

Review on price, service quality and customer loyalty in fast food restaurant

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Hazirah Mohammed Shaed*

Nurul Atiqah Zulkefli

Norzaidah Ngali

Norazlina Rahmat

Faculty of Hotel and Tourism Management
Universiti Teknologi MARA, Cawangan Terengganu, Malaysia
hazirahm.shaed@yahoo.com

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Abstract

The purpose of this paper is to provide a review on customer loyalty, specifically on price and service quality in the fast food restaurants. Customer loyalty is one of the essential aspects in determining the sustainability of business. Nevertheless, the number of empirical studies looking at the price and service quality in the fast food restaurant is still lacking. Thus, to understand the phenomenon, this paper reviews the literature about the price and service quality effects on customer loyalty. It is hoped that this paper will serve as a substantial support to both academicians and marketers.

Keywords:

Price, service quality, satisfaction, loyalty, fast food restaurant

1 Introduction

Fast food restaurants are basically known as franchise operation where consistent ingredients or ready to eat foods and supplies are organized by supply networks. The popularity of the fast food restaurant amongst children and adolescent is due to its

readily available, taste, low cost, marketing strategies, and peer pressure (Jaya, Manish, & Ankit, 2011). Fast food restaurants focus in maximizing the speed, efficiency, and conformity. In order to reduce the waiting time, the menu is kept limited to enhance efficiency.

The consumption of fast food in Malaysia is increasing significantly year by year causing the demands for it to be increased due to the current global lifestyle in which people all around the world nowadays prefer to eat fast food at any time whether for breakfast, lunch, or dinner (Samah, Rashid, Rani, Rahman, Ali & Abdullah, 2015). The interest of consuming fast food is also contributed by the lack of time to prepare food and the trend of urban lifestyle (Habib, Dardak & Zakaria, 2011). Habib et al. (2011) mentioned that fast food becomes the solution for many people today due to their busy lifestyle and dual-working families with children. A busy lifestyle means that the availability of time to prepare a meal is lesser due to hectic working hours and days, and too many works need to be done at a time. Cooking activity these days has become a hobby for leisure instead of as household chores.

As a mean to be outstanding in a business aggressive situation, business firm needs to figure out ways or factors that may lead to loyalty of customer towards their business firm. Considering the above matter, Ling, Mun and Ling (2011) contended that fast food operators situated in a highly concentrated market competition must be proactive in their promotional activities, price reduction strategy, and new meals offering as well as a value meal. Food quality, service quality, environment, price, and quick services are the factors affecting customer's intention to repurchase the products or services (Akbar & Aludeen, 2012; Tabassum & Rahman, 2012). Consequently, one of the ways to retain customers in fast food restaurant is by improving service quality as well as offering a good price bargain (Samah et al., 2015).

In line with that concept, price is described as the amount of money that customers able to pay for a certain item like food and services (Samah et al., 2015). Khan, Hussain, and Yaaqob (2013) defined customer satisfaction as the feeling of pleasure or disappointment, when the products or services met their expectations levels, therefore, their level of satisfaction also higher, if not, they will feel disappointed. Meanwhile, quality is defined by Kotler (2002) as the attributes of a product or service that able to fulfil customer's needs and demands. Therefore, service quality here means the extent to which customers' expectation of services have been achieved or exceeded their perception. On the other hand, it is believed that satisfaction of customers may affect customer loyalty in fast food restaurant. Thus, this paper focuses on the effects of price and service quality on customer loyalty in the fast food restaurant. Consequently, to understand this phenomenon, the review of previous related studies need to be undertaken.

2 Literature Review

2.1 Fast food trends

A few years back, the intake of food from fast food restaurants that provide convenience food in self-service or take away eating place became the norm amongst children and adults mainly in America (Samah et al., 2015). This statement is further supported by Katherine, Mary, Alicia, Earnest, Simone, Michael, Lisa and Harnack (2012), who stated that in 2012, the sale for 50 famous quick service restaurants exceeded \$141 billion in America and a study found that 80% of adults eat fast food for two or more times per week. As far as the researchers are concerned, it can be stated that home cooked has become the second choice because people prefer more fast food or outside meal than home cooked meal.

According to Data Monitor (2005), fast food is defined as the selling of food and beverages for immediate intake whether in the premises or designated food consumption areas shared with other foodservice operators, or for eating elsewhere. Nowadays, eating out become a quick lifestyle, not only during special occasion like birthday celebration. Dual incomes families in which both husband and wife are working have caused people to dine out. Roberts and Worzel (1979) mentioned that many women are working, thus they have less time to cook and it is believed that this is the main factor that increases the demand for fast food because it is fast and convenient to be consumed.

Globalization has also influenced the production and processing of food including its sales, preparations as well as consumption; and people prefer snacking in a new way like having burger, pizza, and variety of soft drinks nowadays. Pingali (2004) stated that urbanization has also changed the eating behaviour amongst youngsters because urbanization increases the income of youngsters hence the frequency of eating away from home increases and as for their eating behaviour; they prefer western, fast, and convenient food. Urbanization is also one of the factors that lead to the change of lifestyles and increase income of independent young people thus it can be said that the demand for food is associated with the lifestyle in urban areas (Pingali, 2004). In addition, the consumption of western style food has increased due to the increase in income level of developing countries (Regmi & Dyck, 2001).

