Customer Satisfaction in the Restaurant Industry; Examining the Model in Local Industry Perspective

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Abstract
Customer satisfaction plays a pivotal role in success of every business organization whether it is meant for a product or a service. Every business needs not only to retain its current customers but also to expand customer’s base significantly and it is possible only when target customer is fully satisfied from company on some parameters. The objective of study is to construct comprehensive model of customer satisfaction in fast growing restaurant industry covering all the major dimensions of concept. Secondary research and Quantitative techniques were used to explain the concept of customer satisfaction. Stratified random sampling was used for this purpose for data analysis purpose, Correlation and multiple regressions while using SPSS-16 were used to test the model. This research will add in existing base of knowledge on vast topic of customer satisfaction while focusing on local restaurant industry.

1. INTRODUCTION

The restaurant industry has become one of the most profitable industries in the world. International and local restaurant chains are satisfying the demand of customers in variety of range of products and services. The ready
to eat segment (fast Food) has given a new dimension to the industry so that Fast food restaurants like Pizza Hut, KFC, AFC are taking very good business in most of the part of world as well as in many cities of Pakistan and they are spreading their branches very successfully. Basically this is the era of globalization and due to advancement of media world is shrinking in terms of culture and habits so the fashions as well as eating patterns are also being opted among all over the world and this the reason for such a huge spread of restaurant industry in the world.

Customer satisfaction is very important for every organization; either they are service sector or the privet sector. Customers are the actual agents or stakeholders for determining or best judging the success of any product or service.

The purpose of this study is to investigate the factors or determinants which are making significant impact on customer satisfaction in this industry in reference to our focus area of Pakistan. For this we studied the behaviour of customers of some big Restaurant outlets in Okara city. The methodology used was data collection through structured questionnaire from sample of target population and then this data was statistically analyzed via SPSS version 16.

1.1 Objective of the study
The objective of the study is to find out the essential factors or determinants of customers’ satisfaction in the restaurant industry of Pakistan.

1.2 Research questions
Reference to the research objective following research questions are to be addressed by this study;
1- What are the determinants of customer satisfaction in full service restaurant industry?
2- What is impact of service quality, product reliability, price and physical design on customer satisfaction in restaurant industry?

1.3 Significance of study
A thorough understanding and knowledge of the factors that have impact on customer satisfaction are very useful in guiding restaurant owners and managers to design and deliver the right offering and strategies. Also research has many future implications. It has potential to check the moderating effect of culture sensitivity and also it can determine the mediating role of customer satisfaction and its impact on brand or customer loyalty in further. This will be of unique in terms of local environment and will have many implications for restaurant owners, managers and researchers of particular community.

2. LITERATURE REVIEW

2.1 Customer satisfaction
Qualities of brand characteristics that are offered by company determine the level of customer satisfaction. (Khan & Afsheen, 2012).

Customer satisfaction can be defined in terms of meeting the expectations of the customers in terms of parameters associated with satisfaction (Malik & Ghaffor, 2012). According to Johan; the customer mind is a
complex set of thoughts and ideas and cannot be fully predictable by human being.

Thorsten and Alexander (1997) found Customer satisfaction with the product and services of company as the strategic factor for competitive advantage. In the context of relationship marketing, customer satisfaction is the way that leads to long term customer retention because unsatisfied customers have very high switching rate (Lin & Wu, 2011).

According to Zairi (2000) the feeling of accomplishment of inner desires is called satisfaction. Customer satisfaction has direct effect on customer loyalty (Mittal & Lassar, 1998). If product or service fulfills the needs and demand of customer he will become satisfied and will be converted to loyal customer and thus will add in customer equity of company. Company profitability is not only depicted in its balance sheet but it is also measured on basis of its sound customer base and life time value that customers deliver to company. Oliver (1993) suggest in his study customer satisfaction is the core philosophy of marketing strategy of any organization and plays a key role in an organization success. In fact customer satisfaction is the core principle of the modern tool of CRM being used by marketers to attract and retain customers.

