

The Effect of Service Quality on Customer Satisfaction and Loyalty in the Restaurant Sector



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ABSTRACT

This study examined the effect of service quality on customer satisfaction and loyalty in the restaurant sector. Convenience sampling method was used to select 152 respondents and two restaurants located in Accra, the capital city of Ghana. Statistical Package for Social Science (SPSS) was used to analyse the data. The study revealed that all the service quality dimensions (reliability, assurance, empathy, tangibility and responsiveness) have a strong influence on customer satisfaction. When customers are satisfied with quality of services, they will be loyal. Among the service quality dimensions, assurance had the strongest influence on customer satisfaction, followed by empathy. This study therefore recommends that service providers in the restaurant sector periodically train their employees on good customer relationship management in order to deliver quality restaurant services to delight customers.

Key words: *Service Quality, Customer Satisfaction, Loyalty, Ghana*



Introduction

Hotels and restaurants businesses in Ghana have contributed immensely to the service industry with over GHS7,938m of the Gross Domestic Product (GDP) in the country. This has enabled the service industry to become the largest in the economy which contributed 53.3% (Ghana Statistical Data, 2015). Therefore, it is very important for service providers to focus more on how to differentiate their services from that of competitors in terms of quality. Asubonteng, McCleary, & Swan, J.E. (1996) indicated that “due to intense competition and the hostility of environmental factors, service quality has become a cornerstone marketing strategy for companies”. Poku, Zakari & Soali. (2013) emphasised this issue to mean that, the greatest goal of every business is to achieve budgeted result in terms of service quality delivery and customer satisfaction. For a business to establish competitive edge over its competitors and increase profit, service quality should be considered with all seriousness (Saravanakumar & Jayakrishnan, 2014).

On the other hand, building long-term relationship with customers is an important aspect in the customer strategy of any organisation (Haghighi., Dorosti, Rahnama. and Hoseinpour. 2012). Sheikhi and Javadi (2005) stated that, “the cost of attracting

a customer is six to nine times more as compared to the cost of maintaining existing customers. Also, new customers are sometimes less profitable and this makes long-term relationships between customers and organisations very important”.

Loyal customers are those who often purchase goods and services from one seller and inspire others to buy from that same seller and as a result increase company's profitability (Moghadasi 2011). Thus, “customer loyalty is considered to be an important factor for increasing profitability and maintaining the position of the organisation” (Haghighi et al., 2012).

The restaurant industry in Ghana is rapidly growing; as a result, customers have the choice of switching from one service provider to the other where they are not satisfied with the quality of service delivery. This study seeks to examine the effect of service quality on customer satisfaction and also to determine the impact of customer satisfaction on loyalty in the restaurant sector. Findings from the study will enable managers of restaurants especially in the cities to appreciate service quality issues and understand factors that influence customers to be loyal to restaurant service providers.

Literature Review

Service Quality

Service is any intangible activity that can be offered to a customer (Kotler et al., 2005). Quality can be viewed as the ability of a product or service to satisfy an expectation (Kotler et al., 2005). Juran and Godfrey (1985) also viewed quality as a “product performance which results in customer satisfaction free from product deficiencies.” “Lewis and Booms (1983), viewed service quality as “measured service provider with customer expectations.” Thus, the influence of service quality involves expected service factor and perceived service factor”. Zeithaml., Leonard L., Berry and A. Parasuraman (1988) mentioned that the purpose of SERVQUAL is to serve as a diagnostic tool for identifying an organisation's service quality weakness and strength which are uncovered.

According to Parasuraman., Zeithaml. V and Berry L. (1988) and Iddrisu, A., Nooni, I., Fianko, K. and Mensah, W. (2015), service quality is considered as the difference between customers’ needs and their perceptions of service with the view of achieving a competitive edge. Therefore, “service quality plays a pivotal role for customers in evaluating the performance of a service provider and is the key to gain customer satisfaction and customer loyalty,” (Khan and Fasih, 2014). Thus, offering quality service has a “huge effect on the competitiveness of a company,” (Kurtz & Boone, 2006).

Dimensions of Service Quality and customer satisfaction

To measure service quality and customer satisfaction the ServQual model proposed by Parasuraman et al (1988) is mostly applied (Asubonteng et al, 1996; Bryung-Suh, Chul-Ho and Jong-Deuk, 2007). This model consists of five service quality dimensions of tangibles, reliability assurance, responsiveness and empathy.