2.2 Price

As far as researchers are concerned, in today's global economic, price will be one of the important factors for the customers to buy the product or services. As mentioned earlier by Samah et al. (2015), offering a good price bargain will be a way to retain customers to the products or services. Monroe and Cox (2004) and Fozia, Sara and Abid (2012) refer price fairness to consumers' overall assessments of whether the offered price of a product or service of a seller is reasonable, can be accepted or justified. Primarily, customers are probably relying on various reference sources from other

competitors to make better judgments when evaluating price to form comparisons (Bolton, Warlop & Alba, 2003). The rationale of doing that is to reveal that the evaluation of price fairness involves comparing the price with a certain standard or reference. Price is used as a signal to evaluate their experiences with goods or services performance (Mattila & O'Neill, 2003). The study by Hanaysha (2016) also revealed that price has a significant positive effect on customer satisfaction, and this is in line with research by Gagic, Tesanovic and Jovicic (2013), Kaura (2012) and Bhattacharya, Sengupta and Mishra (2011).

2.3 Service quality

Service Quality has largely been acknowledged as an important factor that influence customer satisfaction and future purchase intention to certain product or services. The impact of service quality on business performance, customer satisfaction, customer loyalty, and business profitability cannot be denied (Parasuraman, Zeithaml & Berry, 1988). Service quality acts as a tool to differentiate between customers' expectation and perception of the actual service received. The satisfaction of customers occurs when the perceived value exceeds or meet their expectation. However, service quality is defined based on different field of study and research environment; and within the context of this study, service quality in fast food restaurant has been further explored. Study by Olise, Okoli and Ekeke (2015) revealed that service quality is one of the significant factors influencing the behaviour of customers towards patronising fast food restaurants.

2.3.1 Service quality

It is difficult to measure quality of service as compared to quality of goods because service is intangible i.e. cannot be touched, but individuals who have purchased service can experience it. Parasuraman, Zeithaml and Berry (1985) further mentioned that service requires high involvement of customer in the consumption or receiving process. The earliest research regarding the service quality model was done by Gronroos (1984). There are three dimensions proposed by Gronroos (1984) namely technical quality, functional quality, and corporate image to evaluate the service quality. Technical dimension is defined as the outcome or what the customers obtained from the service that has been delivered to them. Functional dimension refers to the etiquettes of how the service being given to the customers. Lastly, corporate image includes both technical and functional dimensions.

However, the most popular and widely used model to measure service quality is SERVQUAL model. The model was proposed by Parasuraman et al., (1985) who presented ten keys service quality aspect namely reliability, credibility, responsiveness, competence, access, communication, tangibles, understanding the customer, and security. Parasuraman, Zeithaml and Berry (1988) then redefined the ten keys aspect into five keys aspect of service quality in 1988 namely as Tangibles, Empathy, Reliability, Responsiveness, and Assurance.

Table 1: Service Quality Dimensions

Aspects	Definitions
Tangibles	The physical facilities, equipment, and appearance of personnel
Reliability	The ability to perform the promised service dependably and accurately
Responsiveness	The readiness to help customers and provide quick service
Assurance	Have knowledge and courtesy of employees, and their ability to inspire trust and confidence
Empathy	Caring, individualized attention the firm provides to its customers

Source: Parasuraman et al. (1988)

2.4 Customer satisfaction

With the purpose of a business to sustain in highly competitive market, customer satisfaction is one of the elements that need to be taken into consideration. Khan et al. (2013) defined customer satisfaction as the feeling of pleasure or disappointment, when the products or services met their expectations levels, therefore, their level of satisfaction also higher, if not, they will feel disappointed. Sabir, Ghaafoor, Hafeez, Akhtar, and Rahman (2014) mentioned that customer satisfaction has a very significant effect in business field today because it will reflect the businesses' profits. In addition, Lee, Ruby and Rajdeep (2004) stated that customer satisfaction may represent the firm's performance and their long-term commitment.

Oliver (1980) defined customer satisfaction as the evaluation of a product or service after purchasing them. It is normally being described as the extent to which it meets or satisfies the customer expectation towards products or services. As far as the researchers are concerned, customers would likely evaluate the products before and after they purchase the products or services. Customers normally evaluate or judge the products through two processes (Zeithaml, Berry & Parasuraman, 1993), which are called as pre-purchase and post-purchase. During pre-purchase or also known as search qualities stage, customers normally look for the features or characteristics of the product through observation, feel, or touch. On the other hand, during post-purchase or also known as experienced quality stage, the product is evaluated by customers during the post-purchased period.

