IMPROVING SERVICE QUALITY IN MALAYSIAN HOTELS: EXPLORING THE PEOPLE DIMENSION

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IMPROVING SERVICE QUALITY IN MALAYSIAN HOTELS: EXPLORING THE PEOPLE DIMENSION

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ABSTRACT

In Malaysia, tourism is a major catalyst for growth and development. While many Malaysian hotels are opulent, well-appointed hotels, service delivery standards are inconsistent. The aim of this study was to develop a customized, industry-wide service delivery model that could assist hotel operators to improve service quality. In-depth interviews were used to explore experts' perceptions of the importance of aspects of the people dimension in service delivery. The data obtained from this research process was then used to fashion a customised service improvement model by extracting the most appropriate service improvement dimensions from existing, empirically tested models within the literature.

INTRODUCTION

Tourism is an important industry that contributes at least 9 per cent of the world's Gross Domestic Product (GDP), employs over 255 million people worldwide and represents 8 per cent of the global workforce (World Travel & Tourism, 2012). The industry makes a significant contribution to the economic development of many countries with some countries reliant on tourism as a catalyst for growth and development. This is the case in Malaysia where the tourism industry has been hosting large numbers of tourists arriving for business or vacation purposes as well as transient passengers' en-route to other destinations. In 2011, the hospitality and tourism sector contributed MYR58.3 billion (USD 19.3 billion) towards Malaysia's (GDP) and it was ranked second, after the manufacturing sector, in terms of overall economic contribution (Annual Tourism Statistical Report 2009; Ministry of Finance 2010 Tourism Malaysia, 2012). The Malaysian hotel industry has experienced significant growth in the last 10 years and many hotels in Malaysia are now opulent, new hotels achieving the highest standards of presentation. However, service delivery often lags behind the physical environment and struggles to meet international standards and ergo the expectations of international guests.

There are diverse views among service quality researchers as to how to improve service delivery standards. Nevertheless, there is general agreement within the literature that there is a link between employee satisfaction and job performance and that employee satisfaction has a profound influence on service delivery (Arnett et al. 2002; Berry & Parasuraman, 1991; Parasuraman et al. 1985). Service sector researchers in particular have recognised that businesses that develop motivated, customer conscious employees achieve better service outcomes because employees who do not have confidence in the service that they are required to deliver are incapable of delivering services in a manner that meets or exceeds customer expectations (Berry, et al.1976; Berry, 1981; Grönroos, 1983). However, by attracting, motivating, and retaining qualified personnel and by providing service tools designed to satisfy their wants and needs, organisations can develop a commitment to their mission and goals (Berry, 1981; Grönroos, 1983). In this way, internal employee relationships pave the way to building external customer relationships that, in turn, lead to long-term commitment by customers to the organization (Bowen and Shoemaker, 2003).

Past literature has revealed that service delivery personnel are considered to be among the most important factors in producing high quality service (Heskett, et al., 1994). Previously validated quality improvement models such as Total Quality Management (Breiter and Bloomquist, 1998; Kanji and Asher 1996; Sila and Ebrahimpour, 2002), Six Sigma (Pearlman and Chacko, 2012), SERVQUAL (Parasuraman, et al., 1988), Relationship Marketing (Bowen and Shoemaker, 2003), Internal Marketing (Berry and Parasuraman, 1991), and Internal Market Orientation (Gournaris, 2008) contain dimensions that are important but may not be appropriate for the Malaysian Hotel Sector. In light of this, and the literature that highlights the importance of the people dimension in service quality improvement, the following research question has been developed: Which characteristics (dimensions) of existing service quality models would be most appropriate to improve service delivery within the Malaysian Hotel Sector?

METHODOLOGY

While the ultimate aim of this research was to develop an appropriate service delivery model for the Malaysian hotel sector, it was critical to gain an understanding of the industry context to ascertain whether the human resource or "people dimension" is likely to play a key role in overall service improvement. In this way, a suitable model could be fashioned from the plethora of quality improvement models available within the literature based on input from local level stakeholders. Consequently, the views of local experts were seen as critical to explore whether a model that focused primarily on the people dimension was indeed appropriate for the Malaysian hotel sector. To this end, the researchers employed qualitative research techniques to gain insights from key experts. Semi-structured, in-depth interviews were employed and interviewees were selected on the basis of the industry perspective that they could provide (Minichiello et al., 1995).

