

## Competitive Strategies as a Predictor of Non-Financial Performance of Theme Restaurant

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### ABSTRACT

Most of the industry including food and beverage service industry which applied competitive strategy into their business was normally measured its performance from firm's financial perspective. Notably, traditional performance measurement system does not seem to adequately reflect the effectiveness of the firms operating in today's rapidly changing, dynamic and competitive environment. This is due to more emphasis on financial measures and less on drivers of value such as customer satisfaction and customer retention. In line with that, as theme restaurants are now mushrooming and competing in getting more customers as well as to retain their business, hence, a competitive strategies need to be applied. Therefore, this study was focusing on the competitive strategy as an independent variable towards non-financial performance as dependent variable adopted by theme restaurants in Kuala Lumpur. Porter's competitive strategies were adopted as independent variable which consists of differentiation, cost and focus strategy. On the other hand, customer growth and customer loyalty were two dimensions that been measured under dependent variable of non-financial performance. Thus, the objective of this study was to determine competitive strategy adopted by the theme restaurant in Kuala Lumpur and as well as to examine the relationship between competitive strategies towards non-financial performance of theme restaurant. A total of 41 theme restaurants have been identified to participate in this study. The data was then analyzed using multiple regression analysis. The findings of this study indicate that competitive strategies has a significant relationship towards customer loyalty, however, no relationship has been found between competitive strategies towards customer growth.

**KEYWORDS:** Competitive Strategy, Non-Financial; Performance, Theme Restaurants, Customer Growth, Customer Loyalty.

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### INTRODUCTION

The hospitality industry is a several billion dollar industry that mostly depends on the availability of leisure time and disposable income which it consists of companies within the food services, accommodations, recreation, and entertainment sectors [15]. According to [11], the hospitality industry is a 3.5 trillion dollar service sector within the global economy. Moreover, the services sector has been a major player in the growth of the Malaysian economy, contributing approximately 50 percent of the nation's real gross domestic product (GDP). In line with that, RM1.8 million has been budgeted for the development of tourism as well as service industry to generate more revenue to the country. Therefore, investors and restaurant owners see this as an opportunity to open a restaurant business. Notably, Kuala Lumpur is the centre of Malaysia's tourist attraction especially for the tourist, business people as well as tourist for shopping and experiencing unique and variety of foods experience. Thus, a massive number of ethnic restaurants and theme restaurants have been developed in capital city of Malaysia. As choices for foods and beverages is endless, therefore, these restaurants especially among theme restaurant in Kuala Lumpur are competing to each other by adopting many kinds of strategies in getting more sales as well as in retaining their customers. This is also important in order to ensure that restaurant operator can maintain their business.

### LITERATURE REVIEW

A restaurant which may also called an 'eatertainment' in which the diner's experience is centered in entertainment provided by restaurants' stage or fantasy set like decor. Food is important but secondary consideration and these restaurants attract customers solely on the premise of the theme itself [15]. Notably, there are many studies done on competitive strategies in various industries and this includes hospitality industry as well. The strategic management model suggests that intended strategy is an outcome of certain distinct action taken by firms [7]. Nevertheless, since the primary objective of a restaurant

business is to make profits, therefore, performance has been the most important construct studied over the past thirty-five years of strategy and research [9].

However, traditional performance measuring system does not seem adequately reflect the effectiveness of company operation. As a result, non financial performance has been used in measuring firms' performance as being cited by [1, 2]. It offers four clear advantages over measurement systems based on financial data [3]. Strategy is about ensuring the survival and prosperity of the firm [5] by implementing strategies to fulfil stakeholder expectation in future. Firms that engage in strategic planning and have appropriately designed and applied competitive strategies tend to have higher performance than those have not. According to [8], competitive strategies can lead to high organizational performance, customer satisfaction, and increase competitiveness in the face of other rival businesses. As suggested by [14], there are three generics that could be adopted to gain competitive advantage which can lead to better organizational performance. The three generics are differentiation leadership, cost leadership and focus strategy. In analysing the competitive forces in an industry, it stated that cost and differentiation leadership strategies seek competitive advantage in a broad range of market segments. Meanwhile, focus strategy is seeking vice versa with narrow range in market segments. Therefore, these three generics will be the dimensional under competitive strategy.

Moreover, as an increasing number of restaurants in Kuala Lumpur, theme restaurant is one of the main players in this industry. Notably, most of the theme restaurants today are more concern on its financial performance and ignoring non financial performance. While, customer loyalty and customer growth will influence the theme restaurant's financial performance, therefore it is important for the theme restaurant to measure it non financial performance too. Furthermore, to better understand the effect of competitive strategies towards theme restaurant's non financial performance, a study is needed on the relationship between competitive strategy and non financial performance.