When customers feel pleasure, it fulfils their expectation hence is considered as satisfaction (Zairi, 2000). If the product or service does not fulfil their expectation, the customers will feel dissatisfy hence reduce the tendency for them to purchase the product or service at the same provider again. Cronin and Taylor (1992) stated that customer satisfaction leads to purchase intention and customer loyalty (Nezakati, Kuan & Asgari, 2011). Bhattacharya et al. (2011) revealed that customer satisfaction over the performance of food and beverages, menu price, and housekeeping plays a significant role in determining the repurchase behaviour of customer towards the fast food restaurant.

2.5 Customer loyalty

Customer loyalty is a crucial issue that may influence the success of any establishments because it is believed that attracting new customers is more expensive than sustaining the old ones (Singh & Imran, 2012). Therefore, a customer can be defined as loyal when he or she makes repeated purchase from the same restaurant and who maintains an affirmative attitude towards the same service provider (Bhattacharya et al., 2011). When customers are loyal toward certain brands, it encourages them to shop frequently. Customer loyalty can be resulted from a customer experience with a service or a product provider (Mascarenhas, Kesavan & Bernacchi, 2006). Samah et al. (2015) further explained that customers might be loyal towards particular products because of the brands, service, store, product categories, and activities. However, the researchers believed that loyal customer can also be influenced by the factors discussed in previous subtopics which are price and service quality.

3 Conceptual Framework

Based on the literatures and the highlighted issues, the conceptual study framework is illustrated in Figure 1. The framework illustrates the impact of price and service quality towards customer loyalty. The framework further displays the satisfaction of customers as mediating variable in examining the significant relationship between independent variable and dependent variable.

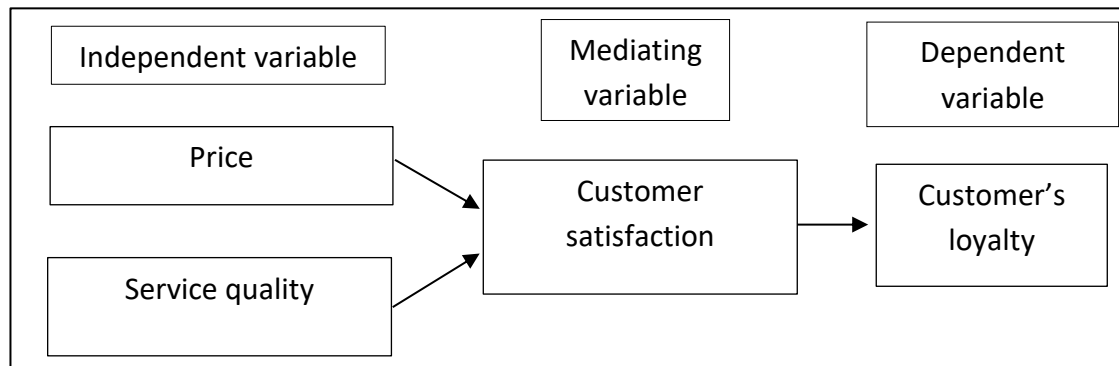


Figure 1: Conceptual framework of impact of price and service quality towards customer loyalty

4 Methodology

This paper is designed to provide a review on customer loyalty, specifically on price and service quality in the fast food restaurant. Concerning to that, systematic literature review was applied for collecting the relevant data. The researchers collected, filtered and gathered data from related previous studies in the field of customer loyalty, specifically on price and service quality. The researchers ensured that the information is dependable and precise.

Overall, there are six phases of analysis that are familiarize with the data, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. First, the researchers familiarized with the data collected from previous journals. The researchers used online database under UiTM such as Science Direct, ProQuest, and Emerald. Throughout this phase, it involved taking notes or marking ideas for coding. Next was generating initial codes. This phase comprised the production of initial codes from the data. The researchers identified the scope of interest. Tuckett (2005) proved that coding is part of analysis that forms the data into significant groups.

Next phase was searching for themes. After the researchers read and familiarized with the data, the researchers entered the keywords related to the study such as 'customer loyalty', 'fast food restaurant', 'price', and 'service quality'. Then, reviewing themes encompasses two levels of reviewing and refining themes. At level one, the researchers read all the organized citations for each theme and at level two made consideration about the validity of customer loyalty based in journal. Phase 5 began when the researchers have defined and named the themes. Subsequently, the researchers examined any sub-themes under the main themes. Lastly, phase 6 began when the researchers produced a report after they set up the themes and finalised the the reviews on customer loyalty in fast food restaurant.

5 Conclusion

It is hoped that the result will benefit other researchers in understanding the factors that influence customer loyalty in the fast food restaurants. Moreover, it will expand the existing body of literature in the customer loyalty study. This paper will be a good guidance and references for future research in the related topic. From the practical perspective, this paper enables food operators to have a clearer view on factors that may affect the customer loyalty, thus helps them to survive in the competitive market. Therefore, with this understanding of phenomenon, the management team can compete fairly in the market hence increase their sales and profits. In addition, it will upsurge the number of loyal customers and indirectly shows that the restaurant offers an excellent quality service and price to their customers.

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