As noted earlier, the tourism industry in Malaysia is a key economic contributor. As a result, the industry is supported by a number of government and non-government entities. For example, the Ministry for Tourism is responsible for increasing tourist numbers and tourism related revenue across the State, while the Ministry for Labour (Human Resources) is responsible for human resource development, remuneration and general working conditions within the State. Universities and colleges in the public and private sectors are responsible for preparing students for positions in the industry and hotel operators are responsible for hospitality operations and employees. Experts who could provide a view from each of these perspectives were included in the sample and each of these experts was recruited to take part in an in-depth interview. The sampling profile included a representative from the Ministry of Tourism, a representative from the Ministry of Human Resources, two hospitality and tourism educators, two hotel general managers (one from a four and one from a five star property) and two hotel human resource managers (one from a four and one from a five star property).

The semi-structured interviews were supported by an interview schedule based on themes and topics found within the literature. This level of structure was appropriate because, according to Marshall and Rossman (1995), structured interviews limit the potential for unexpected themes to emerge, while unstructured interviews tend to lose purpose. During the interviews, respondents were asked to provide their opinions on the current state of play in the Malaysian hotel sector with a specific emphasis on the importance of employee satisfaction in improving service delivery. They were also asked to discuss any other issues or inputs considered valuable to improve service delivery.

ANALYSIS AND RESULTS

The interviews were transcribed and coded, categorising topics and themes by using the headings in the interview schedule as a first step, and then allowing for emerging themes to develop systematically. The duration of the interviews ranged from 40 minutes to 1 hour and 45 minutes. Respondents were of the opinion that the key to improving service quality was indeed to focus on hotel employees' needs and wants and the first step would be to examine the current system of remuneration. All respondents expressed strong views on this issue and believed that it had the most influence on service quality and, more importantly, service quality improvement. In general, these experts agreed that hotel employees in Malaysia are underpaid and poorly compensated for their work. As the interviews progressed, it became clear that the people dimensions or matters related to employees are critical to improving current service provision and to the future of the hospitality industry. This confirmed the importance of the human resource related dimensions of the proposed service improvement model.

Monetary compensation was seen as one of the most significant issues because the experts believed that one reason that hotel employees decided not to further their employment in the industry was because they found jobs in other industries that pay better salaries. In contrast, however, one expert felt that some hotel employees were overpaid compared to employees in other industries. This, however, was not the collective view. One of the experts also suggested that salary is one of the most important motivators for employees to perform better, but felt that the issue was not given sufficient attention by the Government or hotel operators. One of the experts explained that a fair compensation system is paramount to improving service delivery. Another expert explained that the ultimate way to improve service delivery within the hotel industry in Malaysia was to pay good salaries to hotel employees. He added that the majority of hotel operators in Malaysia fail to deploy proper Human Resource Management Practices with regard to compensation. He also asserted that many highly qualified graduates choose not to work in the industry due to poor remuneration.

Respondents also expressed the view that the majority of hotel operators assume that the function of hotel employees is to work and to execute tasks rather than to develop relationships with guests, or any of the other important tasks that are within the mandate of empowered workers. Respondents felt that they (hotel operators) were of the view that hotel employees are paid a salary and they should perform any tasks assigned to them. This is in keeping with the view of human resource management that views employees as an input to be exploited rather than a resource to be developed. The issue of remuneration, however, was extremely complex as the views and quotes expressed in the following sections show.

One consequence of low salary levels was that many hotel employees were reported to live below the poverty level. This claim was made on the basis that many rank and file employees are paid less than MYR 500 (basic salary) per month. As one respondent explained:

> In Malaysia if the total household income is below MYR 500 you are considered under the poverty level. For an argument how rank and file hotel employees could survive with MYR 400 basic salaries in a month. In general MYR 500 ringgit minimum wages is practiced by hotels in Malaysia right now … (Expert 2).

He went on to explain that "… at the moment, most hotel employees are being paid under the poverty level" and this expert strongly suggested it was crucial to review the hotel employee salary system not only to improve service but to assist in developing the skills needed to support the growing tourism industry.

The majority of experts proposed that a minimum wage for hotel employees should be introduced within the industry. They felt that to have a minimum wage in place would eliminate a number of current industry problems such as 'job hopping' and employee turnover. They also contended that this strategy would help the industry to improve service delivery. One issue that was raised as a demotivating influence for rank and file hotel employees was that management level employees enjoy a good base salary compared to lower level employees. Management also enjoyed longer vacations and a variety of other benefits that are not available to lower level employees. The experts felt that this was unfair, because lower ranking hotel employees are the back-bone of the industry and work extremely hard.

