Full Length Research Paper

Limiting Factors affecting customer loyalty in the restaurant industry

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The aim of the present research was to investigate the factors affecting customer loyalty in the restaurant industry. Data was collected using questionnaire distributed in 10 randomly selected branches of Boof Chain Restaurant in Tehran. In each branch, 40 customers were selected for the study. Ultimately, the research sample consisted of 268 customers. Structured equation modeling was used for data analysis and hypothesis testing. The obtained results show that food quality, service quality, restaurant environment, and perception of price fairness had a positive impact on customer satisfaction, but the impact of restaurant location on customer satisfaction was not confirmed. Also, food quality, service quality, and perception of price fairness had a positive effect on customer trust. The results show that food quality is the most important factor affecting customer satisfaction and trust in Boof Chain Restaurants. Customer satisfaction had a positive impact on customer loyalty, but the effect of customer trust on customer loyalty was not confirmed.

Key words: Restaurant industry, loyalty, customer satisfaction, customer trust.

INTRODUCTION

Nowadays, with the markets getting more competitive and the working environment undergoing constant change, organizations have realized that they no longer face an expanding economic system with ever-growing markets. As a result, each and every customer has gained a new value. Customer satisfaction is considered as a factor encouraging customers to use the service again, though there is no guaranty that a satisfied customer will return for a repeat purchase (Soriano, 2002). In 1980s and 1990s, marketers and researchers mostly focused on the issue of customer satisfaction and on methods to increase customer satisfaction. But over time, marketers realized that many customers who were satisfied did not necessarily reuse the goods or services

in question (the issue of loyalty) (Hyun, 2010). For example, in the automotive industry where 85 to 95% of customers had expressed their satisfaction, only 30 to 40% actually repurchased the same brand or make of the car (Oliver, 1999).

Thus, customer loyalty is considered to be an important factor for increasing profitability and maintaining the position of the organization. Reichheld and Sasser (1990) report a strong relationship between customer defection rate and increased profits. According to their research, reducing the defection rate by just 5% generates between 25 and 85% more profits for the organization depending on the pertinent industry (Reichheld et al., 1990). Most investigations suggest that organizations should keep hold of their loyal customers as a competitive asset.

Nowadays, due to increased employment of women outside the home and extensive changes in lifestyle, the use of restaurant food and fast food is growing in the Iranian restaurant industry, and this can provide a very

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good market for this industry. On the other hand, competition is also increasing in the restaurant industry in Iran. Emergence of new chain restaurants, including Superstar, Avachi, Pedar-e Khub, etc., and their dedication to opening new branches is an indication of this issue. With increasing competition between restaurants, attracting new customers can no longer guarantee profits and success, but retaining existing customers is of more importance. In fact, a competitive environment provides customers with more alternatives to choose from. Thereby, they can select their favorite option from several alternatives. Consequently, customer loyalty is considered to be a vital factor for success, continuation, and profitability of the restaurant industry.

The aim of this study is to find the factors contributing to customer loyalty in the restaurant industry and to offer suggestions for enhancing loyalty and developing enduring and committed relationships with the customers.

Research background

Customer loyalty is an important factor in the customer strategy of any organization. Increasing customer loyalty has become a hot topic among managers, consultants, and academic scholars (Keiningham et al., 2007). The importance of this issue is due to the fact that it leads to purchase of goods and services by the customers. Organizations and institutions that are successful in gaining customer loyalty have a major competitive advantage (Aksu, 2006). Anderson and Narus (2004) believe that retaining existing customers is a much more effective strategy for the organization than attempting to attract new customers to replace the lost ones (Gee et al., 2008). As a result of facing crowded and ultra-competitive markets, service providers in many industries have switched their marketing strategy from attracting new customers to keeping existing customers (Shoemaker et al., 1999).

For restaurant owners, it is important to understand specific decision-making criteria customers use for restaurant selection in order to be able to affect customers' selection decisions. According to Kotler et al. (2011), customers seek "a set of benefits" with various capabilities for satisfying their needs. Many marketers consider product packages for restaurants in which food and beverages are only a small part of the package. If customers also view restaurant services as a package, they will consider multiple criteria for choosing restaurants (Sloan, 2004).

For the restaurant industry, it is important to understand the attributes which influence customers' decisions to return to a restaurant for another meal (Soriano, 2002). By understanding these factors, it is possible to satisfy customers' expectations and prevent their defection, leading to plentiful profits for the restaurant. So far, various investigations have been conducted regarding factors influencing customer loyalty in the restaurant

industry. Table 1 shows some of the research works on this topic and the factors investigated in those studies.

