



CUSTOMER SATISFACTION INDEX OF SINGAPORE 2011

Q3 SCORES
FOOD & BEVERAGE AND TOURISM

EXECUTIVE SUMMARY



INSTITUTE OF
SERVICE EXCELLENCE
SINGAPORE MANAGEMENT UNIVERSITY





2011 Q3 SCORES
FOOD & BEVERAGE AND TOURISM

 **67.5 Food & Beverage**

-  **68.4 Restaurants***
-  **70.7 Tung Lok***
-  **70.6 RE&S***
-  **69.6 Sakae Holdings**
-  **69.0 Crystal Jade**
-  **68.1 Other Restaurants**

-  **67.8 Cafes and Snack Bars**
-  **69.7 The Coffee Bean & Tea Leaf***
-  **68.0 Starbucks**
-  **67.0 Delifrance**
-  **67.7 Other Cafes and Snack Bars**

-  **67.6 Fast Food Restaurants**
-  **70.3 Burger King***
-  **68.2 KFC**
-  **65.9 McDonalds**
-  **70.4 Other Fast Food Restaurants***

-  **66.9 Bars & Pubs**

-  **62.6 Food Courts**

 **73.5 Tourism**

-  **75.3 Attractions**
-  **76.6 Singapore Zoo**
-  **75.7 Universal Studios**
-  **74.5 Sentosa**
-  **73.2 Night Safari**
-  **72.6 Jurong Bird Park**
-  **75.8 Other Attractions**

-  **74.5 Hotels**
-  **81.3 The Ritz Carlton***
-  **80.5 Shangri-La Hotel***
-  **79.9 Grand Hyatt***
-  **79.8 Mandarin Orchard***
-  **79.7 Swisstotel the Stamford***
-  **72.7 Other Hotels**

-  **71.5 Tour Operators, Travel & Ticketing Agencies**

This chart summarises the results of the CSISG 2011 satisfaction scores in the Food & Beverage and Tourism sectors at the sector, sub-sector and company levels.

Underwater World is now tracked under Sentosa.

A new entity, Universal Studios is now measured under the Attractions sub-sector.

Wildlife Reserves has been separated into its 3 constituent entities: Singapore Zoo, Night Safari, and Jurong Bird Park.

RE&S comprises of restaurants such as Kuriya, Kuishin Bo, and Ichiban Boshi etc.

The sector scores (in gold) represents a weighted average of their respective sub-sector scores (in blue). Satisfaction scores for sub-sectors with individual company scores are weighted averages of these individual company scores.

All scores displayed are accurate to one-decimal place. Entities are presented in decreasing levels of satisfaction.

* Companies indicated with an asterisk(*) are companies that have performed significantly above their sub-sector average.

* Sub-sectors indicated with an asterisk (*) are sub-sectors that have performed significantly above their sector average.

The sparklines indicate the satisfaction score of their respective sectors, sub-sectors and companies over the past few years.

-  statistically significant increase in customer satisfaction from 2010 to 2011
-  statistically significant decrease in customer satisfaction from 2010 to 2011
-  insignificant year-on-year change in customer satisfaction score

BACKGROUND

The Customer Satisfaction Index of Singapore (CSISG) computes customer satisfaction scores at the national, sector, sub-sector, and company levels. Currently in its fifth year of measurement, the CSISG serves as a quantitative benchmark of the quality of goods and services produced by the Singapore economy over time and across countries.

CSISG scores are generated based on the econometric modelling of survey data collected from end-users after the consumption of products and services. Sub-sector scores are derived as a weighted average of company scores, in proportion to the revenue contributions of companies. Sector scores are derived in a similar fashion, aggregating the sub-sector scores proportionately to each sub-sector's revenue contributions. CSISG scores customer satisfaction on a scale of 0 to 100 with higher scores representing better performance.

Under a quarterly measure-and-release system, up to three sectors are measured each quarter with their results released the following quarter. The national score for 2011 will be updated in January 2012.

For the third quarter of 2011, results for the Food & Beverage, and Tourism sectors were collected and analysed. The former includes the Restaurants, Fast Food Restaurants, Cafes, Coffee Houses, & Snack Bars ("Cafes"), Bars & Pubs, and Food Courts sub-sectors. The latter consists of Attractions, Hotels, and Tour Operators, Travel & Ticketing Agencies sub-sectors ("Travel Agencies").