One of the experts also felt that the working environment, including the hours and job conditions, were not acceptable to hotel employees. Another respondent expressed the view that even if hotel employees were paid a good salary, they would certainly resign if they received a better offer from another hotel. This expert was of the view that there is no sense of loyalty among hotel employees; however, other respondents argued that hotel operators should have good employee retention strategies to overcome this problem. Another issue of compensation perceived to be important to the delivery of quality service was competition to employ the best talent to work in the hotel industry. One of the experts explained that hotels that have the capacity to pay a good salary are able to attract the best talent, but many highly talented hotel employees in Malaysia were also offered better salaries and benefits from other countries such as The United Arabs Emirates, Taiwan, and Hong Kong. This was seen as a serious problem for hotel school graduates because of the state investment in education, which was then lost to Malaysia.

One of the experts also explained that uncontrolled hotel development has an adverse impact on the quality of service delivery as well as salary levels. That expert explained that when there are too many hotel rooms available in the Malaysian market, the need to employ more employees' increases. This creates a competitive employment market and salaries increase, pushing up overall costs. Employing untrained employees was seen as a solution because they accept lower salaries. Thus, it was perceived that the quality of service delivery could be jeopardised by the addition of new hotels to the market.

One issue that emerged that had a direct impact on the compensation structure was that, under the *Malaysian National Wage Act 1960,* service charge (points system) payments made to hotel employees are not considered as salary. This is apparently because legislators are aware that the total amount of service charge varies from month to month. However, under the *Malaysian Employment Act 1995*, the remuneration from service charge is considered as salary. This issue has confused many hotel operators and they tend to opt to follow the *Malaysian National Wage Act 1960.* This is the lowest cost solution for hotel operators who rely on this Act to pay low contributions to the Employee Provident Fund (EPF) Agency (equivalent to superannuation). As one expert put it, there is both confusion and a lack of understanding about how best to tackle this problem:

> … we have a problem agreeing to the mechanism under the Minimum Wage Act because other payments like service charge, are not counted as wages, but in the Employment Act, the definition of wages states that any payment other than salary, is also counted as wages, so you must treat service points as a wage. This means that service charge from your salary is counted as wages but under the Employment Act other payments must be excluded. So the Minimum Wage Act and the Employment Act are conflicting … (Expert 5).

The expert went on to explain that "… the implementation would have a lot of complications for various entities in the business, however, the development is seen to be positive because we want the industry to be a prosperous industry for Malaysia as well as for hotel owners …" (Expert 5).

Several respondents noted the Government's intention to introduce a minimum wage for hotel employees was a good strategy; however, there are stakeholders that are not happy with this decision. One reason for this was that the Employee Provident Fund (EPF), which is a pension scheme, requires a percentage of salary be paid in to the fund by employers for their employees. By using salary only, without service charge, to calculate this, the contribution for each employee is lower. This benefits the employer but leaves the employee with little to look forward to in retirement. This is a major issue, according to one expert who stated that "the Ministries are very concerned about this issue, because even though you take home MYR 2000 including points, your salary slip will only show MYR 400 and a low contribution to EPF ..." (Expert 8).

When commenting on the issue of a minimum wage, the majority of experts agreed that its introduction is inevitable and most felt that it should be implemented as soon as possible. This should be done, it was explained, to attract the best talent to work in the hotel sector. This would also reduce reliance on foreign workers currently imported to fill employee shortages. One of the experts also suggested that the service for front of house tasks should only be delivered by locals. Demands of the job, was another key theme associated with both compensation and the ability to provide high quality service. As one expert succinctly put it "… because they are on their feet twenty four seven, you can't be expecting them to give the service if there are not compensated …" (Expert 1). Thus, it is this expert's opinion that excessive workloads are detrimental to improving service quality. Clearly then, the notion of happy staff making customers happy is not currently practiced in Malaysia, at least not in the view of this respondent. Several experts felt that because employee's basic needs were not being met, they could not deliver high quality service. Expert 1 explained this by contrasting the situation in Malaysia with service employees working on cruise ships stating that:

> … comparatively when you look to the western service worker working on a cruise that employs 648 employees on board for example, when guests talk to one of them the service provider keeps on providing good service and is polite all the time. The main reason why they behave like that is because they are being put in a comfortable place. They don't have to worry about their well-being; they just concentrate on their job. This could happen in the Malaysian Hotel Industry Scenario … (Expert 1).