Research model and hypotheses

After reviewing the previous studies conducted on the factors affecting customer satisfaction and loyalty, the conceptual framework shown in Figure 1, which is adapted from Hyun's (2010) model, was selected for investigating the factors affecting customer loyalty.

According to the conceptual framework, the following hypotheses were formulated for this study:

H_1: Food quality has a positive impact on customer satisfaction.
H_2: Price has a positive impact on customer satisfaction.
H_3: Service quality has a positive impact on customer satisfaction.
H_4: Restaurant location has a positive impact on customer satisfaction.
H_5: Restaurant atmosphere has a positive impact on customer satisfaction.
H_6: Food quality has a positive impact on customer trust. H_7: Price has a positive impact on customer trust.
H_8: Service quality has a positive impact on customer trust.
H_9: Customer satisfaction has a positive impact on customer loyalty.
H_{10}: Customer trust has a positive impact on customer loyalty (Table 2).

MATERIALS AND METHODS

The questionnaire

Data for this study was gathered using a questionnaire with a 5-point Likert-style scale ("strongly disagree" to "strongly agree"). Questionnaire items were adapted from previous studies (Hyun, 2010; Law et al., 2008; Meng et al., 2008; Namkung et al., 2008). After preparation of the questionnaire, 40 questionnaires were pre-tested in Boof Chain Restaurant to evaluate the reliability and validity of the questionnaire. Reliability was tested with Cronbach's method, in which Cronbach's alpha was higher than 0.7 for all questions and for the whole questionnaire. Also, validity of the questionnaire was confirmed by the professionals. Thus, the questionnaire had the requisite validity and reliability to be distributed among the statistical population.

The sample

Four hundred questionnaires were used for data collection. From 25 active branches of Boof Restaurant Chain throughout Tehran, 10 branches were randomly selected and 40 questionnaires were allocated to each branch. These questionnaires were randomly distributed among customers. Of 400 distributed questionnaires, 268 questionnaires were usable for the current research. Accordingly, the response rate for the questionnaires was 268/400 = 0.67 (Table 3).

Table 1. Previous research studies.

Studied variable	Research objectives	Reference
Food quality, service quality, cost/value of each meal, location (restaurant).	Investigating the factors affecting consumer decisions about reuse.	Soriano (2002)
Physical environment of the restaurant, food quality, customer orientation, communication, relationship interests, fair price.	Investigating the factors influencing relationship quality in luxury restaurants.	Meng et al. (2008)
1. Food-related personality traits: Food neophobia (fearing new foods), food involvement. 2. Satisfaction.	Applying the concept of food-related personality traits to hospitality and tourism industry and investigating the relationships between personality, satisfaction, and loyalty.	Kim et al. (2010)
Décor, restaurant design, restaurant environment, price perceptions, customer satisfaction.	Examining the relationships among the three components of physical environment, price perception, and customer satisfaction on customer loyalty in the restaurant industry.	Han et al. (2009)
1. Perceived factors: Physical environment, food quality. 2. Intangible factors: Customer orientation of employees, communication, relationship interests, fair price.	Examining the relationships between elements of management activities and relationship outcomes.	Kim et al. (2008)
Restaurant cleanliness, atmosphere, and space, food quality, price, responsiveness, staff behavior, restaurant working hours.	Evaluating factors affecting satisfaction of college students with food services.	Andaleeb et al. (2007)
Service quality and staff attitude, product quality and healthiness, price and value, restaurant atmosphere, healthy food, restaurant location and appearance, smoking (no-smoking environment), visibility of food preparation area.	Determining factors influencing tourists' satisfaction with restaurant services.	Yüksel et al. (2003)
Restaurant atmosphere, service quality, food quality.	Investigating the effects of service quality and food quality, as well as the moderating effect of atmospherics, on customer satisfaction and loyalty in the restaurant industry.	Ha et al. (2010)
1. Food: Appealing presentation, healthiness, tastiness, freshness, temperature. 2. Restaurant atmosphere: Interior design, color, background music. 3. Services: Reliability, responsiveness, competence, friendliness.	Identifying key quality attributes that significantly distinguish highly satisfied diners from non-highly satisfied diners.	Namkung et al. (2008)

DATA ANALYSIS

Data was analyzed using data envelopment analysis (DEA) methodology. Consequently, in the process of DEA, some questions that had few common responses were removed from the final analysis which was performed using structural equation modeling.