Within the Tourism sector, changes were made to the measured companies. Underwater World is now tracked under Sentosa. Universal Studios gets measured as its own entity for the first time, as the theme park ramps up operations and fully opens. Wildlife Reserves Singapore is now separated into its three constituent entities: Singapore Zoo, Night Safari, and Jurong Bird Park; this gives the Attractions sub-sector better resolution.

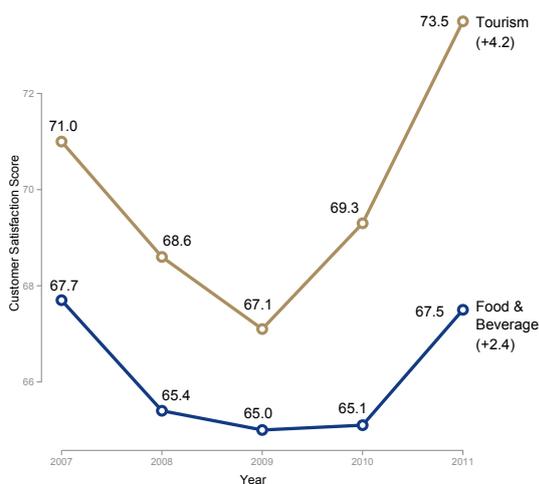


Figure 1: CSISG scores for the F&B and Tourism sectors from 2007 to 2011.

FIELDWORK PROCESS

Survey data for the Food & Beverage and Tourism sectors were collected between July and August 2011.

3,834 face-to-face interviews were conducted with Singapore residents at their homes, with each answering one or both questionnaires pertaining to their experiences in each of the two sectors.

The survey was also conducted with 3,381 departing tourists at Changi Airport, with each tourist filling out one questionnaire about a single business entity from either the Food & Beverage or Tourism sectors.

In all, 7,215 respondents completed 8,395 questionnaires relating to 390 companies.

THIRD QUARTER RESULTS HIGHLIGHTS

Satisfaction Scores for the Food & Beverage and Tourism sectors continue their upward trend in 2011. Notably, the Tourism sector made a significant* year-on-year improvement of 4.2-points (+6.0%) to score 73.5-points in 2011; this is the Tourism sector's highest score since the CSISG started in 2007. Food & Beverage also made a significant improvement of 2.4-points (+3.7%) to score 67.5-points.

Within the Tourism sector, the Travel Agencies sub-sector experienced the largest year-on-year movement, improving 6.7-points (+10.3%) to score 71.5-points. The Attractions sub-sector followed closely behind with a 5.0-point (+7.1%) improvement to score 75.3-points. However, the Hotels sub-sector did not register any significant change at 74.5-points.

The improvement in the Attractions sub-sector is notable in that this is the first time their CSISG score is statistically on par with the Hotels sub-sector.

The Hotels sub-sector, while not making a significant change in their CSISG score this year, should be highlighted for the impressive satisfaction scores the measured companies garner. Topping the hotels sub-sector, and the 2011 CSISG so far, is The Ritz-Carlton, scoring 81.3-points; its peers in the sub-sector – Shangri-La, Grand Hyatt, Mandarin Orchard, and Swissotel Stamford, are not far behind.

Within the Tourism sector, Tourists experienced a larger year-on-year score increase than the Locals. Overall, Tourists were 6.5% more satisfied year-on-year, compared to Locals' 5.1% improvement.

The Food & Beverage sector made significant improvements through all of its associated sub-sectors, with Fast Food Restaurants making the largest improvement of 5.2-points (+8.3%) to score 67.6-points, year-on-year. Notably, the Restaurants sub-sector outperformed the Sector score, improving 1.9-points to score 68.4-points.

* Significant improvement is defined as scoring above the previous year at a 90% level of confidence.

Within the sub-sectors, there were a few outstanding companies. Coffee Bean outperformed the Cafés sub-sector. It made a significant 8.8-point (+14.5%) improvement to score 69.7-points. RE&S and Tung Lok Group also outperformed their Restaurant sub-sector, making impressive 11.2% and 8.4% year-on-year gains, to score 70.6 and 70.7-points, respectively.

Leading the improvements in the Fast Food Restaurants sub-sector is Burger King; it posted an impressive 8.3-point (+13.4%) increase to score 70.3-points.

KEY FINDINGS

In the Tourism Attractions sub-sector, a new entrant in this year's index, Universal Studios Singapore (USS), consistently outscored its peers on most touchpoints. As touchpoints drive quality, which is in turn a major driver of satisfaction, USS' strong debut on this year's index can be partially attributed to these touchpoints' performance, such as navigating around the theme park and its staff knowledge.