## METHODOLOGY

### Research Instrument

A descriptive research design and correlational approach were used in this study in order to ascertain and be able to describe the characteristics of the variables of interest in a situation [18]. This is also in line with previous studies done in most research regarding competitive strategy in different setting as well as in hospitality. The cross sectional study was employed in this study. A self administered survey questionnaires were used for quantitative data collection methods pertaining to each study variables as well the variable of interest in this study was 'non financial performance.'

In order to determine the sample size for the study, in [16] rule which cited by [17] was used. As the rule stated that a sample size larger than 30 and smaller than 500 are appropriate for the studies, hence, a minimum sample size of 41 theme restaurants and 265 customers has been set. Self administered survey was conducted by using 5-points Likert scales with the lowest marks of strongly disagree and highest is strongly agree. The 5-points Likert scales were used as it will give wide range of possible scores and increase the statistical analyses that are available [13]. On top of that, in [10] noted that it is easier for the respondent to understand usually enjoy filling in this type of scale.

### Data Collection

All the information of the data was gathered from the restaurant manager and customer dining at theme restaurants in Kuala Lumpur. A total of 375 samples were obtained from the respondents who dining at 41 theme restaurants in Kuala Lumpur for further process of analysis. Multiple regression was used to analyze the data. Thus, three assumption which reliability test, normality test and linearity assumption need to be done before proceed to the regression analysis [4].

## RESULTS AND DISCUSSION

### Reliability Test

Table 1: Reliability test for each variable

Variable	Cronbach's Alpha	No. of Item
Focus	0.785	9
Cost	0.817	8
Differentiation	0.942	9
Customer Loyalty	0.761	13
Customer Growth	0.825	12

Reliability test is done to test the goodness of the data while validity test is done to investigate on the instruments on its ability to measure what it is supposed to measure. Therefore, Cronbach's Alpha was used. The result shown that all five constructs were relatively high and consider was being very good. According to [12], the alpha value for all five constructs areranged from 0.761 to 0.942. The Cronbach's alpha value for each variables were acceptable because the Cronbach's alpha above than 0.70. Therefore, all states that measured by five point Likert scale and the questionnaire in this research were adequate, reliable and appropriate to be used for further analysis and the indicators can be as references for other researcher.

**Normality Test**

Table 2: Normality result for each variable

Variable	Skewness Statistics	Kurtosis Statistics
Focus	-0.117	-1.149
Cost	0.771	0.496
Differentiation	0.155	-0.469
Customer Loyalty	-0.488	2.121
Customer Growth	-1.216	2.605

Data were studied to determine whether they were normally distributed and therefore capable of satisfying parametric assumptions and with that the inferential statistics can be precede. Hence, Skewness and Kurtosis values were used in order to assess the normality of data. Thus, values between  $\pm 3$  are in many cases acceptable. After test was conducted, the normality test result on focus (skewness = -0.117, kurtosis = -1.149), cost (skewness = 0.771, kurtosis = 0.496), differentiation (skewness = 0.155, kurtosis = -0.469), customer loyalty (skewness = -0.488, kurtosis = 2.121) and customer growth (skewness = -1.216, kurtosis = 2.605). The result of skewness and kurtosis for each variable were between  $\pm 3$  [6]. The normality assumptions were achieved and the transformation technique not necessary in this case.

**Pearson Correlation Analysis**

In this study, the relationship between all the variables was examined using Pearson correlation analysis. The condition of assumption should at least have one pair relationship among variables. The correlation coefficient will be used to explore the strength of relationship for each variable.

Table 3: Pearson correlation analysis

Correlations		Focus	Cost	Differentiation	Customer Loyalty	Customer Growth
Focus	Pearson Correlation	1	-0.064	-0.018	.440**	.356*
	Sig. (2-tailed)		0.691	0.911	0.004	0.022
Cost	Pearson Correlation		1	0.004	-0.043	-0.044
	Sig. (2-tailed)			0.981	0.789	0.782
Differentiation	Pearson Correlation			1	0.036	-0.04
	Sig. (2-tailed)				0.821	0.802

The result indicates there are three pairs were significantly exist relationship between variables because p-value (Sig. (2 tailed) less than 0.05. Others were not statistically significant. The pairs were significant in this research were focus and customer loyalty (Pearson Correlation = 0.440; moderate relationship) and focus and customer growth (Pearson Correlation = 0.356; moderate relationship). Means that, the linearity assumptions were achieved since the conditions of assumptions should at least have one pair relationship were exists among variables.

