



**Faculty of Technology Management & Technopreneurship**

**INNOVATIONS IN RESTAURANT OPERATION TOWARDS  
IMPROVING PERFORMANCE: A CASE OF RESTAURANT IN MELAKA**

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**INNOVATIONS IN RESTAURANT OPERATION TOWARDS  
IMPROVING PERFORMANCE:  
A CASE OF RESTAURANTS IN MELAKA**

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MARCH 2010

Supervisor : Professor Dr. Salleh Yahya

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**ABSTRACT**

This study attempts to explore the most significant factors contributes to improving performance in restaurants and coffee shops. The factors used are based on innovation and technology adoptions, service quality (DINESERV), and marketing mix 7Ps. A case study analysis of local restaurants and coffee shops in Melaka areas was conducted to examine the framework to improve performance. A sample of 128 respondents of customers in restaurants and coffee shops was surveyed using a structured questionnaire as an instrument. The result shows the most important factors towards improving performance based on statistical method used to analyse the data. Innovation culture, empathy, and process were most important factors contribute to improving performance in restaurants and coffee shops in Melaka. Lastly, recommendations explained to make better improvement in performance. Creating new innovations and technologies, training employees, and emphasis on marketing promotion strategy believe would be positively relates to improving performance of restaurants and coffee shops in Melaka.

Abstrak projek disajikan kepada Senat Universiti Teknikal Malaysia Melaka sebagai sebahagian dari persyaratan untuk Sarjana dalam bidang Pentadbiran Perniagaan

**INOVASI-INOVASI DALAM RESTORAN OPERASI UNTUK  
MENINGKATKAN KINERJA: KASUS RESTORAN-RESTORAN DI MELAKA**

Oleh:

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MAC 2010

Penyelia : Professor Dr. Salleh Yahya

Fakulti : Fakulti Pengurusan Teknologi dan Teknousahawan

**ABSTRAK**

Studi ini bertujuan untuk mengeksplorasi faktor-faktor yang paling signifikan dalam memberikan sumbangan untuk memperbaiki kinerja di restoran dan kedai kopi. Faktor-faktor yang digunakan didasarkan kepada inovasi dan teknologi adopsi, kualitas perhidmatan (DINESERV), dan strategi pemasaran (Marketing Mix) 7Ps. Studi ini menganalisa restoran dan kedai kopi di daerah Melaka untuk meningkatkan kinerja. Sampel responden daripada 128 pelanggan di restoran dan kedai kopi disurvei menggunakan soal selidik berstruktur sebagai alat. Keputusan menunjukkan adanya factor-faktor yang paling penting terhadap peningkatan kinerja berdasarkan kaedah statistik yang digunakan untuk menganalisa data. Inovasi budaya, empati, dan pembuatan dalah faktor yang paling penting untuk memperbaiki kinerja di restoran dan kedai kopi di Melaka. Cadangan diberikan dalam studi ini untuk menjelaskan pembaikan dalam prestasi yang lebih baik. Menciptakan inovasi dan teknologi baru, latihan untuk pekerja, dan penekanan tentang strategi promosi pemasaran dipercayai akan memberikan masukan positif berkaitan dengan peningkatan kinerja di restoran dan kedai kopi di Melaka.

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Last but not least, this thesis would not be successfully completed if not for the countless support and encouragement from my parents. They had given me a tremendous amount of love, and support towards my well-being along the period when this research is being done.

## **APPROVAL**

I hereby confirm that I have examined this project paper entitled:-

**“INNOVATIONS IN RESTAURANT OPERATION TOWARDS IMPROVING  
PERFORMANCE: A CASE OF RESTAURANTS IN MELAKA”**

By

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I hereby acknowledge that this project paper has been accepted as part fulfillment for the degree of Master of Business Administration



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**Date: 5<sup>th</sup> March 2010**

## **DEDICATION**

I would like to dedicate this research paper to my beloved parents in Indonesia and my siblings. Their unconditioned love and encouragement have allowed me to strive and push myself beyond limits that I never thought would be possible. With their support, I was able to complete this research paper smoothly. I will give this thesis as a special gift for my parents as feedback for what they have done for me during my whole life.