Another expert held a similar view and highlighted the issue by referring to Malsow's Hierarchy of Needs advising that:

> … even though you train the employee, if they are not compensated well, the training program does not make any sense, as when you look at the fundamentals of Abraham Maslow's

hierarchy of needs, I know it is an old theory, but I strongly believe that that theory can also be applied here in Malaysia. When someone's physiological needs are not fulfilled, how could you move to another level of your life? So, in relation to that, how can someone, I mean hotel employees, give more to their company (hotel operators) if their basic needs are not fulfilled? To fulfil their needs, someone is heavily relying on monetary resources to fulfill their needs and wants, for example, shelter, food and drink, sleep, or we can say as the basic needs to live in this world … (Expert 7).

One of the proposed strategies to deal with the lack of interest among employees in the hotels sector is to listen to hotel employees' demands, one expert asserted. He explained that:

… the hotel industry in Malaysia is unregulated in terms of compensation. My deepest opinion is that hoteliers should listen to the demands of hotel employees. The main factor which leads hospitality and tourism graduates deciding not to work in hotels or to work in hotels, but abroad [i.e. in other countries] are heavily due to the issue of compensation, which is salary and other fringe benefits … (Expert 2).

He added that other industries in Malaysia that have good compensation systems, when compared to the hotel industry, do not have issues of labour shortages or a shortage of skilled labour. He cited the following examples adding that:

… accounting, finance and information technology (IT) graduates enjoy good compensation, however, hospitality graduates are basically paid low salaries ... . [This is odd because the hospitality and tourism industry is a booming sector contributing the second highest contribution to the Malaysian economy. How ironic the situation … (Expert 2).

While reviewing the dimensions of the proposed model one of the experts contended that improving training and development programs as well as revising the direct and indirect compensation systems is important to improve service delivery. He commented that:

… I believe that all elements suggested by you are crucial to the improvement of the service, but for me I would like to stress that ... the pay system falls under the umbrella of direct and indirect compensation … (Expert 2).

He reiterated that happy employees would certainly make customers happy and to support that contention he reported that:

… what is important right now, if the employee is happy, the customer will be happy too. If you are taking care of your staff, definitely you staff will take care of your business, that's for sure and they will provide better service to the customers and as a result the chances of the guest coming back for another stay will be high … (Expert 2).

In addition, repeat customers could be created and "… if somebody is happy with their company and job, definitely they wouldn't mind to do extra work for the company …" (Expert 2). The expert asserted that it was critical to come up with a solution to this as a means to maintain industry competitiveness. Compared to other countries Malaysia, in his opinion, is being left behind. The expert commented that:

… when we compare the scenario with Australia, Britain and most major cities in Europe, many hotel employees work in one hotel for 20 years or more because they are paid very good money and their welfare is being taken care of. But in the Malaysian scenario it is different. The hotels push the employees to give 100 per cent commitment but their remuneration and welfare are not been taken care of. So I think this is the root cause of the problem … (Expert 7).

The expert further explained that:

… so if you look at this example, do you think our graduates will work in hotels? As a result, how are we going to improve the service in hotels if we keep on losing graduates that are fully trained by the hotel schools? The problem is rooted in the failure of Human Resource Practice by hotel operators. There are other instances of hospitality graduates taking jobs in the telecommunications industry. They have been offered MYR 1800 in salary, MYR 11 transport allowance every day, a shift allowance of MYR 20 a day, a mobile phone allowance of MYR 300 a month and performance allowances of MYR 500 a month. So how can the hotel industry compete with this kind of package offered by other industries … (Expert 7).

These other industries were perceived to have exceptionally competitive compensation packages and to have taken every effort to attract the best talent available in the country.

Expert eight further submitted that the majority of hotel employees are not happy with the salary they receive, adding that the room rates offered by the Malaysian Hotel Operators are considered to be among the cheapest in the region and this was why employees were not well paid. As he pointed out "… room rates are cheap, if the rates are cheap definitely the revenue will be not so high, so how are we going to attract good employees to work with us when we can't afford to pay them good money…" (Expert 8). The expert further explained that:

> … when you look at the banking industry, you probably get MYR 1600 or MYR 1800, and here because of service charge and the salary, if the room rates are higher, the take home pay will be higher, because the starting salary is MYR 350 then you get 3 points, normally in a 5 star hotel 1 point can be MYR 350 times 3 is already MYR 1050, plus MYR 350 [basic salary] is already MYR 1400 … (Expert 8).