Lim (2010) Customers final pleasure may have significant affect connected with atmosphere. Bodily environment are useful to produce graphic within the mind connected with customer in order to affect their own behavior. Bodily atmosphere with the dining places have the significant has an effect on for the clients pleasure. Super, providing, routed, tunes and different various other atmospheric components included in this effect in customer satisfaction. Complete support dining places ought to give attention to 3 elements – support good quality (responsiveness), cost, along with meals good quality (reliability) in the event customer satisfaction will be dealt with like a organizing variable. Oliver (1981) expressed in which pleasure shortly decays directly into one’s total mindset

“Satisfaction can be regarded as a broad principle; support good quality is a component of satisfaction” (Zeithaml & Bitter, 2003). Client satisfaction is usually defined through Oliver’s (1997) conditions: that it's this consumer’s fulfilment result. It's a ruling that a products or services feature, or this products or services per se, comes with a pleasurable level of intake linked fulfilment. In other words, it does not take total level of well-being that has a service /product knowledge.

Full satisfaction is usually ordinarily deemed as a general affective result resulting from the application of some sort of products or services (Oliver, 1981).

There is positive romantic relationship between fulfilment and also devotion. Szymanski and Henard (2001), inside their meta-analysis, reveal 15 positive and also major correlations between 2 constructs. Bearden and Teel (1983) in addition have granted a new romantic relationship between fulfilment and also devotion.

We employed transaction-specific model within advised because suggested through function ended up being accomplished on there through Teas (1993) and Cronin et al.,
In this way research question or even target is usually interested mainly because much like this product customer satisfaction within all round is usually dependent upon judging the feeling or even final results along with number of measurements just like program excellent, merchandise excellent and price (Parasuraman et al., 1994).

In addition, using the transaction-specific product, most of us reveal which the merchandise providing for your complete program restaurant industry should be known as a mix of program and also merchandise functions. Therefore, clients will take into account these issues with deal for example merchandise characteristics (e.g. food excellent and also restaurant ambience), program attributes (e.g. responsiveness of the representative), and also price so you can get an overall fulfilment from restaurant. The Theoretical frame function as well as the worried ideas are shown yearly part, and also chapters upon research process, your analyses, final results, and also conversation can also be incorporated.

### 2.2 Service quality

**Ayse (2007)** Top quality includes 2 main factors: (1) the merchandise fulfils wants or even (2) around that levels it truly is free from insufficiencies (Juran, 1988). Service is kind of performance that’s proposed by 1 get together to an alternative and also within corporeality can be a ought to part of it (Kotler & Keller, 2006). Through acknowledged the necessity associated with methods associated with program excellent quite a few scientists most often make use of program excellent in order to measure customer satisfaction Zeithaml (1985).

The researcher found that greater you give service as per customer requirement or need, greater will be the level of satisfaction and vice versa. Analysts described the direct positive relationship of service quality with customer satisfaction (Parasuraman et al., 1988). Athanassopoulos (2000) identified development, responsiveness, price, and program excellence as centre measurement associated with customers’ satisfaction.

Service quality is not an easy task to quantify and being evaluated, because it is not a product to quantify but it is customer’s evaluation and subjective perception about something (George & Jones, 1991). Takeuchi (1983) quality is such an important characteristic or feature of something that make some differentiation in your product and stands you remarkable in terms of competitive advantage. Service quality is evaluated when the user of service compare his perception with actual experience.

Gronroos (1984) Satisfaction is wide concept and is impacted by many factors and service quality is one of the major determinants of customer satisfaction (Zeithaml & Bitner, 2003). Bitner and Hubbert (1994) give two options of explaining the phenomena: satisfaction as result of some particular experience or event combined effect of satisfaction.

SERVQUAL product supplies a beneficial way to be associated with computing program excellent produced by PZB within 1988, as outlined by this product customers’ awareness and also anticipations starting upon all 5 measurements: tangibles (Actual environment or even design), reliability (Product quality), responsiveness (Service
quality), assurance and also sympathy. Determined by aspects associated with SERVQUAL product exact same final results are already put on restaurant industry through Stevens (1995) and also he or she created DINESERV from SERVQUAL. Inside the restaurant industry, only an element of providing can be a program and it's also intangible and also generation and also utilization of merchandise have become significantly within close up affiliation. Furthermore customer wish wide variety and also self assortment plus they evaluate one’s providing along with some others when they have got clusters associated with eating places inside their thoughts because of reference point teams (Neal, 1999).

