasing items, this category of consumers will buy goods and products in a bulk.
  - This may or may not be used for commercial purposes.

- **Discrete**: Opt for a discrete mode of buying habits.
  - Consider spending a handsome amount on some of the specific items only, say, cosmetics, jewelry, or apparel.
  - Mostly steer away from thrifting on the other categories.

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Mohanty (2020)
# COMMON MARKET SEGMENTATION APPROACHES

![Customer Profile Dimensions]

<table>
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<tr>
<th>Type of Approach</th>
<th>Segmentation Criteria</th>
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<tr>
<td>Geographic</td>
<td>nations, states, regions, cities, neighborhoods, zip codes, etc.</td>
</tr>
<tr>
<td>Demographic</td>
<td>age, gender, family size, income, occupation, education, religion, ethnicity, and nationality</td>
</tr>
<tr>
<td>Psychographic</td>
<td>lifestyle, personality, attitudes, and social class</td>
</tr>
<tr>
<td>Behavioral</td>
<td>user status, purchase occasion, loyalty, readiness to buy</td>
</tr>
<tr>
<td>Decision maker</td>
<td>decision-making role (purchaser, influencer, etc.)</td>
</tr>
</tbody>
</table>

Source: lumenlearning.com
The study of how individuals, groups and organizations select, buy, use and dispose of goods, services, ideas, or experiences to satisfy their needs and wants (Kotler and Keller, 2006).

Studying consumers provides clues for:
- improving or introducing products or services,
- setting prices,
- devising channels,
- crafting messages,
- developing other marketing activities (Kotler and Amstrong., 2008).
CONSUMER BEHAVIOUR MODEL

**STIMULI**
**EXTERNAL FACTORS**
- Marketing Mix
  - Product
  - Price
  - Place
  - Promotion
- Environmental
  - Economic
  - Technological
  - Political
  - Cultural
  - Demographic
  - Situational

**BLACK BOX**
**(BUYER’S MIND)**
**INTERNAL FACTORS**
- Consumer Characteristics
  - Beliefs/Attitudes
  - Values
  - Knowledge
  - Motives
  - Perceptions
  - Lifestyle
- Decision-Making Process
  - Problem solving
  - Information search
  - Alternate evaluation
  - Purchase
  - Post purchase
  - Evaluation

**RESPONSES**
- Purchase
  - Product
  - Brand
  - Source
  - Amount
  - Method of Payment
- No Purchase

Kotler et. al (2004)
Surveys can be conducted on the phone, internet or in-person. Surveys should avoid the open-ended question and should include multiple-choice questions so that answers are given easily.

Hosting a group of different type of customers to discuss over a product type and to understand the reasons why customers will buy certain brands. This should include open-ended questions and allow participants to try a new brand and write down their views about it.

Obtaining statistics from stores or corporate headquarters. Companies should focus upon a particular type of product and determine whether the product is purchased more than often in a certain time period in comparison to other time periods.

Farooq (2018)
Go to **www.menti.com** and use the code **4128 3763**
Indonesian McDonald’s outlets closed BTS meal orders lead to restaurants overrun amid coronavirus fears

The brand hopes to tap into BTS’s “incredibly passionate and loyal fanbase” with the deal. As such, it’s likely that this partnership will be a huge financial success for McDonald’s—and for BTS. According to The Korea Times, the group is set to receive a whopping ₩10.0 billion KRW (about $8.98 million USD) for participating in the “BTS Meal” promotion.

Source: Koreboo.com
RESPONDING TO CONSUMERS

Restaurant Management

Other Publications

Academic Publication
RESTAURANT MANAGEMENT

How would you rate our service today?  
Very Good  

How would you rate our food today?  
Good  

How would you rate the atmosphere?  
Poor

Was there any particular member of staff you found went that extra mile?  
All good thanks.

Is there any dish or food you would like to see on the menu?  
Sunday roast as special.

Would you visit us again?  
Yes  

How could we improve?  
I think a sweet trolley would be good. Too full for sweet but could be tempted.

Source: Google
RESTAURANT MANAGEMENT

Process of engaging existing customers to continue buying products or services from your business.