In the F&B Restaurants sub-sector, RE&S made the largest satisfaction improvements. (RE&S comprises of restaurants such as Kuriya, Kuishin Bo, Ichiban Boshi, etc.).

The CSISG survey on the F&B and Tourism sectors shows that improving service quality alone is not an effective driver of customer satisfaction. Successful companies raise satisfaction by incorporating an extensive and holistic approach. This may include, aligning its brand promise to customer offerings, and designing and implementing

mutually reinforcing customer and employee management systems.

There are three drivers of satisfaction in the CSISG model, namely: customer expectations, overall quality and value. Analysis of the measured companies and sub-sectors suggests that it is generally recommended to improve quality and expectations in tandem. More specifically, we gathered three key findings from the latest quarterly results of the F&B and Tourism sectors.

Finding 1: Shaping customer expectations

Ensuring expectations are met is a fundamental and intuitive requirement when it comes to satisfying customers. Figure 2 illustrates the empirical evidence behind this concept. The left panel shows the case when perceived quality is equal or above expectations (Positive Disconfirmation). It is evident that the more perceived quality exceeds expectations, the higher the customer satisfaction (as shown by the upward-trending red line). Conversely, when perceptions of quality lag behind expectations (Negative Disconfirmation) as illustrated in the right panel, then customer satisfaction tends to drop (as shown by the downward-trending red line). This suggests that a company should aim to keep up with their customer expectations because the penalty of falling short of expectations is severe. In the former case, the rise is modest. Therefore we de-emphasise the benefits of exceeding expectations in deference of ensuring expectations are met. The key is to be better than competitors at keeping up with expectations and intensifying customer loyalty.

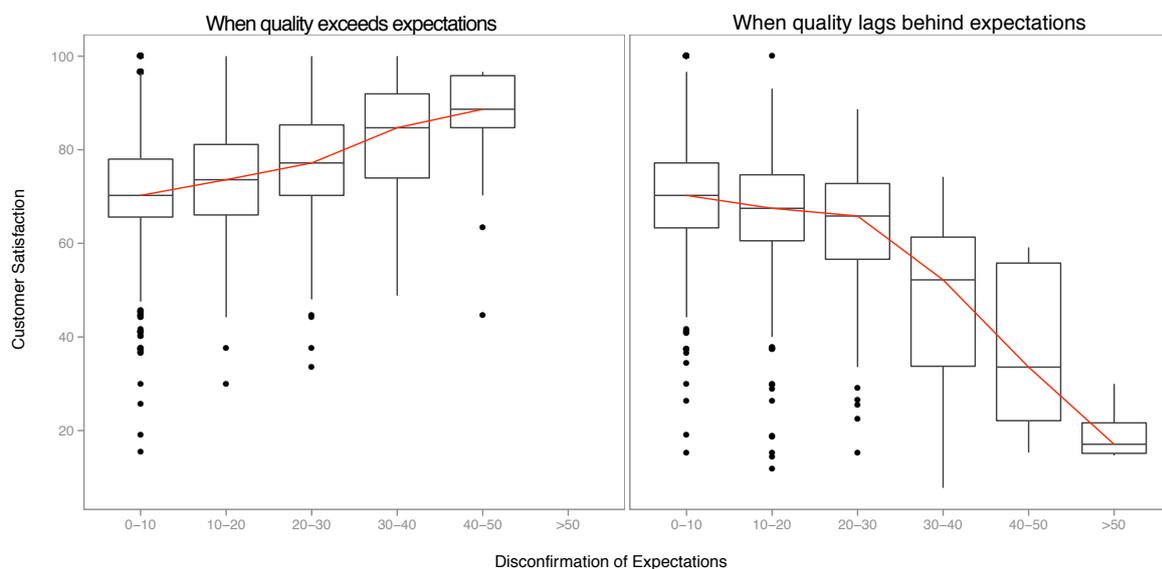


Figure 2: Box-plots of customer satisfaction at various degrees of expectations disconfirmation. Expectations disconfirmation is the extent to which quality is above or below customer expectations.

Finding 2: Price discount becoming a less effective retention tool

Year-on-year analyses also show that value is a less efficient driver of customer retention. The bar charts in Figure 3 illustrate the impact on customer retention (expressed in percentage) when perceived value increases across F&B and Tourism sub-sectors for 2010 and 2011. With the exception of the Attractions sub-sector, the predicted effect of higher perceived value on customer retention has fallen year-on-year. The managerial implication of this finding indicates that it is becoming more difficult to retain customers through price discounts. Price discounts may be a useful tactic to acquire new customers but CSISG data shows that this strategy is less effective for customer retention.