## DECLARATION

I declare that this thesis entitled “Innovations in Restaurants Operation towards Improving Performance: A Case of Restaurants in Melaka” is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

**Signature** :   
**Name** : **Filda Rahmiati**  
**Date** : **5<sup>th</sup> March 2010**



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# CHAPTER 1:

## INTRODUCTION

### 1.1 Background of study

#### 1.1.1 Background of Malaysia and Melaka

Malaysia has a unique of geographical background. It consists of Peninsular Malaysia, the State of Sabah and Sarawak and the Federal Territory of Labuan in the north-western coastal area of Borneo Island. Malaysia covers an area of about 329,758 square kilometers. For Peninsular Malaysia, it is covering 131,598 square kilometers and it has frontiers with Thailand in the north and Singapore in the south, while Sabah has covers area about 73,711 square kilometers and Sarawak about 124, 449 square kilometers, with border the territory of Indonesia's Kalimantan province.

The states that Malaysia has in Peninsular Malaysia are Johor, Kedah, Kelantan, Melaka, Negeri Sembilan, Pahang, Pulau Pinang, Perak, Perlis, Selangor, Terengganu and the Federal Territories of Kuala Lumpur and Putrajaya. In addition, the state of Sabah consists of five divisions, namely Tawau, Sandakan, Kudat, West Coast and Interior, though, Sarawak comprises of nine divisions, namely Kuching, Sri Aman, Sibul, Miri, Sarikei, Limbang, Kapit, Bintulu and Kota Samarahan.

Another background of Malaysia is the history of Malaysia itself. Malaysia has independence is on August 31, 1957. The first Prime Minister at that time was Tunku Abdul Rahman. Malaysia itself was formed on September 16, 1963. At that time, Malaysia comprised of Malaya, Sabah, Sarawak and also Singapore. But then, Singapore separated from Malaysia on August 7, 1965.



Malacca or Melaka is the third smallest Malaysian state, after Perlis and Penang. It is located in the southern region of the Peninsular Malaysia, on the straits of Melaka. It borders Negeri Sembilan to the north and the state of Johor to the south. The state's capital is Malacca Town. This historical city centre has been listed as a prominent World Heritage Site of UNESCO since 7 July 2008. Although Malacca was one of the oldest Malay sultanates, the state has no Sultan. Instead, the head of state is the Yang di-Pertua Negeri or Governor.

Apart from the above demographic sectors, Malaysia also offers a rich variety of food and cuisines. Many visitors as well as local have provided by wonderful selection of foods available. In multiracial Malaysia, every type of cooking can be tasted, such as Malay, Chinese, Indian, Thai, Nyonya, Japanese, etc. Melaka is well-known for its Baba and Nyonya style spicy cooking which normally gets served with rich coconut milk. There are numerous specialist Baba and Nyonya restaurants in town and the suburb area where they serve the mouth watering food, not only known to be the best in Melaka, but in the South East Asia region too. The Baba and Nyonya food is not the only delicacies around. There are also satay celup and ikan baker which are famous in Melaka. Not forgetting the odd looking chicken ball rice (a rice pudding shaped like a golf ball) which eats with chilly to consume its wholesome goodness. Also there are another local favorite, the oyster served in stir fried egg, spring onions and sweet or spicy paste.

Out of delicious meals, there is special refreshing drink to quench thirstiness. The "Cin-Cau", a kind of dark grass jelly drink which has a cooling effect is popularly served at restaurants. Also not forgetting the "Cendol", a kind of pandan flavored jelly served in coconut milk. Sometimes, it also served with additional improvise on the "cendol" and invented the "durian" flavored cendol. This is extremely popular with the

local tourist but the aroma maybe a bit too pungent for overseas visitors. Another local favorite is the “Bubur Cha-Cha”, a sweet dessert made from steamed sweet potatoes, yam, white beans and tapioca jelly in a coconut milk.