Authentic measurements associated with SERVQUAL don't need to be incorporated. Inside the restaurant industry, customer’s chance just isn't a lot of large because of the purchase price, the results of the program, as well as the alternatives available. Hence assurance just isn't because significant within this industry. In the same manner, sympathy is outlined within the SERVQUAL materials because particular person consideration and also attention that's inclined to each customer. This sizing is a lot more applicable in order to companies where “relationship marketing” instead of “transaction marketing” is vital on the business. However trustworthiness and also responsiveness operating industry just like restaurant can be a lot more much better. Responsiveness, as defined by the SERVQUAL literature, is identified as the willingness of the staff to be helpful and to provide prompt service to the customer. In full service restaurants, customers expect the servers to understand their needs and address them in a timely manner. SO, the quality of service includes many factors and responsiveness is among one of those factors which satisfy the customer on dimension of service quality

2.4 Product quality or reliability
Product quality has same importance in full service restaurant industry as like service quality. More you are reliable in terms of your product quality more customers will be satisfies with your product. It is the part of Customer relationship management (CRM) that how much your customer depends upon reliability of your core product. Once customer is satisfied on reliability of full service restaurant, he would not only become loyal customer but also will become brand ambassador and will add in customer equity of the restaurant.

In different organization business we will discover all 5 most critical measurements which make a very good organization and also these are generally program excellent, perceptible, trustworthiness, responsiveness assurance and etc. (Azadavar et al., 2011). Satya (2011) identified it is compulsory for corporations to maintain their own excellence in quality mainly because everyone is a lot more attentive to quality excellence as compared to price. The consumers someday buy better brand in terms of quality instead of thinking about of the price issue (Rajput et al., 2012). Tsiaotso (2006) identified a good primary influence associated with perceived quality upon acquire intentions.

2.5 Physical design
On the view associated with actual physical layout, environment psychologists declare that
people answer areas along with two general, and also opposite, types of actions: strategy or even prevention (Mehrabian & Russell, 1974). It is advised of which besides the actual physical measurements of the organization attracting or even deterring assortment, actual physical layout of the organization can also influence the amount associated with accomplishment consumers attain after within (Darley & also Gilbert, 1985). This involves research about the “ambiance” (Bitner, 1992) which is “artificial environment” and also how it influences both clients and also workers within the program process.

2.6 Price
Price has a significant role in selecting a product. For company point of view price is reward or value given in return of need fulfilment to company. Perceived customer expectations and price should be in accordance with each other.

Skindaras (2009) we can discover a lot of merchandise on this planet possessing different price ranges.

Price is one of the four P’s of Marketing Mix that has significant role in implementation of marketing strategy. (Kottler & Armstrong 2012). Han (2009) claim that one of the most adaptable factors which improved quickly is the pricing (Andaleeb & Conway, 2006) the costs associated with restaurant merchandise furthermore vary according to style of restaurant. If your price is large, clients may very well expect premium quality. ” Also, in the event the price is minimal, clients may perhaps believe that restaurant is poor in terms of merchandise and also program excellent. Furthermore, because of the competition within of the restaurant industry, clients will be able to identify interior reference point price ranges inside their head plus they constantly evaluate and also analyze the values in terms of many characteristics associated with restaurant upon every acquire, an inside reference point price is understood to be an expense within potential buyers ‘memory of which acts as a criteria intended for contrasting precise price ranges (Grewal et al., 1998).

Besides previously mentioned variables preference associated with merchandise, campaign, within aspect actual physical environment and also program excellent also have major romantic relationship toward customer satisfaction within fast food industry associated with chosen human population. Andaleeb and Conway (2006) researched of which price or cost associated with restaurant furthermore varies as outlined by style of restaurant. Shoppers may very well understand price associated with restaurant in terms of its merchandise and also program excellent. In accordance with Chang & Wildt (1998) the value provides its major influence upon customer perception about quality if it's really the only details indicated available. In respect the study associated with buyer want to undertake a price and also quality instead of complex elements within sturdy items (Chui et al., 2006).