Structural equation modeling is a statistical modeling technique that includes other techniques such as multiple regression, factor analysis, and path analysis, and its main focus is on latent variables that are defined using measurable parameters and observable variables.

In the structural model, we try to find out if the relationships between latent attributes extracted theoretically are confirmed by the data collected from the sample. LISREL software was used in this study for computations of structural equation modeling.

An important consideration in structural equation modeling is the fitness of the model for studying the relationships between variables. In this regard, fit indices were examined according to the final output of LISREL (Table 4).

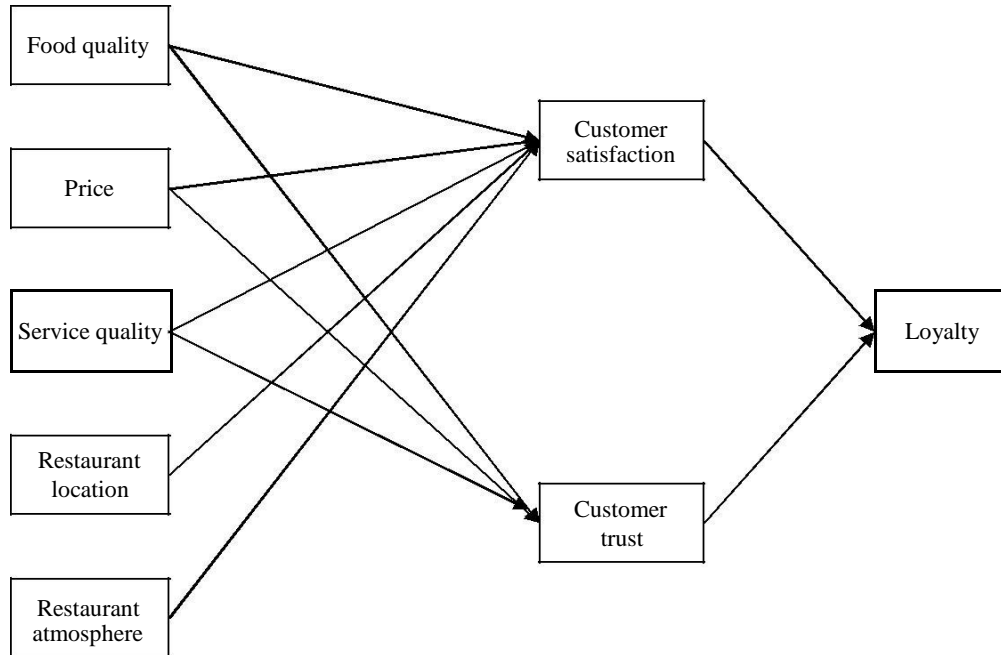It is evident from Table 4 that all fit indices, including the ratio of chi square to its degrees of

Figure 1. The proposed research model.

Table 2. Research variables.

Variable	Description
Food quality	Generally, quality can be defined as being appropriate for usage and in the case of food, it can be defined as being appropriate for consumption (Peri, 2006).
Service quality	Service quality refers to the judgment of customers regarding superiority of a product and is similar to attitude. Parasuraman et al. (1988) devised a multi-item scale called SERVQUAL for measurement of service quality, stating that the quality of service perceived by customers arises from comparison of customer expectations and their perceptions regarding the delivered performance, that is, "magnitude and direction of discrepancy between perception and expectations of the consumers" (Jamal et al., 2009).
Price	From the consumer's perspective, price is what the customer pays or gives for obtaining the product or service. Fairness of price is a psychological factor that plays an important role in the customer's reaction to the paid price (Kim et al., 2006).
Restaurant environment	Restaurant environment is an important factor in consumer satisfaction and behavior. In the restaurant environment, customers are directly in contact with restaurant services.
Restaurant location	Restaurant location is an important feature of the restaurant that affects customer behavior and satisfaction (Hyun, 2010).
Customer satisfaction	The customer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption (Caruana, 2002).
Customer trust	Trust is a psychological state that leads to confidence of one person in another person and creates expectations of favorable results from others' behavior. Thus, it is an indicator of confidence in veracity and reliability of the two sides of exchange (Sanchez-Franco et al., 2009).
Customer loyalty	A strong and deep commitment to repurchase or continuous purchase of a preferred product or service in the future which, despite potential or actual environmental effects or marketing efforts of the rivals for changing the customer's buying behavior, is a rebuy of the same brand or brand series (Oliver, 1999).

