

Prioritization of Service Quality Dimensions towards Customer Retention for Casual-Dining Restaurants

Madylaine G. Delfin, Kenneth G. Tonico and Adrian Allan Barisoro

School of Industrial Engineering and Engineering Management

Mapua University

Intramuros, Manila

mgdelfin@mapua.edu.ph, kgtonico@mapua.edu.ph, aabarisoro@mapua.edu.ph

Abstract

This research investigates whether given set of dining attributes tend to satisfy casual-dining customers, examines for other satisfaction factors, filters satisfaction from retention, and determines the weights and ranks of each of these retention factors. This research gathers factors that promote not just satisfaction but also retention for casual-dining customers, and to set prioritization standards for any casual-dining restaurants. For this research, sample size of 400 casual-dining customers has been surveyed in order to reduce variability. Correlation analysis was used in order to determine the significant relationship of dining attributes to the satisfaction level of casual-dining customers.

Herzberg's two factor theory model was also applied to determine satisfaction and retention ratio of dining customers. Similarly, Analytical Hierarchy Process (AHP) was used to determine and assign weights for each attributes identified in the study. Results of the study indicates that major attributes that contribute to the satisfaction of casual-dining customers are food quality, physical environment design, price and value of food and employee service. On the other hand, based on Herzberg's two factor theory model and AHP, the top 5 sub-factors that need to be prioritized in order to ensure retention of casual-dining customers are food taste, food presentation, restaurant location, food price and freshness of ingredients while the least 5 sub-factors that do not affect the satisfaction and retention of customers are convenient hours, ease of access of menu, staff appearance, attentive and accommodating staff and delighters. This study will help casual-dining restaurants' management to avoid greater risks when it comes to budget allocation, investments, and customer retention planning.

Keywords

Service quality, casual-dining restaurants, customer satisfaction, customer retention

1. Introduction

Food always plays a fundamental role in the lives of human being. The foodservice business today recognized as a global economic industry, with producers and consumers stretch around the world (Hanafiah, Harun & Jamaluddin, 2010). This development can be distinguished from the selection of foodservice establishments blooming in all subsectors of the industry, ranging from hotels, food retail, catering, health foodservice, food manufacturing and restaurants (Jin, Line & Merkebu, 2015). The food industry has become highly aggressive as customers have become more demanding due to sufficient knowledge and information they have about the different trends of restaurant which causes marketers to implement effective marketing strategies to get the competitive advantage and better understand the needs and wants of the customers (Owour, Alwar & Oyugi, 2015). Kapoor & Solomon (2011) highlighted that most successful restaurants compete on the basis of their ability to deliver outstanding service. In other words, restaurant industry derives success from their capability to deliver satisfying experiences to customers. Nevertheless, even in the luxurious restaurant with the best customer-oriented strategic plans and the tightest quality control systems, flawless service delivery cannot be assured (Chen & Kim, 2017).

Restaurant industry, which involves a great amount of personal interaction among restaurants staff and customers, cannot avoid errors, mistakes, failures, and complaints in the process of service delivery. Service delivery failures can put restaurants out of business by neglecting the cause of failure (Ekiz, 2012). Businesses like restaurants are

considered as low credibility service providers and this is one of the reasons that quality of the services are complicated to prove until consumers visit the restaurant. In Chinese and French restaurants, customers view that quality of service has fall short of customer expectations (Kincaid, Baloglu, Mao & Busser (2010). Further, the service quality that customers come across may be dissimilar at different times they visited that particular restaurant, thus upsetting their retention intentions (Plessis & Tachinowna, 2016).

Restaurant experience is often linked with the evaluation of restaurant attributes (Hyun, 2010). The purchase decision is influenced by the customers' evaluation of various attributes in the offering. Thus, the assessment of restaurant experience is determined by the presence of various attributes and the importance these attributes have in the customer's purchase decision (Chen and Hu, 2010). Depending on individual's reason for eating at restaurants, individual intentionally or instinctively assess a multifarious set of attributes ahead of choosing a restaurant. The significance involved to these restaurant attributes is ultimately evaluated in the customer's mind, leading to a decision of purchasing (Baranidharan, 2012).