In discussing the topic of training and development as well as hotel employees' career development, it was found that the majority of experts agreed that training is a critical factor in improving service delivery. Almost all of the experts asserted that, in order to have excellent service, hotel employees must be trained and they should be equipped with the right tools to execute service related tasks. It was claimed by one expert that "…most managers neglect the need for training as many of them do not have time to train their staff …" (Expert 3). He further argued that, if there is no training or inadequate training, hotels could not improve service delivery.

Although this was one view, the issue of ongoing training featured heavily in the interviews and one of the experts captured the general view of respondents, arguing that training and continuous learning could assist in improving service delivery. One of the experts also asserted that training programs should be tailored to the needs and wants of customers. By this was meant that it is important for hotel operators to equip their employees with current knowledge and skills in order to serve international guests. One example presented was to train employees to handle the increasing number of disabled people and senior citizens that are currently accessing tourism in Malaysia.

Career development was another theme within the realm of training and development. The majority of experts agreed that hotel employees' career development should be well-planned as they asserted that career advancement was one of the most motivating factors for employees in Malaysia. Career path development was proposed by these respondents to have the capacity to reduce turnover rates among hotel employees in Malaysia because it was claimed that if employees were provided with a career development plan they would be able to work to the plan, develop their future careers and improve their job security.

In developing career pathways, two experts postulated that a management trainee program should be introduced. Such a program would provide hotel employees with adequate training in various departments within a hotel for a defined period of time. To further improve the program, hotel employees should have the opportunity to undergo international cross cultural exposure training. However it was recognised that this type of training could only be afforded by International Chain Hotels with a network of hotels in other countries.

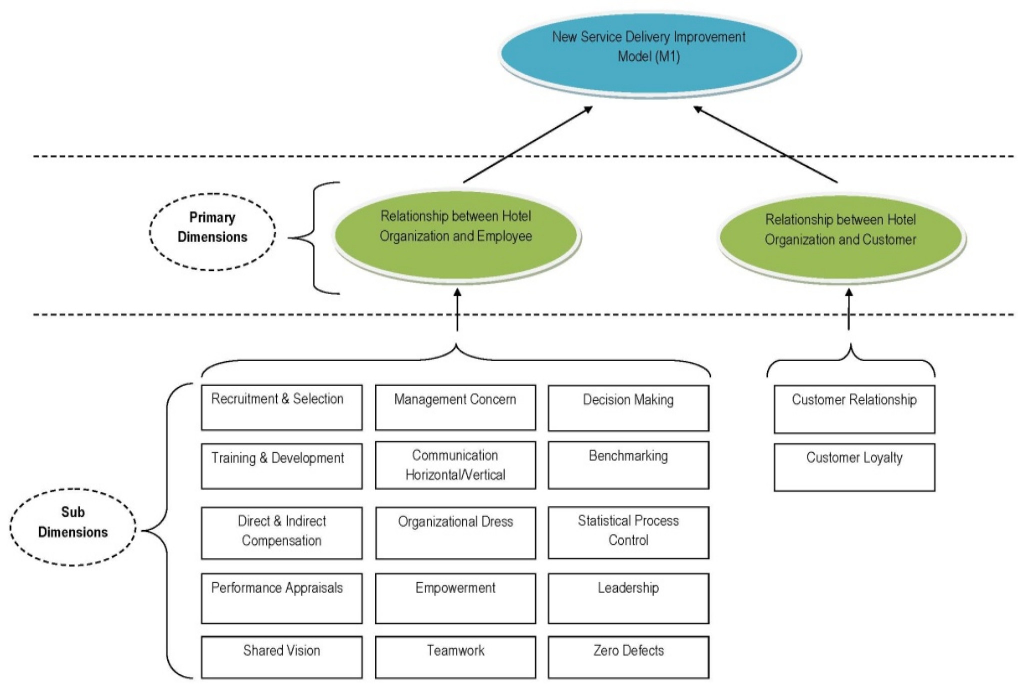
IMPLICATIONS FOR SERVICE IMPROVEMENT

Having established that the people dimension was critical to service quality improvement within the Malaysian hotel sector, the next step was to review the literature to identify appropriate quality improvement models that emphasised the importance of the "people dimension" and to develop a model that included those dimensions that focused on attracting, motivating, and retaining qualified personnel and created an environment where employees were supported by service systems and tools designed to satisfy their wants and needs. A review of literature uncovered a number of quality improvement models that included these dimensions; however, only those models that had been empirically tested were deemed appropriate to include in the proposed model. These were; Total Quality Management (TQM), Six Sigma, SERVQUAL, the Relationship Marketing paradigm , Internal Marketing and Internal Market Orientation (Gounaris 2008;

O'Mahony et al. 2013; Powell 1995; Ravichandran 2006; Shamji 2005; Sureshchandar et al. 2001; Thawani 2004).