### **1.1.2 Innovation in restaurant operation**

Minister of entrepreneur development and Cooperatives Datuk Noh Omar said that it will no longer be impossible for Malaysian entrepreneurs particularly Bumiputeras to expand their restaurant business network outside the country with the availability of the MalaysiaKitchen programme. He added that through the franchise system under the MalaysiaKitchen programme conducted by an agency under his ministry, Perbadanan Nasional Bhd (PNS), opportunities are being given to Malaysian entrepreneurs to expand their business to an international level. Under the programme, the ministry offers financial help, training and advisory services to interested entrepreneurs (Aziz, 2008).

To get industry competitiveness, innovation and standard of excellence continue in the company, restaurateurs should come out with a strategic approach to continue growing stronger and reaching further. Study by Boston Food and Beverages, Malaysia (2008) their come out with strategic approaches such as:

- ✓ Kitchen remodeling and modernizing that comply with HACCP and IQF based-standards – to product a high quality food in express-service environment
  
- ✓ To comply with HALAL certification requirements – to offer variety of Chinese fusion food to malay market

- ✓ To implement SOP's (Standard Operating Procedures) across all outlets – the key is to improve operations and streamline existing work processes ultimately resulting in low wastage, errors and rework, while improving the quality of product and service.
- ✓ To implement ERP's (Enterprise Resource Planning) – to enable consolidation of real time transactions data across all functional departments, which allows for better decision making and strategic planning decisions, resulting in increased efficiencies for the company.

## **1.2 Problem Statement**

There are remarkable and successful innovation ideas because of offering the consumer a novel experience. Many restaurants are reacting to the economic downturn by cutting prices and offering discount coupons. But when everyone is doing this strategy, it is no longer helps. Research shows that price is not the main factor in determining which restaurant people choose. The key factor is the user experience which is a mix of atmosphere, surroundings, service and cuisine.

There are several benefits of innovation, but in the context of hospitality and restaurants, benefits of successful innovation are to be or become more competitive (Otterbacher and Gnoth, 2005). Moreover, Harrington (2004) said that innovation in the food and hospitality industries can generally be quickly copied and imitated, a continuous innovation process has been theorized to heighten “barriers to imitation” to the competition. Thus, innovation helps restaurants keep their portfolio competitive and thereby achieve long-term competitive advantages.

Notwithstanding, technological changes the real impact of change has come through the market. In food and beverage industry, the use of standard recipes, with costing applied has computerization, become a budgetary control process. The cooking process too has been invaded by modern technology in the form of microwave, cook chill methods, induction ovens and many labor saving mechanical innovations. One of the solutions lies in the technology of food production, storage and regeneration.

Another way to improve performance in restaurant is developing service quality. Service quality has been conceptualized to include the tangible and intangible elements most important to consumers. Service quality has been linked to customer satisfaction and loyalty as well as business performance and profitability (Sureshchander et al. 2002). The most widely used model of service quality is SERVQUAL. In the hospitality context, SERVQUAL measure with more specific items that pertain directly to the industry setting. For restaurant setting, DINESERV is used.

Reimer and Kuehn (2004) examined the relationship of the servicescape with the other elements of quality measured by SERVQUAL. Findings indicated that the tangible factor (servicescape) was more important to bank and restaurant customers than the four intangible factors in determining quality. Servicescape framework proposed by Wakefield and Blodgett (1996) with under DINESERV consists of five factors, the layout (e.g., spatial arrangement of furnishing, equipment and service areas), facility aesthetics (e.g., architectural design and interior décor), seating comfort (e.g., seating space and chair padding), electronic equipment and displays (e.g., signs, symbols), and cleanliness (e.g., floors, carpet, restrooms).