Service is produced and consumed simultaneously, and consumers frequently experience the service entirely within the physical facility of the restaurateur (Zomerdijk & Voss, 2010). Service experience can be defined as the subjective personal reactions and feelings that are felt by consumers when consuming or using a service. It can be contended that service experience has an important influence on the consumer evaluation of and satisfaction with a given service (Chen, 2010). Purchase behavior of customers in restaurants can be pretentious in different ways. Ambiance can be considered as an attention-building medium that can make restaurant attractive. The center of attention is based on the collective possessions of clues based on design, sound, motion, and color (Zenker, 2011). The well-located and ample parking space is beneficial both for the restaurant management and customers who often see the cost of attaining parking near a restaurant as a non-revenue generating expenditure. This specifies the value of well-located parking along with the direct consequence it has on consumer intentions to patronize a restaurant (Siddiqi 2011). Customer always feel admire and important if they get the best service and respect from the overall management of the restaurant specially from the behavior of the front line staff that increases the comfort level of customers and at the same time makes them brand loyal to that particular restaurant (Ryu, Lee & Kim 2012). Also, Ryu et al. (2012) highlighted the importance of food quality as a measure of customer satisfaction in the restaurant industry.

The success of restaurant business relies on providing superior service quality, value, and customer satisfaction, which in turn enhances consumer repeat patronage (Gummesson, 2011). Satisfaction is considered to act as an antecedent to loyalty (Gotz, Gobbers & Krafft, 2010). Customer satisfaction is vital to the restaurant management because it is normally assumed to be a noteworthy determinant of replicate sales, customer loyalty and affirmative word of mouth. The more pleased the customer is the larger is the retention rate (Chen & Hu, 2010). The impact of customer satisfaction on customer retention is momentous and positive (Ryu, Lee & Kim 2012). Restaurant patrons may have common expectations of different aspects of service quality in fine-dining restaurants, regardless of their ethnic type (Tseng & Hung, 2013). Service quality is more difficult to be evaluated than commodity quality, but it plays an especially important role in firms to improve customer satisfaction and customer loyalty (Liu, 2015). Customer satisfaction in services has been defined as the degree to which service performance meets or exceeds the customer's expectations (Kumar, 2012). Hui and Zheng (2010) defined satisfaction as an evaluative judgement of a specific transaction resulting from perceived quality. On the other hand, Danesh, Nasab and Ling (2012), defined customer retention as the future propensity of a customer to stay with the service provider.

While casual dining restaurants offer a wide variety of food, the menu is normally focused on a particular ethnicity like Filipino, Chinese, Japanese, or a specific food type like seafood, barbecue, vegetarian, noodle, & etc. The emphasis is on value for money and speed of service. Among the best known casual dining chains are Conti's, which started as a takeout place in BF Homes; Pancake House now serving Filipino food; North Park and Mann Han for Chinese comfort food; Dad's for buffet; Cafe France and French Baker; Maple for breakfast; and Cafe Juanita and Abe's for Filipino comfort food. (Cruz, 2015). The casual-dining restaurant format is declining due to changes in customer preferences and increasing competition from fast-casual formats (Jones, 2014). Casual dining is in danger, and millennials are to blame. Casual-dining restaurants face a uniquely challenging market today (Taylor, 2017).

Today, restaurants are doing different service strategies just to attract customers and satisfy them in order to make them return which results to good profitability for their business. Previous researches mainly focused only on the 5 dimensions of service quality which makes the situation to be general. But in actual, there are other dimensions which really affects customer satisfaction and retention. Aside from physical environment and employee service, factors like food quality and value drive customers to go back to the same restaurant. For example, the management found out that the sales are decreasing due to customers are decreasing. Customers tend to rarely go back or worst never. The management found out the feedbacks and there are several problems occurred. The gap here is the management were unable to know the potential impact of each factors. For example, some customers might forego the issue on the tangibles if that certain sub-attribute in the responsiveness will be remedied. Managers don't really know the weights of these sub-attributes. Even they already manage to solve that following service dimension, if the management doesn't know the highest weight of the sub-attributes, the customers might still not be satisfied and guarantee their return.