Each of these was reviewed and it was found that there were a combined total of 240 dimensions that were seen to have an impact on service delivery. A process of elimination was introduced to develop a more manageable model and those dimensions that were more appropriate to non-service settings, such as manufacturing, were omitted and the most significant barriers to service improvement expressed by the experts were given precedence. These included recruitment, remuneration, training and development, the working environment (including the demands of the job), working hours and empowerment. This led to the development of a provisional service improvement model containing the 17 dimensions depicted in Figure 1.

Figure 1: Employee focused Service Delivery Improvement Model developed from interviews with experts and existing models.



CONCLUSIONS AND LIMITATIONS

The qualitative research uncovered the most significant barriers to service improvement that needed to be addressed in order to improve service delivery within Malaysian hotels. The majority view expressed by the experts was that recruitment, remuneration, training and development, the working environment, including the demands of the job and working hours were major issues of concern. Employee turnover was also seen to be a significant problem, which is consistent with the findings of Hemdi and Nasrudin (2005) study in Malaysia which found an unacceptably high number of hotel employees intended to leave their employment seeking better working conditions within other hotels or in other industries. Respondents' comments on training and development would also seem to suggest that workers are not being empowered within their current roles, which also has an influence on employee satisfaction and employee turnover intentions (Lashley 1996; Spreitzer, 2005). Most important, however, was the issue of employee remuneration which has a marked influence on recruitment, employee turnover and the delivery of quality service standards. The developed model addresses these key dimensions including elements that increase motivation such as management concern, communication and shared vision as well as dimensions that provide a sense of self (empowerment), and a sense of place (organizational dress). As such, the model has the potential to have a significant, positive impact on improving service quality within the Malaysian hotel sector.

This research has potentially significant policy implications, since the tourism and hospitality sectors are such important contributors to the Malaysian economy. The need to increase the occupancy rates of current and planned hotels is necessary to generate a reasonable return on investment for the operators, while tax revenue is essential to provide government with adequate income to pursue their development agendas. The public and private sector education and training establishments require a successful industry to maintain their financial viability. All of this is dependent on service levels that contribute to the development of a substantial repeat customer base. All of the stakeholders have the potential to gain from such a customer base and they all have a contribution to make to its realisation.

Consequently, the ability of the tourism and hospitality sector to make a significant contribution to the economic development of Malaysia will depend on there being a vigorous, successful and profitable market. Part of this depends on there being an appropriate balance between supply and demand for tourism and hospitality services. For Malaysia, to attract high net worth individuals as visitors requires a combination of available four and five star accommodation coupled with service levels that match the expectations of international travellers who are high net worth individuals. This research indicates that one of the impediments to achieving these standards may lie in the potential mismatch between supply and demand. The over provision of high specification facilities undermines the realisation of the government goals on two grounds. Firstly, it increases the demand for staff who are sufficiently experienced and trained to deliver services to the required standard, while, at the same time, causing hotel owners to cut prices and lower costs in order to gain some return on their investment. In view of this, the authorities may wish to consider their approach to hotel development proposals to ensure that there is a reasonable and profitable balance between supply and demand for four and five star facilities and services.

The researchers recognise, however, that there are limitations to the study. For example, the model was developed with input from a small, albeit important, group of stakeholders. Consequently, further research is recommended to gain the perspectives of employees on the veracity of the proposed model.

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THE EFFECT OF THE PERCEIVED RISK IN SOUTH KOREAN CONSUMERS' ACCEPTANCE OF THE CROWD-FUNDING

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ABSTRACT

Consumers' role in the markets has changed a lot over time with environmental change. From mere target for company's profit to co-creator of value, trends has shown an enrichment and empowerment of the role assigned to consumers. Consumers have recently begun to play a new role in some markets. The consumer's role has expanded to include investment support. This can be called crowd-funding. But crowd-funding is new phenomena and it is not fully understood. To explain this we employ structural equation modeling approach with crowd-funding initiatives. Results indicate that crowd-funding participants perceive some sources of risk in supporting. We hope this study become a basis for other related researches.