Table 3. Demographic data.

Variable	Category	Frequency	Percent frequency
Gender	Male	154	57.5
	Female	114	42.5
Marital status	Single	97	36.6
	Married	168	63.4
Age (Years)	Under 20	21	7.9
	21 to 25	55	20.7
	26 to 35	109	41.0
	36 to 50	61	22.9
	51 and above	20	7.5
Number of visits	First time	40	15
	Second time	26	9.7
	Third Time	24	9
	Fourth time or more	117	66.3

Table 4. Fit indices.

Indices	Acceptable range	Obtained figures
The ratio of chi square to its degrees of freedom	$\chi^2/df < 3$	2.18
P value	$p < 0.05$	0.0000
Root mean square error of approximation (RMSEA)	RMSEA < 0.08	0.066
Goodness of fit index (GFI)	More than 0.9	0.91
Comparative fit index (CFI)	More than 0.9	0.94
Normalized goodness of fit index (NFI)	More than 0.9	0.93

freedom with a value of 2.18, p value with a value of 0.0000, root mean square error of approximation (RMSEA) with a value of 0.066, goodness of fit index (GFI) with a value of 0.91, comparative goodness of fit index (CFI) with a value of 0.94, and normalized goodness of fit index (NFI) with a value of 0.93 are within acceptable range and this shows the fitness of the research model. For testing research hypotheses, we used the results of LISREL software in two modes of the research model: research model in standard form (Figure 2) and research model in significance form (Figure 3).

Using the research model in the significance and standard forms, the results of hypothesis testing can be summarized as in Table 5.

Since the level of confidence for testing hypotheses was chosen to be 0.95, all hypotheses for which the significance number is outside the range −1.96 to 1.96 are accepted. According to this analysis, Table 5 shows that the hypotheses regarding the impact of food quality, price, service quality and restaurant environment on customer satisfaction, the hypotheses regarding the impact of food quality, service quality, and price on

customer trust, as well as the hypothesis regarding the impact of customer satisfaction on customer trust are accepted at 95% confidence level. However, the impact of restaurant location on customer satisfaction (with factor loading 0.05 and t = 0.73) and the impact of customer trust on customer loyalty (with factor loading −0.01, t = −0.05) cannot be accepted at 95% confidence level.