Tangibles: Tangibles are the physical evidence that can be seen and touched. Some elements of the physical evidence are appearance of employees, equipment and facilities. In a restaurant setting, customers expect to see modern (state of the art) dining equipment, visually attractive premises, well dressed employees and communication materials such as well- designed menus that are easy to read and understand (Kurtz & Boone, 2006).

Reliability: This refers to accurate, dependable and consistent performance of a service. Customers are

satisfied when a company delivers what it promises to do and respond to customer complaints quickly (Kurtz & Boone, 2006). A restaurant service is said to be reliable when it serves customers with the exact food ordered, bills them accurately and operates at hours convenient to customers.

Assurance: This refers to employees being knowledgeable and courteous and able to instill trust and confidence in the customer Parasuraman et al. (1988). Employees must be courteous and have the required expertise in order to make customers feel comfortable (Kurtz & Boone, 2006).

Responsiveness: The preparedness and enthusiasm of staff to deliver a service. Customers want quick responses to their needs and do not want to be kept waiting in queues for long without being attended to. Members of staff are expected to be available always to attend to customers’ needs. Employees of result-oriented companies will have a strong relationship with customers and also communicate to customers the time service will be performed (Kurtz & Boone, 2006).

Empathy: Empathy is the service provider’s effort to understand the customer’s needs and then provide individualised service (Kurtz & Boone, 2006). It is where customer’s attention is placed at the heart of the company (Kotler & Keller. 2009). Here, employees are never too busy to respond to requests.

These are illustrated in Figure 1 below

Figure 1. The ServQual Model and its Dimensions



Source: Parasuraman et al (1988)

Service quality is seen as the antecedent to consumer satisfaction (Byung-Suh et al, 2007). It is a person's feeling of pleasure or disappointment based on service received (Kotler & Keller, 2009). Kotler, Wong, Sounders and Armstrong (2005) indicated that customer satisfaction is the extent to which a service perceived performance matches customers' needs. According to Soriano (2002), customer satisfaction is considered as an element of inspiring customers to keep patronising a service over time. This agrees with the assertion that winning customer satisfaction is very important to a business because satisfied customers are more likely to be loyal, create referrals, less likely to switch and not price sensitive (Iddrisu, Noon, Fianko, and Mensah, 2015). From the above definitions, customer satisfaction is where customer expectations are met through the product and the service of an organisation.

Liu, Li, Tao, and Wang, (2008). instituted five principles for determining customer satisfaction level. These are "Satisfaction: the perception developed by the customers that the goods or services are acceptable or tolerable; Content: the features of goods or services and the underlying benefits gives customer a positive consumption experience; Relief: the alleviation of the negative state of customers' mind of the goods or services provided; Novelty: the goods or services that bring freshness and excitement in customers; Surprise: the amazement and unexpected pleasure brought to people by goods or services consumed". The study therefore posits that:

H1a: *All the service quality dimensions have influence on customer satisfaction*

H1o: *All the service quality dimensions have no influence on customer satisfaction*

Customer Satisfaction and Loyalty

Creating loyal customer is important in every business because it helps to sustain the market share (Kotler & Keller, 2009). According to Levy

&Weitz (2004) customer loyalty to a retailer means that customers are dedicated to in purchasing grocery and services from the retailer and will resist the activities of competitors attempting to attract their patronage. Customer loyalty is more than having customers repeat visits to a retailer and being satisfied with their experiences and the merchandise they purchase. Zeithaml, Berry & Parasuraman (1996) asserted that, it has to do with the service provider's ability to keep its customers' loyalty and encourage them to recommend its services to others. Customer loyalty can be achieved when customers are satisfied with the quality of product and services received (Poku, Zakari and Soali (2013). A restaurant needs to build a strong relationship with its customers to promote loyalty. In order to encourage the above, customers must be extremely satisfied with the quality of product or services (Bowen, and Brown, 2001). Studies of Boulding, Kalra, Staelin and Zeithaml (1993); Fornell, Johnson, Anderson, Johnson. Cha and Bryant (1996) and Zeithaml et al. (1988) have all affirmed service quality as an antecedent to customer satisfaction and the willingness to recommend as a sign of customer loyalty. Izogo and Ogba (2015) applied the concept of service quality to customer satisfaction and loyalty in an automobile repair services sector and revealed that service quality concept was an important predictor of customer satisfaction and loyalty.

The study therefore posits that,

H2a: *Customer satisfaction can influence customer loyalty positively*

H2o: *Customer satisfaction has no influence on customer loyalty*

The Conceptual Framework

The conceptual framework indicates that service quality leads to customer satisfaction. When customers are satisfied with the quality of service, they will be loyal and continue to buy from the same service provider.