INTRODUCTION

While consumers have always had a special issue in the marketing study, the role in the markets has changed a lot over time with environmental change(Ordanini,Miceli,Pizzetti,Parasuraman, 2011). Basically Consumers make buying decisions every day. This means that consumers are mere target for company's sustainability. Then consumers became key information source in the "market orientation" literature which defines the business in terms of satisfying basic customer needs(Kohli and Jaworski, 1990). Consumers became smarter than old times and service industry also grew. Therefore some service marketing literature enlarged consumers' role as co-producers or co-creators of value(Vargo and Lusch, 2004). Over the years, this trends has shown an enrichment and empowerment of the role assigned to consumers. Last year there is an act that can affect consumers' role in the marketing. Jumpstart Our Business Startups Act , known as the JOBS Act enacted in April 2012. It is expected to revolutionize the crowd-funding industry.

Consumers have recently begun to play a new role in some markets. The consumer's role has expanded to include investment support. This, called crowd-funding, is a collective effort by people who network and pool their money together, usually via Internet, in order to invest in and support efforts initiated by other people or organization. This idea that consumers decide to pay for producing and promotion a product and bear the risk associated with that decision, represents a further step in the evolution of consumers' roles(Ordanini,Miceli,Pizzetti,Parasuraman, 2011).

But crowd-funding is new phenomena so it is not fully understood. Which antecedents affect the engagement of consumers as investor? What motivate consumers' investment? How the crow-funding process work and its meaning of marketing strategy? Or how to implement crowd-funding as one of marketing strategies? Crowd-funding is usually happening by Internet. And nonetheless it is a rapidly growing field. But many surveys have reported that consumers concerned about Internet security. Also Internet fraud is another growing concern(Hassan,Kunz,Pearson,Mohamed, 2006). With the growth of crowd-funding we can think there are some obstacles which inhibit consumer's active participation.

To explain this issue, we employ a structural equation modeling approach associated with crowd-funding initiatives. First, we understand that perceived risk of crowd-funding is a multidimensional concept. We study the relationship between crowd-funding attitude and perceived risk such as economic risk, social risk, psychological risk, risk of time-loss, privacy risk, source risk. We also examine the relationship between the attitude and behavioral intention of crowd-funding. In order to carry out this research purposes, we conducted a survey of consumers from South Korea.

LITERATURE REVIEW

Crowd–funding

In South Korea, a recent movie named '26year' gathered more than 2million customers. It is interesting that more than hundreds of people participated in the investment of movie manufacturing. Also, a recent project at FundU raised 500,000 won for a group of over 70 year olds to teach them how to read and write. In return, a dozen anonymous supporters will get hand-written letters from the recipients. Another event aims to raise 50 million won to stage a concert for 20 to 30 year olds in an effort to inspire political interest among them. Sponsored by several celebrities including Korean rock band YB and comedian Kim Jae-dong, it brought in 11.58 million won from 70 donors within days(Koreatimes, 2012). Lots of projects were successfully launched by domestic crowdfuning sites. Crowd-funding refers to people choosing to raise money through the Internet to fund projects they want to succeed. Eventhough in Korea, the concept of crowd-funding is not widely accepted yet, currently about 12 local crowd- funding sites exist. Although the concept of getting a crowd to simply raise money for a cause or invest in local business is nothing new, the powerful Internet networking enable consumers to enlarge their role.

Some extant literature stream can help to understand crowd-funding. For example, literature related to donor behavior suggests that people who contribute to charitable causes are motivated by self-esteem, relief from feeling of guilt and obligation. Literature on brand community also suggests some aspects that relate to crowd-funding contexts(Hibbert and Horne, 1996; White and Peloza, 2009). In other viewpoint, brand community members are typically motivated by identification, status, and fun. But these literatures on these theories didn't capture the element of monetary support from users, which is a key characteristic of crowd-funding models. As initial study related to this area we consider perceived risk is one of major factors affect consumer's participation. Because crowd-funding is consumer's investment behavior, so spend money with considering its value.

Perceived risk

According to previous research if individuals perceive risk, they expect some kinds of loss. The development of theory of perceived risk in the context of consumer behavior began in 1960s. Since 1960, extensive consumer research showed that perceived risk affects consumers behavior across different cultures. The theory of consumers' perceived risk explains that consumers perceive risk because they face uncertainty and potentially undesirable consequences after purchasing. Therefore the more risk they perceive the less likely they will purchase. It can also be applied to crowd-funding. Perceived risk is powerful at explaining consumer's behavior because "Consumers are sometimes more motivated to avoid risk than maximize utility in purchasing". Perceived risks affect degree of consumer's business model adoption. For example, perceived risk was found to have a significant negative and direct effect on consumers' adoption of new internet service such as internet banking.