DISCUSSION

The objective of the present research was to investigate the factors influencing customer loyalty in the restaurant industry. According to our results, food quality is the most important factor affecting customer loyalty in the restaurant industry with a positive standard coefficient at 0.53 and t = 6. After food quality, restaurant environment was the second most important factor influencing customer satisfaction in Boof Chain Restaurant with a standard coefficient at 0.27 and t = 3.85. The third most important factor influencing customer satisfaction was service quality with a positive standard coefficient at 0.16
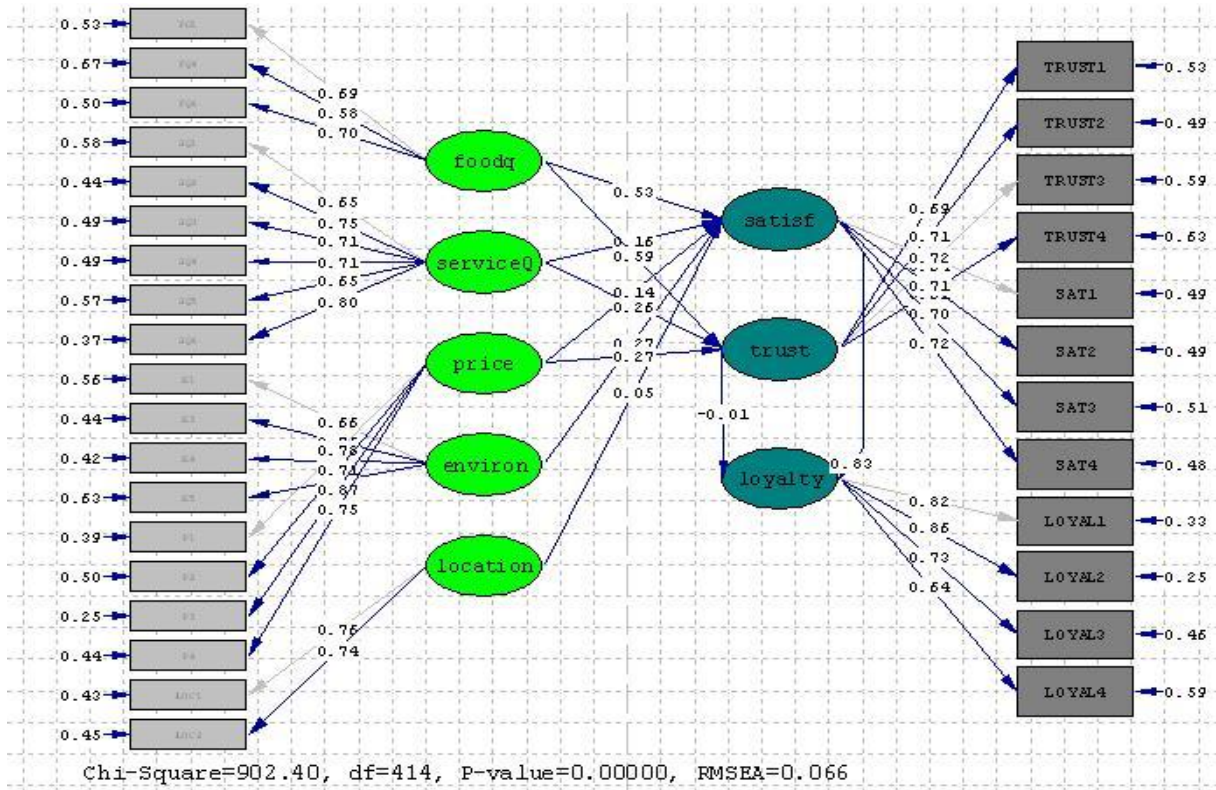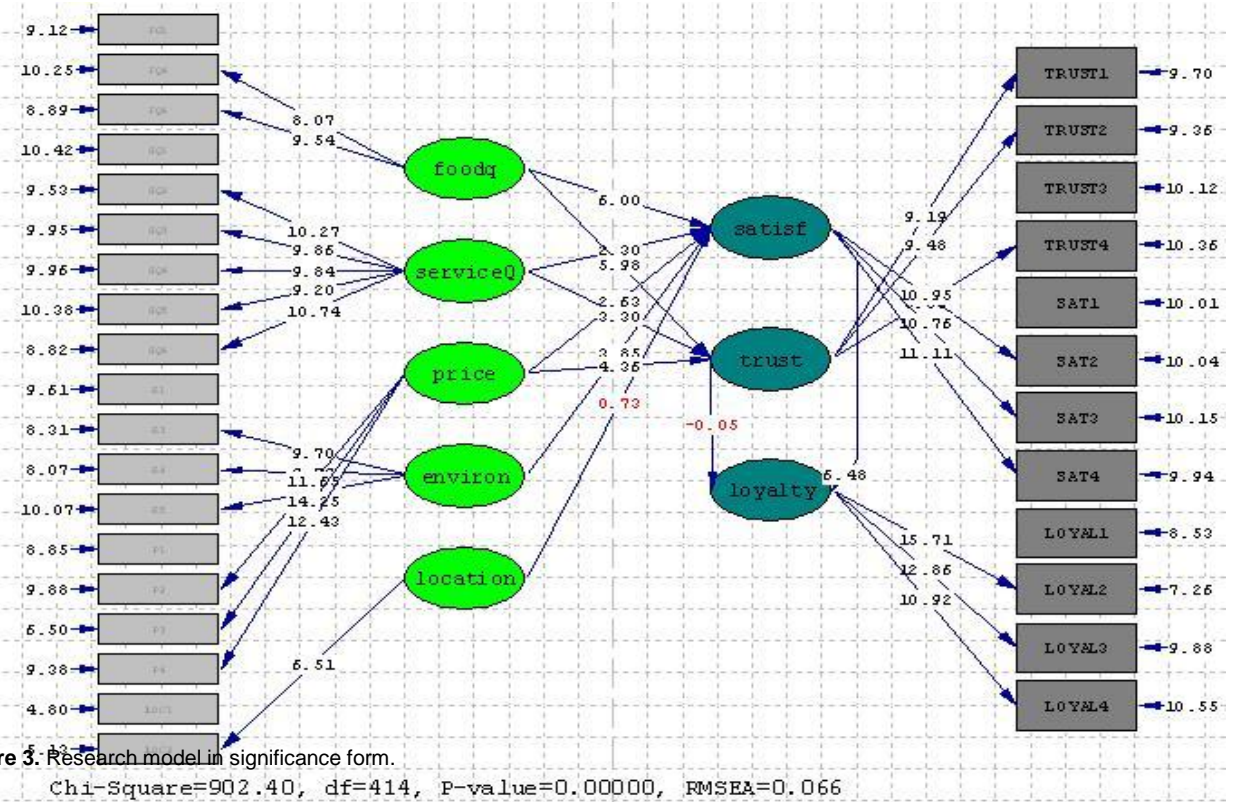
Chi-Square=902.40, df=414, P-value=0.00000, RMSEA=0.066