2.7 Theoretical frame work and hypothesis
Research has found that there are a no of factors which are contributing towards customer satisfaction in restaurant industry. Many researchers have done lot of work on the concept and many elaborated it in different dimensions like taste of product,
Sales promotion, brand image, brand trust, physical location of the restaurant, product and service quality, physical atmosphere or design and pricing etc. All variables have their relative impact on customer satisfaction but the core variables that are chosen in this study are included in theoretical framework and their hypothesis are made accordingly for further research.

**2. Model diagram**

Following diagram shows the relationship of variables both dependent and independent variables, customer satisfaction is dependent variable and Responsiveness, Reliability or Product quality, Physical design and price are few of the major independent variables in our study.

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsiveness</td>
<td>Customer Satisfaction</td>
</tr>
<tr>
<td>Product Quality</td>
<td></td>
</tr>
<tr>
<td>Physical design</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
</tr>
</tbody>
</table>

**Hypothesis**

**H1a.** The more reliable the service provided by the restaurant, the greater the level of customer satisfaction.

Within Responsiveness (service quality) we can also propose below mentioned hypothesis;

**H2.** The responsiveness is positively related with customer satisfaction.

**H3:** The food quality is positively related with customer satisfaction.

**H4.** The physical design and appearance of the restaurant is positively related with customer satisfaction.

**H5:** The negative deviation in price, is negatively related with customer satisfaction.

**3. METHODOLOGY**

**3.1 Sampling and data collection**

Convenience sampling technique was used to collect the data from a sample of 130 customers on same point of purchase and consumption inside the restaurant. A structured questionnaire on Five point Licker scale was used to collect the data.

**3.2 Development of instrument**

The survey questionnaire measured four dimensions or determinants and their effect on central concept customer satisfaction. The reliability of instrument was checked first through pilot testing by using chron bach
alpha. The data was collected on five point liker scale.

3.3 Data analysis section

3.3.1 Demographic summary
To check the reliability of instrument I made reliability analysis and find out the value of chron bach alpha for each individual variable in SPSS.

<table>
<thead>
<tr>
<th>Demography</th>
<th>Count</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>64</td>
<td>64%</td>
</tr>
<tr>
<td>Female</td>
<td>36</td>
<td>36%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 15 years</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>15 years but below 30 years</td>
<td>81</td>
<td>81%</td>
</tr>
<tr>
<td>30 years but below 45 years</td>
<td>9</td>
<td>9%</td>
</tr>
<tr>
<td>45 years or above</td>
<td>9</td>
<td>9%</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 15,000</td>
<td>40</td>
<td>40%</td>
</tr>
<tr>
<td>From 15000 to 29,999</td>
<td>29</td>
<td>29%</td>
</tr>
<tr>
<td>From 30,000 to 44,999</td>
<td>17</td>
<td>17%</td>
</tr>
<tr>
<td>From 45,000 to 59,999</td>
<td>06</td>
<td>06%</td>
</tr>
<tr>
<td>60,000 or Above</td>
<td>07</td>
<td>07%</td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teacher</td>
<td>19</td>
<td>19%</td>
</tr>
<tr>
<td>Banker</td>
<td>29</td>
<td>29%</td>
</tr>
<tr>
<td>Lawyer</td>
<td>12</td>
<td>12%</td>
</tr>
<tr>
<td>Business Person</td>
<td>30</td>
<td>30%</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>10%</td>
</tr>
</tbody>
</table>

Note: Mean and standard deviation of each item under heading of item statistics of each variable is also given in table A in Annexure

<table>
<thead>
<tr>
<th>Variable</th>
<th>Chron bach alpha</th>
<th>N of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsiveness (service quality)</td>
<td>0.730</td>
<td>10</td>
</tr>
<tr>
<td>Reliability (Product Quality)</td>
<td>0.55</td>
<td>2</td>
</tr>
<tr>
<td>Physical Design</td>
<td>0.60</td>
<td>4</td>
</tr>
<tr>
<td>Price</td>
<td>0.60</td>
<td>2</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>0.70</td>
<td>3</td>
</tr>
</tbody>
</table>

3.4 Interpretation
Okara city is reliable and consistent with the scale.

The above table shows that data collected from respondents from selected restaurants in

<table>
<thead>
<tr>
<th>SQ</th>
<th>PQ</th>
<th>PRICE</th>
<th>CS</th>
<th>Design</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SQ</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.593**</td>
<td>.019</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0</td>
<td>0.83</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>130</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>PQ</td>
<td>Pearson Correlation</td>
<td>.593**</td>
<td>1</td>
<td>0.056</td>
</tr>
</tbody>
</table>
Correlation is a technique which measure the strength of association between two variables. The results show there is positive correlation among the variables of study but price has negative correlation with customer satisfaction and physical design. As, Correlation is significant at 0.01 level (2-tailed), here result shows there is low significance b/w price and other variables like customer satisfaction and physical design and strong level of significance exists among all other variables of study.