Figure 2: The Conceptual Model



Methodology

This study is a cross-sectional survey which used the quantitative research approach. The population of the study comprised of customers from two restaurants situated in the capital city of Accra. A convenience sampling method was used to sample both the restaurants and the respondents. Questionnaires were administered to two hundred (200) respondents. After screening the data, one hundred and fifty-two (152) were valid, therefore forming response rate of seventy-six percent (76%). Prior to the final administration of the questionnaire, a pilot study on twenty (20) respondents was conducted. The essence of the pilot study was to check the clarity and effect the necessary amendments.

The SERVQUAL model developed by Parasuraman et al. (1988) was adapted for the study. The SERVQUAL instrument remains popular and has been widely applied in various service industries such as the banks, food services and public places. The measurement items used to measure the relationship between the three variables (service quality, customer satisfaction and customer loyalty) were drawn from Parasuraman et al. (1988) and Ha and Jang (2010). All items were measured on a five- point Likert scale ranging from (1 = strongly

disagree to 5 = strongly agree). Data was analysed using Statistical Package for Social Sciences (SPSS version 17). Descriptive statistics are presented in frequencies and percentages (%).

Result and Discussions

Demographic Profile

The majority of the respondents, which was fifty-five percent (55%) were men. Women formed only forty-five percent (45%). All the respondents had basic form of education with the least, five percent (5%) having only primary education. Close to half of the respondents of forty-six percent (46%) were married and majority of fifty-four (54%), unmarried. All respondents had a regular source of income with the least at ten percent (10%) earning below two hundred and fifty Ghana Cedis (GH¢250.00) monthly. The majority, sixty-one percent (61%) of the respondents preferred eating at the restaurant premises than taking the food away in a take away pack. Table 1 summarises the demographic profile of the respondents. It can be said that people who patronise restaurant services in the cities mostly are not married and prefer to eat at the premises to enjoy the environment than to have “take away services”.

Table 1: Demographic Profile of Respondents

	N	%		N	%
Gender			Income Level per month		
Male	84	55	100-250	15	10
Female	68	45	251-500	50	33
Total	152	100	Above 500	87	57
			Total	152	100
Marital Status			Education		
Married	70	46	None	0	0
Single	80	53	Primary	7	5
Widowed	2	1	JHS	31	20
Total	152	100	Secondary	52	34
			Tertiary	62	41
			Total	152	100
Type of Service					
Eat in	92	61			
Take away	60	39			
Total	152	100			

Source: Field data (2017)

The Effects of Service Quality on Customer Satisfaction

Findings from the study indicated that all the service quality dimensions: tangibles, reliability, assurance, empathy and responsibility have a positive impact on customer satisfaction. When they were examined, assurance (knowledge and courtesy of employees and their ability to convey trust and confidence) was considered by the majority (89.2%) of the respondents to be the key determinant of quality of restaurant service. This is followed by empathy (caring, individualised attention), which recorded the second highest (88.4%) score. Tangibles (physical facilities, equipment and appearance of personnel) recorded the least (81.7%) score. This finding is consistent with previous work of Keith and Simmers (2011) who found assurance attributes to be a key determinant of service quality. Similarly, Cao and Kim (2015) also found empathy attributes

to be highly ranked by customers than tangibles attributes. Omar, Ariffin and Ahmad (2016) found all the dimensions of service quality to have influence on customer satisfaction.

The implication of this finding is that it is important for restaurant service providers to understand the service quality dimensions that customers who live in the capital city value most in order to apportion adequate financial and human resources. The variety of tasty meals prepared and served in a modern looking dining environment alone might not guarantee customer satisfaction. The attitude of the employees in terms of their level of patience, politeness and competence in handling customers might either reduce or increase the satisfaction level of customers. How the employees handle, serve and package food for customers may attract them (customers) as confidence to eat food that is safe and free from contamination is boosted. Table 2 and 3 summarise the findings of the study.