Figure 2. Research model in standard form.

Figure 3. Research model in significance form.

Chi-Square=902.40, df=414, P-value=0.00000, RMSEA=0.066

Table 5. Results of hypothesis testing.

Hypothesis	Significance number (T)	Path coefficient (standard)	Result
Food quality has a positive impact on customer satisfaction.	6.00	0.53	Accept hypothesis
Price has a positive impact on customer satisfaction.	2.63	0.14	Accept hypothesis
Service quality has a positive impact on customer satisfaction.	2.30	0.16	Accept hypothesis
Restaurant location has a positive impact on customer satisfaction.	0.73	0.05	Reject hypothesis
Restaurant atmosphere has a positive impact on customer satisfaction.	3.85	0.27	Accept hypothesis
Food quality has a positive impact on customer trust.	5.98	0.59	Accept hypothesis
Price has a positive impact on customer trust.	4.36	0.27	Accept hypothesis
Service quality has a positive impact on customer trust.	3.30	0.26	Accept hypothesis
Customer satisfaction has a positive impact on customer loyalty.	6.48	0.83	Accept hypothesis
Customer trust has a positive impact on customer loyalty.	−0.05	−0.01	Reject hypothesis

and t = 2.03. Perceived price (price fairness) was the fourth most important factor affecting customer satisfaction in Boof restaurants with a positive standard coefficient at 0.14. All these factors directly and positively affect customer satisfaction in Boof restaurants and also have an indirect influence on customer loyalty through customer satisfaction. On the other hand, the impact of restaurant location on customer satisfaction was not confirmed. In other words, restaurant location is not an effective factor in customer satisfaction in Boof Chain Restaurant.

Food quality was also the most important factor affecting customer trust in Boof restaurants with a positive standard coefficient at 0.59 and t = 5.98. Perceived price, with a positive standard coefficient at 0.27 and t = 4.36, and service quality with a positive standard coefficient at 0.26 and t = 3.30, were the next most important factors affecting customer trust in Boof restaurants.

Customer satisfaction exerted a positive impact on customer loyalty with a positive standard coefficient at 0.83 and t = 6.48.

Conclusion

This finding was compatible with the multitude of previous studies, almost all of which show that satisfaction has a positive effect on loyalty. Also, the impact of customer trust on customer loyalty was not confirmed. It is possible that the widespread distrust in fast-food industry in Iran has been the reason for rejection of this hypothesis. However, this seems to be worthy of more investigation and it is recommended that the management of Boof restaurant chain take this into consideration.

RECOMMENDATIONS

Based on the results of hypothesis testing in this study,

the following recommendations could be useful for the management of Boof Chain Restaurant.

Since this study identified food quality as the most important factor affecting customer satisfaction and loyalty, it is recommended that the restaurant management take into particular consideration the taste, appearance, and presentation of food, food healthiness, and also try to increase food diversity in order to cover various tastes of different customers. As for the restaurant environment, it is recommended that the restaurant chain provide an attractive environment through the use of interesting design, appropriate colors, and even by proper layout of tables and chairs. It is recommended that the restaurant managers pay particular attention to the quietude of the restaurant environment and contribute to satisfaction and loyalty of customers by creating a peaceful and agreeable space. Regarding service quality, it is recommended that the restaurant managers provide the necessary training on treating customers for staff and branch managers. Furthermore, it is recommended to implement appropriate measures to minimize the time used for serving food and paying bills. Also, regarding perceived price, it is recommended that the chain restaurant use techniques like reverse engineering and elimination of extra costs to prevent increase of price. Furthermore, they can investigate prices of rival restaurants and take them into account in their pricing strategies.

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