Given these conditions, the researchers aim to identify attributes that affect the satisfaction level of casual-dining customers in the Philippines. The researchers also intend to determine whether the satisfaction attributes identified in the study contributes to the retention factors of casual-dining customers. In addition, the researchers aim to find the importance of each attributes based on quantitative scoring model such as Herzberg's two-factor theory model and analytical hierarchy process. This will give the researchers further understanding of what are the more important attributes in the service quality dimensions which will increase customer retention rate for any casual dining restaurants in Manila, Philippines.

The significance of this study is to help food service provider like casual dining restaurants to gain customer retention. It will give them better understanding about their customers' needs. The prioritization of service quality dimensions will help the company to perform optimal decisions like managing customer behavior and to know what problems or attributes should be prioritized.

2. Methodology

The researchers gather data from 400 customers of casual-dining restaurants within the area of Metro Manila. Initially, survey questionnaires, interview and direct observations were conducted in order to identify attributes that affect the satisfaction of customers in casual-dining restaurants. Review of related literatures are also performed in order to validate the attributes gathered from initial survey and interview. Then, scores in satisfaction attributes are correlated with the retention level of customers in order to determine if the satisfaction attributes have significant relationship to the retention attributes of customers in casual-dining restaurants. In addition, the researchers also employed Herzberg's two-factor theory in order to validate attributes that cause customer satisfaction and attributes that cause dissatisfaction. And finally, in order to set priority on the attributes that contributes to customer retention, Analytical Hierarchy Process (AHP) was used. This tool systematically evaluates various attributes by assigning numerical weights allowing attributes to be compared to one another in a rational and consistent way. Then numerical priorities are calculated for each attributes to know which are need to be prioritized.

3. Results and Discussion

Based on survey questionnaire, interview, direct observation and review of related literatures, the researchers were able to gather satisfaction attributes for casual-dining customers. The attributes are grouped into 4 major factors such as food quality, physical environment, price-value of food and employee service. The attributes were scored by 400 respondents of the study from 1-5, wherein 1 being the lowest and 5 being the highest. The scores are based on their level of satisfaction on the performance of casual-dining restaurants in Metro Manila. The result of the survey is shown in the table below.

Table 1. Result of Satisfaction Attributes Survey

FACTORS	MEAN
Food Quality	3.91780822

Tasty Food	4.09589041
Food Presentation	3.84931507
Freshness of Ingredients	3.99543379
Nutritious Food	3.69863014
Variety of Food options	3.94977169
Physical Environment	3.815829529
Placement or Location	3.89954338
Interior Design and Ambiance	3.84931507
Clean Tables	3.94977169
Convenient Parking	3.40182648
Availability of tables and chairs	3.74885845
Ease of access to the menu	4.10045662
Convenient Restrooms	3.94977169
Delighters	3.543379
Ease of access to the condiments, utensils & tissue	3.89954338
Price - Value	3.71347032
Food Price	3.84931507
Meal Size	4
Beverage Price	3.45205479
Promo Services	3.55251142
Employee Service	3.837899545
Friendliness of Staff	3.89954338
Fast Service	3.75342466
Trained and Knowledgeable Staff	3.89954338
Attentive & Accommodating staffs	3.84931507
Staff Appearance	3.89954338
Easiness of ordering and payment	3.84931507
Convenient restaurant hours	4.05022831
Senior, PWD Prioritization	3.50228311

Based on initial survey, the satisfaction level of customers based on the performance of casual-dining restaurants in Metro Manila are above average. The attribute with the highest satisfaction rating is ease of access to the menu, followed by tasty food, convenient restaurant hours and meal size, while attributes with lowest satisfaction rating are convenient parking, beverage price, senior & PWD prioritization and delighters.

Moreover, the researchers also intend to validate attributes that lead to satisfaction and dissatisfaction of customers based on Herzber's two factor theory model, this model is also used to identify attributes that contribute to the retention of customers. The result of the analysis is shown in the figure below.

