QR – Issue   QR – Article

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IMPACT OF CUSTOMER SATISFACTION ON CUSTOMER LOYALTY IN UPSCALE ETHNIC RESTAURANTS

Abstract: The purpose of this article is to investigate the impact of the service quality factors and the customer satisfaction on customers' loyalty and positive behavioral intensions in the context of the restaurant industry. The literature review part of the study has analyzed the key concepts of the quality, its dimensions and important features of the service sector. Moreover, the researcher has broadly examined the nature of the customer loyalty, its conceptualizations and segmentations. Reviewing the previous research papers on the topic of study assisted the author to identify that food quality, service quality, physical environment, perceived price and value have direct influence on customers' satisfaction with their dining experience. Moreover, it was found out that the customer satisfaction is one of the core determinants of the behavioral and attitudinal loyalty. The author has chosen the Good Earth restaurant as a case for the current study and conducted a survey among the randomly selected sample of customers. The findings of the primary research depict that the most of customers visit the restaurant once in two week and spend about 20 – 50 GBP per check per person. It was also found out that the current service and food quality, price, perceived value and physical environment of the restaurant are in satisfactory level. Moreover, the cross-tabulation analysis revealed that the customers who were satisfied with service quality and overall dining experience, showed high response rate for intention to revisit the restaurant in future and recommend it to others.

Key words: customers, restaurant, services, brands, market share, lower costs.

Language: English

Citation: Abdullaeva, M. (2020). Impact of customer satisfaction on customer loyalty in upscale ethnic restaurants. ISJ Theoretical & Applied Science, 06 (86), 372-375.

Soi: http://s-o-i.org/1.1/TAS-06-86-71   Doi: crossref https://dx.doi.org/10.15863/TAS.2020.06.86.71
Scopus ASCC: 1400.

Introduction

In today's ever increasing globalization of services and brands, the markets and businesses across the world have become extremely competitive, so sustaining the current market presence has become the critical task for each company. As the national economies are growing in a different pace in all countries, businesses are finding it very challenging to track the opportunities for growth and predict possible threats. As the result, cut-throat competition has changed the view towards customers and the customer is now considered as the king in the business and creating a value for single customer and keeping them satisfied has become the core goal of each business. Soriano (2003) acknowledges that due to the customer's preferences and choice of company's products and services, the businesses operate and survive [1]. The author also highlights that the strong marketing campaigns are being heavily used in line with various strategies to attract customers; however, these high marketing activities create huge financial costs to the businesses and do not always yield the expected sales and profits. Therefore, as the results show, the most favorable and realistic way of keeping the sales steady is keeping satisfied the present customers and retaining them loyal. Kotler and Armstrong (2010) mentioned that attracting new customers is fivefold times expensive than retaining present customers [2]. Therefore, the customer loyalty is defined as a deeply held commitment and considered a critical determinant of firm's profitability (Ladhari et al, 2011). Reichald and Sasser (1990) claim that a 5 % increase in customer retention can enhance profitability by 25-85 %, depending on the industry [3]. Authors admit that profitability results from growth in revenue and market share,

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lower costs of acquiring and serving new customers and increased productivity. Moreover, they suggest that the prime objective of the retention strategies should be zero defection of profitable clients, which is quite hard task, especially in service industry, where the level of consistency is difficult to achieve in each time. There have been many research papers conducted on identifying the customer satisfaction issues. However, Hyun (2010) admits that even the customers who recognized that they were satisfied with the company's product or service, do not always repurchase or intent to reuse them [4]. The research undertaken by Oliver (1999) shows that 85 to 90% of customers who purchased the automotive products declared that they were very satisfied with the product, but only 30 to 40 % of them decided to return to the same brand. Thus, the customer loyalty and retention is considered as a predominant factor to enhance the profitability of the company and sustain its market stand. So, the results of previous researches show that loyal customers should be kept as a competitive asset of the organization. The restaurant sector of the hospitality industry is one of the most competitive and evolving sectors (Ryu, 2012) [4]. As the life style patterns have changed drastically with busy working hours, eating out has become a common phenomenon in both industrialized and developing countries. Crotts et al (2008) highlights that the restaurant sector is thriving with broad range of segments such as fine dining, family style, fast-food, fast casual, ethnic and casual dining restaurants [5]. Each type of restaurant offers their customers a broad range of meals and specialized drinks and tailors their menu to specific customer segments. With the availability of wide choice of offers and alternatives, customers wish to taste a different meal each time and, thus do not build a patronage to a specific restaurant. This process creates a challenge for restaurant owners to track their sales and grow over time. Even the implementation of various marketing strategies and offers are not effective to ensure long term increase in sales and profits. Therefore, focusing on retention of current customers and keeping them loyal can aid the restaurants to build a basis for future growth and maximize their revenue. The primary purpose of the current research paper is to investigate the effect of service quality factors on customer satisfaction and customers' behavioral intentions in the restaurant industry. The researcher is going to review the fundamental attributes of the service quality which play pivotal role in creating an appealing dining experience, customer satisfaction and lead to customer loyalty.

