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Importance of Service Quality and Service Encounter: As a Foundation for Customer Satisfaction in Fast Food Industry

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Abstract:

This study is attempted to analyze the importance of service quality and service encounter in the fast food restaurants with special reference to Hyderabad city. The concept of ready to eat food is relatively new in India. The fast food industry emerged due to globalization and liberalization of the economy. The hospitality sector is at boom and the same trend is being experienced by the fast food restaurants. It intends to throw light on the profile of fast food diners and the service quality dimensions which leads to customer satisfaction. To analyze the data and arrive at conclusion, the statistical tools like percentages and factors analysis has been employed.

1. Introduction

Fast food industry is one of the fastest growing industry in the world. Fast food can be prepared and served instantly (Webster Dictionary, 1951). Encyclopedia Wikipedia defines fast food as “food sold in a restaurant or store with preheated or precooked ingredients and served to the customer in a packaged form for take-out/take-away”.

1.1. Food Industry in India

The growth of the fast food industry has, transformed urban food culture in India to an extent, but it doesn't have much impact on rural culture. In India, fast food culture is relatively a new concept. The traditional Indian culture emphasizes on eating at home. However, fast food culture gained tremendous popularity due to increase in the number of nuclear families, economic growth and increase in disposable income as well as globalization. The liberalization of the Indian economy in early 1990's, has led to the entry of multinational fast food giants in India as there is a huge potential market. McDonald's, KFC, Burger King, Pizza Hut, Domino's Pizza, and Al Baik outlets are operating in major suburbs, shopping malls and other public places. Changing consumer taste and preferences led India to witness a huge growth in the fast food restaurant industry.

2. Review of Literature

Ali kara, Erdener Kayanak and Orsay Kucukemiroglu (1997) researched on the major food consumption trend in the USA and Canada and analyzed that people prefer to eat meals outside their homes. They have also predicted that this trend will accelerate in the future. As a result, fast food markets will offer greater growth opportunities for marketers.

Drewnowski and Spectre, (2000) contends that one of the factors, that influences consumption of fast food is by socioeconomic status. Schlosser E. (2001) pointed out the most frequently reported reasons for eating at fast-food restaurants were fast food is quickly served. Laroche and Parsa (2000) found that that people decided to choose the fast food restaurant because they like the taste and prefer instant satisfaction of their taste buds.

Herman and Polivy, (1984) emphasizes that one factor that influences the choice of fast food restaurants depends upon whether they are from rural area or urban area.

3. Objectives of the Study

1. To study the profile of customers who visit fast food outlet in the city of Hyderabad
2. To measure the service performance at Fast food outlets
3. To determine the importance of service encounter in customer satisfaction
4. To identify the important attributes that contribute to increase in the sales potential of the fast food outlets
5. To help fast food outlets enhance their competitiveness and increase their market share

4. Limitations of the Study

1. The duration of the study is limited to 3 months.
2. The study is a sample based and limited to Hyderabad city.
3. There is a possibility that the respondents may be biased.
4. The size of the sample constitutes only a small segment of the population; hence it cannot be applied to the whole population.

5. Research Methodology

Selecting randomly 150 respondents who step in at selected fast food restaurants conducted the study in cosmopolitan city Hyderabad, India. A questionnaire for the same has been prepared for this purpose. Statistical methods like Percentages, factor analysis, are used. The data was collected based on information provided by:

1. The management of the restaurants.
2. Customers visiting fast food Restaurants.

Besides the primary data collected with the help of the questionnaire, the researchers have also collected the relevant secondary data from various sources like magazines, books, Internet and newspapers.

6. Factor Analysis

There are a number of factors, which the respondents consider in selecting a fast food restaurant. Factor analysis is a statistical tool which is primarily used for data reduction and summarization. In research, there may be a large number of variables which are correlated and which must be reduced to the manageable level. Factor analysis is used in following circumstances

1. To identify the underlying dimensions or factors that explain the co-relation among the set of variables.
2. To identify a new smaller set of uncorrelated variables to replace the original set of correlated variables in the subsequent multi variant analysis.

The study explores the important factors which affect consumer choice of restaurants. Principal component analysis is used, as it is exploratory factor analysis. A set of attributes are listed on which the respondents were asked to rate the importance of various attributes in selecting a fast food restaurant on a likert 5 point scale with 1 being strongly disagree and 5 being strongly agree. Factor analysis is used to understand the interdependence among the attributes.

The value of KMO suggests that degree of common variance is middling and the values of the Bartlett's Test are indicative that the sample inter correlation matrix is an identity matrix.

The kaiser-Meyer-Olkin(KMO) measure of sampling adequacy and Bartlett's Test of Sphericity has been executed to test the validity of data for factor analysis. High values (between 0.50 to 1.00) indicate factor analysis is appropriate (source: Marketing Research: An applied orientation by Naresh K Malhotra, Ch 19, Pg No 566,567). The present study shows the KMO value to be 0.877 and the chi-square value of Bartlett's Test of sphericity as 1694.500 at 190 degrees of freedom. This shows that factor analysis test is appropriate with a significance value of 0.000.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.877
Bartlett's Test of Sphericity	Approx. Chi-Square	1694.500
	Df	190
	Sig.	.000

Table 1

After the standards indicated that the data are suitable for factor analysis, principal component analysis is employed for extracting the data. Which allowed determining the factor underlying the relationships between a numbers of variables The total variance explained suggest that is extracts one factor which accounts for 62.044 percent of the variance of relationship between variables.