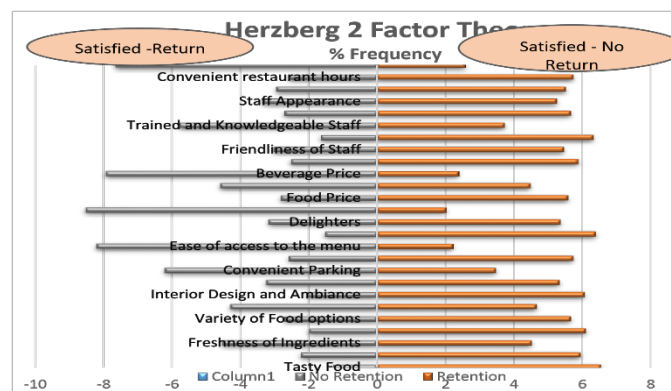


Figure 1. Result of Herzberg's Two Factor Theory Model

As shown in the figure above the visual presentation of an example of Herzberg's approach to employee retention with his Two Factor theory. The negative x-axis presents the number of scores or frequencies generated in a survey that contains no revisit perception by the customers. While the positive x-axis presents the number of scores or frequencies that contain the revisit perception from the customers. The raw data is presented in Appendix G. The raw data is the frequencies that an attribute is equipped with customer retention or not. This tool is used by the proponents to be able to remove a least wanted satisfaction factor. The filtering method was done by picking the attributes with the largest number of negative scores or no retention scores generated in the survey. The factors that contain positive scores will retain in a business or whatsoever. With this secondary method, this will strengthen the foundation of the study since we will have additional retention factors around Metro Manila.

To further analyze and treat the data, the researchers intends to validate if the satisfaction attributes contribute to the retention attributes of the customers using statistical analysis. In order to do this, the respondents rated the attributes from 1-5 wherein 1 being the lowest and 5 being the highest. The scores are based on the contribution of attributes to the retention level of customers in casual-dining restaurant. Then, using correlation analysis, the researchers determine the relationship of satisfaction rating of customers to the retention rating of customers in casual-dining restaurants. The result of the analysis is shown in the table below.

Table 2. Result of Correlation Analysis

Factors	Mean Rate	Pearson's R	Standard Error
Food Quality			
Tasty Food	4.09589041	0.861574519	0.555815464
Food Presentation	3.84931507	0.680629048	0.601375132
Freshness of Ingredients	3.99543379	0.685048961	0.600558517
Nutritious Food	3.69863014	0.437580921	0.56338271
Variety of Food options	3.94977169	0.730183625	0.59141321
Physical Environment			
Placement or Location	3.89954338	0.241616825	0.607988663
Interior Design and Ambiance	3.84931507	0.522035819	0.53443958
Clean Tables	3.94977169	0.374349381	0.58099428
Convenient Parking	3.40182648	0.701911352	0.613647724
Availability of tables and chairs	3.74885845	0.392613697	0.576242347
Ease of access to the menu	4.10045662	0.224171869	0.610606329
Convenient Restrooms	3.94977169	0.511002361	0.538571409
Delighters (wifi, tv, games, etc)	3.543379	0.485087398	0.547898497
Ease of access to the condiments, utensils & tissue	3.89954338	0.522032073	0.534441016
Price - Value			
Food Price	3.84931507	0.855913131	0.557646776
Meal Size	4	0.44010344	0.562610827
Beverage Price	3.45205479	0.308500867	0.595991642
Promo Services	3.55251142	0.629073094	0.487048036
Employee Service			
Friendliness of Staff	3.89954338	0.522032073	0.534441016
Fast Service	3.75342466	0.462835804	0.555403563
Trained and Knowledgeable Staff	3.89954338	0.460482086	0.556171069
Attentive & Accommodating staffs	3.84931507	0.547049981	0.524486912
Staff Appearance	3.89954338	0.450061551	0.559509678
Easiness of ordering and payment	3.84931507	0.596342071	0.50295261
Convenient restaurant hours	4.05022831	0.202079844	0.61362595
Senior - PWD Prioritization	3.50228311	0.549777958	0.4145831

The result of correlation analysis proved that satisfaction attributes that have strong significant relationship to the retention of customers to the casual-dining restaurants are tasty food and food price while satisfaction attributes that have moderate significant relationship to retention of customers are convenient parking, variety of food options, freshness of ingredients, food presentation and promo services.

On the other hand, in order to identify which attributes need to be prioritized, Analytical Hierarchy Process was used in order to assign weights on the attributes based on importance set by the customers. The result of the analysis is shown in the table below.