**Descriptive Statistics and Analysis**

The findings showed the results of restaurants' and customers' demographic and dining profiles. Among 41 theme restaurants in Kuala Lumpur, 41% of theme restaurants adopting cost leadership strategy followed by differentiation; 39% and focus strategy was the lowest score of 19%. Out of 41 theme restaurants, 39% of them have been in the restaurant business for 8-11 years while 29.3% has operates their restaurants between 4-7 years. Meanwhile, another 14.6% and 17.1% were between 12-17 years of operation and 18-22 years of operation respectively. Restaurant owner and manager were the one who make a decision in terms of strategy.

Meanwhile, among 375 respondents who dining at theme restaurant in Kuala Lumpur, 42.7% was female while male accounted of 57.3%. The average range of age who like to dine in the restaurant was 31-35 years old; 44%. In terms of satisfaction level, 72% from 375 respondents were satisfied with the theme restaurant that they dined while only 1.3% was extremely dissatisfied. Meanwhile, very satisfied and neutral were accounted of 16% and 10.7% respectively.

**Multiple Regression among Variables**

Simple multiple regressions was used in order to assess the relationship between independent and dependent variables. The significant level of  $\alpha = 0.05$  was used.

Table 4: Regression result between competitive strategy and customer loyalty

Dependent Variable: Customer Loyalty		
F-statistics	p-value (Sig)	R Square
2.998	0.043	0.196
Independent Variable	t-statistics	p-value (Sig)
Differences	0.301	0.765
Cost	-0.103	0.918
Focus	2.974	0.005

Table 4 indicates the regression analysis between competitive strategy and customer loyalty. The result shown F-statistics = 2.998 while p-value (Sig.) = 0.043. Since p-value less than significance level,  $\alpha = 0.05$ . Therefore, there is a statistically significant relationship between competitive strategy and customer loyalty. The competitive strategy has weak influences between customer loyalties as the R-square was 0.196. However, based on the t-statistics above, the p-value of t-statistics for differentiation strategy and cost strategy were more than  $\alpha = 0.05$ . Thus, it indicates that, the differentiation and cost strategy have no relationship towards customer loyalty. Nevertheless, there is a relationship between focus and customer loyalty as the p-value ( $\alpha = 0.005$ ) for t-statistics (2.974) was less than 0.05. Hence, there is a relationship between focus strategy and customer loyalty.

Table 5: Regression result between competitive strategy and customer growth

Dependent Variable: Customer Growth		
F-statistics	p-value (Sig)	R Square
1.821	0.160	0.129
Independent Variable	t-statistics	p-value (Sig)
Differences	-0.222	0.826
Cost	-0.141	0.889
Focus	2.304	0.027

Table 5 revealed the regression result between competitive strategy and customer growth. The result indicates F-statistics = 1.821, p-value (Sig.) = 0.160. Since p-value ( $\alpha$ ) is more than significance level,  $\alpha = 0.05$ , therefore, there was a significantly to interpret that there is no relationship between competitive strategy and customer growth. The competitive strategy was not influenced customer growth of theme restaurant in Kuala Lumpur. However, among those strategies, independent variables of focus strategy indicates the p-value (Sig)  $\alpha = 0.027$ , while differentiation and cost strategy indicate above p-value (Sig)  $\alpha = 0.05$ . In line with that, since only focus strategy has significant relationship with customer growth while the other two constructs have not, thus the hypothesis of there is a relationship between competitive strategy and customer growth is partially accepted.

## CONCLUSION

Overall, there is a statistically significant relationship between competitive strategy and customer loyalty. However, this relationship was weak. The weakness of the relationship between these two variables says that competitive strategy was not strong enough in influencing customer loyalty. In other words, the customer will definitely become loyal and not opting to another restaurant. However, if there is another theme restaurant which may be better in its offer yet the customer is eagerly want to try a new experience in other restaurants, then this competitive strategy cannot influence in making them retain to one restaurant.

In addition, between three strategies as mention earlier, only focus strategy has a relationship with the customer loyalty. As being discussed earlier, theme restaurants were not focus on one market segment. However, they were more focusing on the customer satisfaction. Hence, this was the one that make customer become loyal to one particular restaurant. On the other hand, there is no relationship between competitive strategy and customer growth. This is due to the F-statistics = 1.821, p-value (Sig.) = 0.160 was more than significance level,  $\alpha = 0.05$ . This indicates that customer growth was not influenced by competitive strategy. However, focus strategy was the only construct which has relationship with customer growth (p-value  $< \alpha = 0.05$ ).

In conclusions, competitive strategy has a relationship with customer loyalty but not customer growth. On top of that, the strategy that mostly used by theme restaurants were cost leadership strategy and differentiation. However, it was only focus strategy which can influence the customer loyalty. As a recommendation for future study, it is advisable to broaden or to diversify the respondent not only focusing on theme restaurant. As limited number of restaurant yet sometimes confuse between ethnic and theme restaurant, therefore, it might be easy to combine these two restaurants for the future study.

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