Several items under marketing mix are related to restaurant context in order to improve performance. Those items are product (under 4 P's) and physical evidence (under 7 P's). The marketing mix is a set of controllable, tactical marketing tools that work together to achieve company's objectives (Wikipedia, 2009). Elements of the marketing mix are often referred to as 'the four Ps': product, price, place, and promotion. In the 1980s Booms and Bitner included three additional 'Ps' to accommodate trends towards a service or knowledge based economy and called as '7Ps'. Those three Ps are: people, process, and physical evidence. The items in marketing mix which are related most to the restaurant sector are product and physical evidence.

Based on the above literature review, there is little research found about the relationship of innovations in restaurant operation to improving performance with focus area of Malacca. Study in this paper are based on innovations and technology adoptions, service quality (in terms of DINESERV), and finally marketing mix of 7Ps.

### **1.3 Research Question**

The research questions of this study are:

1. What are innovations and technology adoptions most relevant factors in restaurant in order to improving performance?
2. What are service quality (DINESERV) dominant factors that contribute to improving performance?
3. What are marketing mix dominant factors contributes to improving performance?

## 1.4 Objectives of Study

- To identify innovations and technology most relevant factors that contributes to improving performance.
- To identify service quality (DINESERV) dominant factors that contributes to improving performance.
- To identify marketing mix dominant factors contributes to improving performance.

## 1.5 Hypotheses of the Study

The Hypotheses of the study for the research are as follow:

- H1: The relationship between innovations and technology most relevant factors and improving performance.
- H0: There is no significant relationship between innovations and technology most relevant factors and improving performance.
- HA: There is significant relationship between innovations and technology most relevant factors and improving performance.
- H2: The relationship between service quality (DINESERV) dominant factors and improving performance.
- H0: There is no significant relationship between service quality (DINESERV) dominant factors and improving performance.
- HA: There is significant relationship between service quality (DINESERV) dominant factors and improving performance.

- H3: The relationship between marketing mix dominant factors and improving performance.
- H0: There is no significant relationship between marketing mix dominant factors and improving performance.
- HA: There is significant relationship between marketing mix dominant factors and improving performance.

### **1.6 Scope of Study**

The scope of study for this project paper will focus on customers of local restaurants in Malacca town where the survey's questionnaire will be distributed to them. The total number of respondents involved in this survey will be 150 respondents.

### **1.7 Significant of the Study**

Over the past decade people have begun to eat out more, and their revealed preferences on where to eat have altered the structure of the food service sector. As more and more women go on careers, the demand of eating out on the restaurant also increasing.

To keep survive in the hospitality industry, specifically in restaurant industry; restaurateurs should keep their competitive advantage. With lots of new information coming out from locally as well as overseas about the trend for restaurant, customers are becoming more demands about restaurant capability.

Food qualities as well as service quality are under consideration of consumers' today. People are not just want to eat outside, but on the other hand they want also the quality food offer, the atmosphere and also the good service offered. Moreover, with more technological advances introduced, restaurants get solution on customers' demand. Technology can improve profitability and productivity in restaurants operations.

The significance of this study is to identify the innovation done and technology adoption in restaurant industry as well as measurement of service quality and marketing mix concept in determining the performance in restaurant.

### **1.8 Limitations of Study**

The study has several limitations. The study used a limited sample with the focus only restaurants in Malacca town and therefore the result may not be generalizable.

The result, also, are limited to the family dining restaurant, casual dining restaurant and coffee house due to the fact that hardly to fine restaurants which meet the necessary requirements for this project paper. Future research may test the model for several more types of restaurants and more area covered.

### **1.9 Definition of Terms**

1.9.1 Innovation: According to [www.wikipedia.com](http://www.wikipedia.com), an innovation is a new way of doing something. It may refer to incremental and emergent or radical and revolutionary changes in thinking, products, processes, or organizations.

1.9.2 Technology: Taken from <http://dictionary.reference.com>, technology is the branch of knowledge that deals with the creation and use of technical means and their