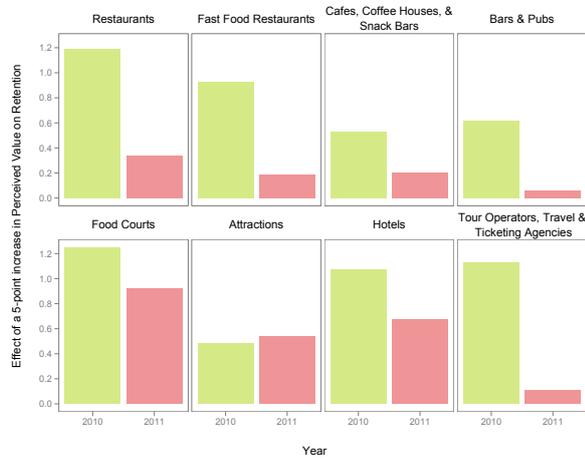


Figure 3: The bar charts above illustrates the impact on customer retention (expressed in percentage) when perceived value increases across F&B and Tourism sub-sectors for 2010 and 2011. The y-axis illustrates the effect on customer retention if perceived value scores were to improve by 5-points.

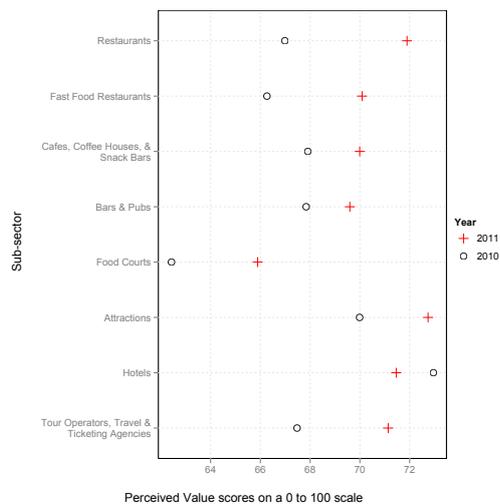


Figure 4a: Dot-plot of perceived value scores in 2011 and 2010 for F&B and Tourism sub-sectors. Perceived value scores are higher for all sub-sectors in 2011 with the exception of the Hotels sub-sector.

Finding 3: Lower price tolerance

As a result of higher perceived value among respondents for F&B and Tourism sectors, customers are less tolerant to price increases. Figures 4a and 4b illustrates the year-on-year change in scores for perceived value and impact on price tolerance respectively. Figure 4a shows that perceived value scores have risen year-on-year across all Tourism and F&B sub-sectors with the exception of the Hotels sub-sector, indicating a general perception of better value-for-money. Figure 4b shows customers in the F&B and Tourism sub-sectors becoming less tolerant to price increases as a result of receiving higher value.

In general, customers are more satisfied if they perceived high value during their consumption experience. Consequently, customers who are more satisfied are generally more tolerant to price hikes. However if customers are more satisfied by price discounts alone, CSISG data demonstrates that these customers become less tolerant of price increases. A plausible explanation for lower price tolerance year-on-year could be because consumers have become conditioned to price promotions in the past, and have therefore come to expect frequent discounts. For managers, these findings support the prudent deployment of price promotions when it comes to creating loyal customers. A more sustainable approach to customer retention would be to raise perceptions of product and service quality.

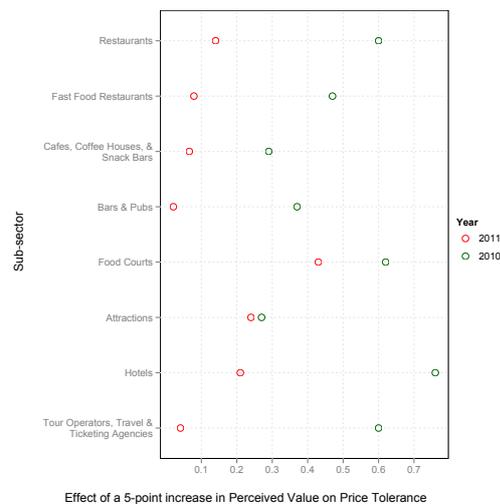


Figure 4b: Dot-plot showing the predicted percentage increase in price tolerance arising from a 5-point increase in perceived value score for 2011 and 2010 across F&B and Tourism sub-sectors. The predicted effect of higher perceived value on price tolerance has fallen year-on-year across all sub-sectors.

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