Source: Google
RESPONDING TO CONSUMERS

Why Customers Participate in Loyalty Programs
- 57.4% Saving Money
- 37.5% Receiving Rewards
- 1.6% Other
- 3.6% Earning Rewards

Influence of Apps on Likelihood of Joining
- 59% More Likely
- 41% Less Likely

Increased Likelihood of Shopping at Stores with Loyalty Programs
- 82.4% More Likely
- 17.6% Less Likely

Source: Graham (2014)
RESTAURANT MANAGEMENT

Source: Google
To examine the relationship between perceived quality and purchase intention to re-patronise Shariah-compliant brand restaurants.

Perceived quality has significant and positive influences on intention to re-patronise Shariah-compliant brand restaurants. Atmospheric ambience, food taste, value for money and service personnel were indicators of perceived quality. Amongst the four indicators, service personnel were the most important elements for the perceived quality and were followed by food taste.

Concentrate on service personnel aspect and food taste in formulating marketing strategies to sustain competitive advantage.
CONSUMER BEHAVIOUR STUDY: ACADEMICIAN

To examine which of the Islamic brand dimensions motivates Thai customers towards buying Islamic brands.

The most significant factor motivating Thai Muslims towards purchasing Islamic brands is the customer’s Islamic brand. The second factor was the Islamic brands by compliance and Islamic brands by country of origin.

The present research applies to small companies and multi-national businesses, as it illuminates and recognizes the image of Islamic brands and suggests the preferences of customers in selecting the brand of Islamic brand.
CONSUMER BEHAVIOURAL CHANGES DURING COVID-19

33% Consume more takeaway

40% Plan to focus more on saving and budgeting money after the crisis

45% Eating less fast food than before

38% will support local businesses more in the future

Source: AMC Global (April, 2020), as cited by Lalley (2020)
New market segments evolved during Covid-19

Rogers and Kosgrove (April, 2020)
New market segments evolved after Covid-19

Rogers and Kosgrove (April, 2020)

31%  Get to normal
Spending largely unchanged. Daily lives were never really affected. Least concerned about the pandemic overall.

25%  Cautiously extravagant
Middle to high income. Very focused on health but relatively optimistic despite a strong belief that a global recession is coming. Will spend more in areas important to them.

13%  Keep cutting
Least educated. Least likely to be working. Making deep spending cuts. Changing what they buy and how. The pandemic was always a huge worry.

22%  Stay frugal
Spending slightly less, but some deep cuts. Trying to get back on their feet. Among the most pessimistic about the future.

9%  Back with a bang
Younger and in work. Spending much more in all categories. Their daily lives were most disrupted. Now they’re the most optimistic.
**FOODSERVICE INDUSTRY IN MALAYSIA NOW**

- Closure of **over 2,000** coffee shops and mamaks in the country since the implementation of the MCO in March 2020 (Ong, 2020).

- Sabah's one and only **Hard Rock Cafe closed down** for good on the 30th of April 2020. The cafe opened its doors in Kota Kinabalu on the 1st of April 2015 and played an important role in the city's dining culture. (Lee, 2020)

- **The Malaysian Insight** reported that the **Coliseum Café & Grill Room** last served customers on March 18, 2020. It was first opened in 1921, and is going to closed down in June 2021 (Choong, 2021).
**RECENT SCENARIO IN FOODSERVICE INDUSTRY IN MALAYSIA**

### Top Asian markets re-prioritising eating at home

<table>
<thead>
<tr>
<th>Country</th>
<th>% of respondents who said they would eat at home more post-pandemic</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>86%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>77%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>62%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>62%</td>
</tr>
<tr>
<td>South Korea</td>
<td>62%</td>
</tr>
</tbody>
</table>

*Source: Nielsen “COVID-19 Where consumers are heading?” Study March 2020*
1. Understanding consumers is complexed but engaging closely to them will help the foodservice operators to cater their needs and wants.

2. Keeping the management up to date with recent strategic marketing is vital to effectively responding to consumers.

3. Knowing consumer behavioural changes during Pandemic Covid 19 could help foodservice operators to understand and respond the consumers in order to sustain the business.
REFERENCES


TERIMA KASIH / THANK YOU

www.umt.edu.my