When we find the relationship between one dependent variable and one or more independent variables we go for regression analysis. Correlations only find association between variables but regression measures how much there are variation in dependent variable due to change in one or more independent variables. When there are two or more independent variables in study we go for multiple regressions.

### Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.523*</td>
<td>0.274</td>
<td>0.25</td>
<td>0.76936</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Design, PRICE, PQ, SQ

### 3.6 Interpretation of adjusted r square

The value of adjusted R square shows that customer satisfaction is affected by 25% due to price, product quality, service quality and physical design as a whole and remaining 75% is due to other factors that are being held constant in this study but they have their impact on the concept. Goodness of fit is also checked in Anova table. The value of F statistic shows the overall Fitness in model.
### 3.7 Interpretation

Multiple regression analysis was used to test the model with four independent variable and customer satisfaction as one dependent variable.

The results show that variables under heading of unstandardized coefficients shows how much dependent variables is caused or effected by independent variables. Here value shows all independent variables positively affect the customer satisfaction except price with negative value. The values of Beta (Standardized coefficient) shows that service quality has much positive impact on customer satisfaction with (B: 0.210), Physical design has 2nd largest importance as (B: 0.187) and Product quality or reliability has weak relationship as (B: 0.064). On the other hand Price has negative relationship with customer satisfaction as (B: -0.350).

### 4. CONCLUSION AND DISCUSSION

This study tested the model of customer satisfaction in full service restaurant industry. The results show that restaurant owners should focus more on these four factors of service quality, physical design, product quality and price if they think customer satisfaction as part of their marketing strategy yet among all these four variables they should take service quality as the most important tool of customer satisfaction.

All of the major elements of service quality in SERVQUAL MODEL are being used under heading of responsiveness to check the service quality that is contributing maximum towards customer satisfaction in full service restaurant industry.

From managerial perspective it is important to develop training programs to build up the responsiveness of employees, their attitude, knowledge and all other dimensions of Servqual model. The negative beta value of price in multiple regression models indicates that when price is not in accordance with the expectations of customers their satisfaction level declines. As per Secondary research customer have reference prices in their minds and memories when they go to buy something (Grewal et al., 1998). So, full service restaurants should reposition their prices to take the confidence of customers.

Based on the regression coefficients, the beta value for Product quality or reliability is very low. Initially it looks surprising but in modern and high growing restaurant food industry, it is not as much important tool to differentiate the positioning on basis of quality as it is presumed by customers that all restaurants of almost equal levels are giving same food quality. So, the point of differentiation is not food quality now.

As per results physical design or atmosphere has 2nd largest contributing effect towards
customer satisfaction. Now in this age only atmosphere is not the criteria of satisfaction but it should be blended with other factors like service quality also.

4.1 Future research
– To explain customer satisfaction in a better way, it is important to look at additional factors or seek better measures of the constructs (Divide the dimension or variables of construct into all possible elements).

The value of adjusted R square indicates that there is limitation and need of more in depth study in this field. As, apart from these four variables discussed in this study there are some other variables also which affects customer satisfaction.

Second assumption to be studied is what the primary reason customer is going to restaurants either for meal or for social gatherings and as symbol of their prestige and social status.

<table>
<thead>
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<th>This study received no specific financial support.</th>
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<td>The authors declare that they have no conflict of interests.</td>
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<tr>
<td>Contributors/Acknowledgement:</td>
<td>All authors participated equally in designing and estimation of current research.</td>
</tr>
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<td>Views and opinions expressed in this study are the views and opinions of the authors, Journal of Asian Business Strategy shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.</td>
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price as a quality cue. *Psychology & Marketing*, 13(1), 55-75.