Table 3. Result of Analytical Hierarchy Process

Main Factors	Sub-Factors	Weight	Rank per group of factors	Overall Weight of Sub-Factors	Overall Rank of Sub-Factors
Physical Environment		28%	2		
	Interior Design	25%	2	6.90%	6
	Placement	38%	1	10.51%	3
	Clean Tables	16%	3	4.45%	9
	Delighters	4%	6	1.20%	17
	Convenient Restrooms	7%	5	1.82%	15
	Availability of tables and chairs	10%	4	2.84%	12
Management Service		10%	4		
	Staff Appearance	7%	5	0.67%	19
	Fast Service	35%	1	3.36%	10
	Trained and knowledgeable staff	16%	4	1.53%	16
	Friendliness	24%	2	2.28%	14
	Ease of Access to the menu	5%	6	0.44%	20
	Attentive and accommodating staff	11%	3	1.01%	18
	Convenient hours	3%	7	0.31%	21
Food Quality		47%	1		
	Food Presentation	26%	2	12.34%	2
	Nutritious Food	11%	4	4.98%	7
	Tasty Food	41%	1	19.24%	1
	Freshness of Ingredients	15%	3	7.13%	5
	Value of Food options	6%	5	2.89%	11
Price - Value		16%	3		
	Food Price	54%	1	8.68%	4
	Meal Size	30%	2	4.79%	8
	Promo Services	16%	3	2.64%	13

Based on the result, among the 4 main factors, Food Quality ranked the highest followed up by Physical Environment, Price – Value, and lastly, Management Service. Food Quality’s output weight is almost half of the total weight of 4 factors which tells how important Food Quality for the customers of the casual-dining restaurants to retain. The next process was to get the weights and ranks of sub-factors for each main factor. For the Physical Environment, Placement or Location ranked as 1 with a weight of 38% while the last rank was the Delighters which covers having TV, games, live band or etc. with a weight of 4%. For the Management Service factor, Friendliness of Staffs ranked highest with a weight of 35% while the last is Convenient Hours with a weight of 3%. For the Food Quality factor, Tasty Food ranked the highest with a weight of 41% while the last is Variety of Food Options with a weight of 6%. For the Price – Value factor, the highest rank is the Food Price with a weight of 54% while the factor that ranked the lowest is the Promo Services with a weight of 16%. After generating the sub-factors’ weight and rank per main factor, the researchers generated their overall weight and rank against other sub-factors by multiplying sub-factor’s weight from the main factor’s weight. The overall rank 1 resulted to Tasty Food with a weight of 19.24% while the factor that ranked last which is 22nd is Convenient Hours with a weight of 0.44%.

4. Conclusion

The researchers were able to identify prioritization of service quality dimensions towards customer retention in casual dining restaurants. Based on data analysis from 400 respondents, the following conclusions were drawn. First, based on the initial survey, the satisfaction level of customers based on the performance of casual-dining restaurants in Metro Manila are above average. The attribute with the highest satisfaction rating is ease of access to the menu, followed by tasty food, convenient restaurant hours and meal size, while attributes with lowest satisfaction rating are convenient parking, beverage price, senior & PWD prioritization and delighters. Similarly, the result of correlation analysis proved that satisfaction attributes that have strong significant relationship to the retention of customers to the casual dining restaurants are tasty food and food price while satisfaction attributes that have moderate significant relationship to retention of customers are convenient parking, variety of food options, freshness of ingredients, food presentation and promo services. And finally, based on Analytical Hierarchy Process (AHP) model, the top 5 attributes that need to be prioritized to ensure customer retention are the following: tasty food, food presentation, restaurant location, food price and freshness of ingredients.

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Biographies

Madylaine G. Delfin is a Professor of Industrial Engineering and Engineering Management at the Mapua University, Intramuros Manila. She earned Bachelor of Science in Industrial Engineering from Mapua University, Master of Business Administration Top Executive Program from Pamantasan ng Lungsod ng Maynila and finished all academic courses of Doctor of Business Administration from Pamantasan ng Lungsod ng Maynila. Her research interests include systems improvement and service quality improvement. She is a member of Philippine Institute of Industrial Engineering, National Association of Mapua Alumni and Mapua Association of Management Service and Industrial Engineers.

Kenneth G. Tonico is a graduate of B.S. in Service Engineering Management at the Mapua University in Intramuros, Manila, Philippines.

Adrian Allan Barisoro is a graduate of B.S. in Service Engineering Management at the Mapua University in Intramuros, Manila, Philippines.