Methodology: The research is an important part of the academic learning process and identified by Oxford Concise Dictionary as systematic and in-depth learning and analysis of sources and information with the aim of digging up facts and drawing new conclusions. The researchers admit the sophistication of the research process as the way how the research is designed, structured and carried out highly impacts on the final findings and conclusions. Methodology refers to the theory of how research should be undertaken (Mark et al, 2009; p. 3). The core purpose of the applied research is improving the understanding of particular business or management problem and finding out a solution to it. Moreover, research helps to explore new knowledge limited to problem and come out with findings which are relevant to managers in organization

Discussion: Uncles et al (2003) propose that the customer loyalty is different from the brand loyalty and is something that consumers may exhibit to brands, product categories, services and activities. As a feature of consumer's behavior, the term of customer loyalty does not have a specific definition, but rather has three popular conceptualizations (Uncles et al, 2003). Model 1 - Loyalty as primarily an attitude that sometimes leads to a relationship with brands: Many researchers and field consultants argue that the true loyalty exist when the customers exhibit strong "attitudinal commitment" towards a brand (Foxall and Goldsmith, 1994 [5]; Mellens et al, 1996; Reichheld, 1996) [6]. This type of customer loyalty is established through strong long-term attitudinal relationship between the customer and the brand, which is based on the consistent set of favourable beliefs about the brand purchased. The attitudes can be measured by asking how much customers like the specific brand, how likely they would recommend it to others, to what extent do they consider themselves committed to it and what positive beliefs and attitudes do they have towards the preferred brand relative to competing brands. So the strength of these customers' attitudes is the core predictor of the future purchase intentions and patronage. The model has gained much conceptual support in the field of marketing and brand equity (Keller, 1998). Advertising and brand management practitioners also effectively use this model, as it assists them to formulate the strategies to enhance the customers' attitudes about the brand [7]. Ahluwalia et al. (1999) suggest that the attitudinal loyal customers are less susceptible to unfavourablenews about the brand and therefore, it is considered to be a very profitable strategy. Glembler and Brown (1999) identified through the cases of Pizza Hut, Federal Express and Cadillac dealerships that as the number of loyal customers increase, the revenue-stream flowing from them becomes more predictable for the company [7]. The "attitudes define the customer loyalty" perspective reveals that the loyalty is a form of relationship between the customers and brands. Fournier (1989) describes the customer loyalty as committed and affect-laden partnership established between the brand and the customers. Besides the wide usage and application of this model, the critics have identified that the model is less effective to evaluate the importance of low-risky, frequently

purchased items [8]. The second model is the most controversial, but supported largely by field data. Ehrenberg (1988) and Fadar and Hardie (1988) support the idea that the customer loyalty is measured as a result of previous purchase patterns of customers, rather than the commitment or preference towards a particular brand [8]. The results of their study reveal that customers are not 'monogamous' or loyal toward a single brand, but 'polygamous' and prefer set of brands in a product portfolio. Based on this perspective, the customer loyalty is defined as "ongoing propensity to buy the brand, usually as one of several" (Ehrenberg and Scriven, 1999). Through the trial of brands, customers return for a brand which gives a relative amount of satisfaction. Consumers buy the same brand again, not because of strong attitudes or commitment, but due to the unwillingness to spend much time and efforts to search for new brands. If the usual brand is out of stock, then the customer will go for an alternative or substitute brand from the product portfolio (Ehrenberg et al, 2003). The opponents of this model (Arnould et al, 2002)argue that even the combined strengths of behaviour and satisfaction are not able to result in customer without positive attitudinal relationships between the customers and brands [9].

The proposers of the Model 3, a contingency approach, describes that the best conceptualization of the customer loyalty is the relationship between behavioral and attitudinal factors moderated by contingency factors such as an individual's circumstances, characteristics and current purchase situation (Uncles et al, 2003). The individual circumstances include the budget effects and the time pressures. The individual characteristics involve an interest to variety, tolerance to perceived risk, the need to confirm and others. Purchase situation effects consist of product availability, promotions and special deals and the type of use occasion. This three factor model is the result of the previous antecedents (weak prior attitudes and characteristics of the customer), contingency factors (the purchase situation and type of use occasion) and the consequences (the new updated attitudes toward the brands, intensions and purchase behavior).

Conclusion: Analysisof thethree major conceptualization models of the customer loyalty reveals that their practical implication would be significantly different. (Uncles et al, 2003). The advocates supporting the idea that the loyalty is the result of the attitudinal approach (Model 1) strive to strengthen the emotional commitment of the customers to the brand by implementing persuasive or image-based advertising and personal service. Thus, as the result, the customers demonstrate strong commitment to a particular brand and do not consider switching to others. The supporters of the idea that the loyalty is merely is a result of the behavioral approach (Model 2) suggest that most of the customers reveal split-loyalty to several frequently bought brands. Since it more challenging businesses to sustain their share of wallet, the adopters of this approach should strive to implement advertising to sustain the brand awareness and persuasion, provide wide distribution and match competitor initiatives. The advocates of contingency approach (Model 3) assume that the customer loyalty cannot be evaluated only by attitudinal or behavioral factors by influenced by individual factors such as purchase situations, user occasions and variety-seeking. As a practical implications, the adopters of this model into practice should try to avoid stock-outs, offer wider product assortment to meet different usage situations, provide extended opening hours and implement various sales promotions, discounts and deals. Thus, by responding to various customer demands, contingent factors, the businesses would have a chance to gain higher customer loyalty. (Uncles et al, 2003).

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