So for this research we adopted perceived risk terminology. This concept is highly related to financial consumer's behavior. A growing body of recent research has shown that consumer opinions, evaluations, and adoption intentions for new idea vary with the perceptions of risks.
Moreover a solid stream of consumer behavior research acknowledges that, in order to reduce the effect of perceived risk, research must recognize and measure the effects of several types of risk. There are representative perceived risk types which are most popular in consumer behavior literature (Hassan,Kunz,Pearson,Mohamed, 2006; Lim, 2003) .

A general definition of perceived risk in marketing is "the nature and amount of risk perceived by a consumer in contemplating a particular purchase action". A review of past studies shows that researchers have identified the following dimensions(Lim, 2003).

1. Perceived financial risk is defined as concern over any financial loss that might be incurred because of decision behavior. Sometimes we can call this as economic risk. This explained the possibility of monetary loss arising from investing behavior. For example, even though they invest money and hope to have reward for that behavior, sometimes the product can be a failure or unsatisfactory products.

2. Perceived social risk associated with other people's opinions on the decision, resulting in possible disapproval by family or friends. This is concerned with individuals' perception of other people. It has ability that consumer's invest is not accepted by other society members.

3. Perceived psychological risk referring to the mental anxiety associated with a behavior. This is the possibility that individuals suffer mental stress because of their behavior. For example, consumers are likely to feel frustrated if their investment is unsuccessful.

4. Perceived time risk referring to the time loss associated with investment. In addition to searching time for appropriate Crow-funding idea, this dimension includes waiting time for Crow-funding idea actualization and commercialization.

5. Perceived source risk reflects concern over whether or not the consumer can trust the online Crow-funding project and feel comfortable in doing business with it. It is a general perception regarding the reliability of business model planner such as whether a company exists.

6. Perceived performance risk is the possibility that the business model does not work properly or can be obsolete only a short period of time.

Therefore summarizing at a macro level the theories examined above, it is logical to consider that in the initial stage of adoption of a new information business model, crowd-funding, when consumers have little knowledge of the crowd-funding, there may be opportunity factors that motivating users to adopt it, and barrier factors that making consumers dubious about the concept. As a basis research, this study will provide useful results to crowd-funding related marketers. It is important for researchers to identify influential factors to crowd-funding.

Although previous research show that perceived risk is an important factor for crowd-funding, there has been much concern about the relation between perceived risk and trust. Trust can be defined as a willingness to take risk and perceived risk is the likelihood of both positive and negative outcomes.

For this study we set basic approach in developing hypothesis. The hypothesis of this research is as follows:

H1: Dimensions of perceived risk have differential effects on Consumer's willingness to participation

METHOD

Theoretically, perceived risk must have strong relationship to consumer's behavior. Given the need for further empirical study on the crowd-funding, we conducted a survey. Despite its strategic importance, empirical study linking these two concepts has been lacking especially for its newness.

We recruited participants on the University through advertising on announcement board. Then we did scenario based survey. We developed and tested a model that investigates to find link about two construct with entertainment industry, film industry. Korean movies accounted for 58.8 percent of the market share here last year and the overall revenue of theaters, which included the sale of food and other non-ticket items, grew by 17.7 percent. Easy access to theaters is a major reason attributed to the increased audience numbers. In the past, people just visited theaters to see movies. Now they go there when they're shopping or dining. Theaters absorb people more easily as they draw closer to people's lives. With this era of Korean movie renaissance, a lot of film makers use crowd-funding as a promotional way or fund raising way.

At the survey, among other variables the survey measures (1) perceived risk (2) willingness to participate (3) former participation experience (4) involvement to film industry (5) some demographic information (6) how much invest for crowd-funding (7) expectation of reward

RESULT

In order to examine the proposed hypothesis, we used Partial Least Square(PLS) method to analyze data because it is more appropriate for complex models when the goal of the research is exploratory by explaining variance. PLS is one of causal modeling approach. PLS analysis will be preferred when the emphasis is on prediction and theory development, as the statistical power of PLS is always larger than to that of other structural equation modeling methods(Reinartz, Haenlein, Henseler, 2009). It showed some interesting result about the relationship between constructs.

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