Table 2: The Effect of Service Quality on Customer Satisfaction

Measurement Items	SD	D	N	A	SA	Total
Tangibles						
The restaurant has modern dining environment	21	20	12	60	39	152
The food was served hot	12	23	35	70	12	152
The food was tasty	3	8	0	81	60	152
The staff were neatly dressed	5	6	0	67	74	152
The restaurant serves varieties of dishes	12	3	0	76	61	152
The restaurant has large parking space	5	2	0	89	56	152
Total	58	62	47	443	302	912
Percentage (%)	6.36	6.8	5.15	48.6	33.1	100
Reliability						
The restaurant serves food within the time promised	17	9	0	70	56	152
The restaurant serves food exactly ordered	12	8	0	70	62	152
The restaurant quickly rectifies wrong services	18	3	0	66	65	152
Total	47	20	0	206	183	456
Percentage (%)	10.31	4.39	0	45.2	40.1	100
Assurance						
Employees are patient	15	10	0	78	49	152
Employees are friendly and courteous	6	9	0	67	70	152
Employees are willing to offer help	9	8	0	75	60	152
Employees are well trained and competent	3	6	0	87	56	152
Total	33	33	0	307	235	608
Percentage (%)	5.428	5.43	0	50.5	38.7	100
Responsiveness						
The restaurant takes extra effort to handle special requests	8	11	1	65	67	152
The restaurant provides prompt and quick service	15	12	0	70	55	152
The restaurant makes you feel comfortable	12	5	2	69	64	152
Total	35	28	3	204	186	456
Percentage (%)	7.675	6.14	0.66	44.7	40.8	100

Source: Field data (2017)

Table 3: Customer Satisfaction and Customer Loyalty

Measurement Items	SD	D	N	A	SA	Total
Empathy						
Employees have my interest in heart	2	14	0	76	60	152
Employees makes me feel special	12	8	0	79	53	152
Employees are sympathetic and reassuring	5	8	0	80	59	152
Employees anticipates individual needs and wants	12	9	0	79	52	152
Total	31	39	0	314	224	608
Percentage (%)	5.099	6.41	0	51.6	36.8	100
Satisfaction						
I am happy with the dinning services received	5	6	0	78	63	152
I am satisfied with the dining experience	3	3	0	80	66	152
Overall, I am satisfied with the service experience	2	2	0	75	73	152
Total	10	11	0	233	202	456
Percentage (%)	2.193	2.41	0	51.1	44.3	100
Loyalty						
I will dine out in this restaurant again.	5	8	0	77	62	152
I will say good things about this restaurant to others	3	6	0	85	58	152
I will recommend this restaurant to others	3	2	0	69	78	152
Total	11	16	0	231	198	456
Percentage (%)	2.412	3.51	0	50.7	43.4	100

Source: Field data (2017)

Customer Satisfaction and Customer Loyalty

Table 3 indicates that the majority, 95.40%, 51.1% and 44.3% of the respondents agreed and strongly agreed respectively to being satisfied with the quality of service received from the restaurant. Also, majority, 94.1%, 50.7% and 43.4% of the respondents were willing to be loyal and to recommend the restaurants to others. Previous studies of Ha and Jang (2010) and Omar et al. (2016) found that service quality is a key determinant of customer satisfaction and loyalty.

This implies that, all the service quality attributes (reliability, assurance, tangibles, responsibilities and empathy) must be given equal attention since collectively, they have an influence on the satisfaction level of customers leading to customer loyalty. Improving quality of services will not only satisfy customers and keep them loyal but will also enhance the restaurant's image and boost sales. Tables 2 and 3 summarise findings of the study.

Conclusions, Recommendations and Future Research Direction

This study seeks to examine the effect of service quality on customer satisfaction and to determine the impact of customer satisfaction on loyalty in the restaurant sector. All the service quality dimensions: tangibles, reliability, assurance, empathy and responsibility were found to have positive impact on customer satisfaction. Assurance was the key determinant and tangibles were the least determinant; as a result, restaurant service providers should look beyond decorating the business premises only. Assurance attributes should therefore be considered as an integral part of the service quality attributes in restaurant settings. The right employees must be recruited first, then periodically trained on customer relationship management techniques and motivated to consistently deliver quality services to customers.

Additionally, the study has found out that customers who are satisfied with quality of service are willing to be loyal. Customers' need and value change with time due to technological advancement, healthy dieting awareness and other socio-economic

issues such as education, income and profession. In line with the above, there will be the need for management of restaurant services to undertake research to identify the specific changing needs of customers so as to improve the quality of service and to meet their changing needs to keep them loyal. Loyalty incentive schemes such as discount for regular customers (where especially customers are price sensitive) and gifts must be given to customers on special occasions such as holidays and Christmas seasons. Employees with outstanding performance must be noticed and rewarded. This will boost their morale and keep them motivated to deliver optimum services to customers.

Although the outcome was derived from restaurant settings, generalisation of the study may not be appropriate since only two restaurants situated in the capital city of Accra were considered. Following such observation, it may be suggested that replication studies be done in different regional capital cities for an effective comparative study.

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