Total Variance Explained									
Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.551	42.754	42.754	8.551	42.754	42.754	3.916	19.582	19.582
2	1.517	7.586	50.340	1.517	7.586	50.340	3.772	18.860	38.442
3	1.225	6.127	56.467	1.225	6.127	56.467	2.702	13.512	51.953
4	1.115	5.577	62.044	1.115	5.577	62.044	2.018	10.091	62.044
5	.961	4.803	66.847						
6	.843	4.217	71.064						
7	.811	4.055	75.119						
8	.690	3.451	78.570						
9	.647	3.237	81.806						
10	.594	2.971	84.778						
11	.551	2.757	87.535						
12	.502	2.509	90.044						
13	.435	2.174	92.218						
14	.338	1.690	93.908						
15	.287	1.433	95.341						
16	.243	1.215	96.556						
17	.231	1.153	97.709						
18	.185	.925	98.634						
19	.179	.895	99.530						
20	.094	.470	100.000						

Extraction Method: Principal Component Analysis.

Table 2

The rotation of factors is designed to give an idea how the factors initially extracted differ from each other and to provide a clear picture of which item loads on which factor.

Rotated Component Matrix^a				
	Component			
	1	2	3	4
Quality of food	.212	.741	.164	.297
Fresh & hot	.406	.596	.117	.386
Delicious	.300	.745	.088	.280
Packaging	-.028	.471	.538	.304
Food Quantity	-.036	.418	.303	.522
Price competitiveness	.175	.068	.098	.869
Menu Board	.548	.200	.263	.242
Variety of items	.198	.239	.406	.518
Order Correctness	.318	.710	.171	.006
Quality of service	.343	.594	.168	.100
Value for money	.315	.289	.285	.540
Parking Service	.182	-.065	.708	.214
Restrooms	.325	.233	.645	.096
Crockery	.217	.220	.731	.053
Grooming	.726	.302	.249	.178
Redressal	.896	.139	.114	.200
Friendly	.819	.244	.218	.116
Prompt & quick	.505	.394	.218	.040
Dining Area	.345	.510	.465	-.158
Atmosphere	.631	.386	.229	-.073

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 8 iterations.

Table 3

A four-factor solution resulted. The four factors emerged to explain (62.044) variation. The total variation explained by factor 1 is 42.754 percent, followed by factor 2 (50.340) percent, factor 3 (56.467), factor 4 (62.044) percent.

The factor loading indicates that Redressal (.896), Friendly (.819), Grooming (.726), Atmosphere (.631), Menu Board (.548), Prompt & Quick (.505) correlates (loads) high on factor one which is labeled as (Encounter & Ambience)

Delicious (.745), Quality of food (.741), Order correctness (.710), Fresh & Hot (.596), Quality of service (.594), Dining area (.510) on factor 2 which is labeled as food & service quality.

Crockery (.731), Parking Service (.708), Restrooms (.645), Packaging (.538) which is labeled as physical evidence

Price Competitiveness (.869), value for money (.540), food quantity (.522), variety of items (.518) which is labeled as affordability and availability

6.1. Result of Factor Analysis

Serial No.	Factor Name	Eigen Value	Cumulative % of Variance	Variables	Loadings
1	Encounter & Ambience	8.551	42.754	Redressal Friendly Grooming Atmosphere Menu board Prompt & quick	.896 .819 .726 .631 .548 .505
2	Food & Service Quality	1.517	50.340	Delicious Quality of food Order correctness Fresh & hot Quality of service Dining area	.745 .741 .710 .596 .594 .510
3	Physical Evidence	1.225	56.467	Crockery Parking Service Restrooms Packaging	.731 .708 .645 .538
4	Affordability & Availability	1.115	62.044	Price competitiveness Value for money Food quantity Variety of items	.869 .540 .522 .518

Table 4

7. Findings

- About 60% of the respondents belong to the age group of 19-29 yrs, 21% falls in the age group of 30-39yrs, 9% fall in the group of 40-49yrs, 7% falls in the age group of less than 18yrs and 3% of the respondents belong to the age group of more than 50yrs.
- About 80% of the respondents are males and the other 20% are females. This shows the popularity of the fast food among the male population who finds that fast food is easily accessible and they can eat it on the go.
- About 37% of the respondents are students, 23% are private employees, 22% are businessmen, 15% are in other profession and 3% are government employees.
- About 34 percent of the sample respondents consumed fast food once in a week, 27 percent of respondents consumed once in a month, 20 percent of respondents consumed three times in a month and only 19 percent of respondents consumed fast food occasionally i.e. once in 2 months or more. The average number of visits the sample respondent made is once in a week.
- 85 percent of the sample respondent prefers to have fast food in the evening time, 15 percent of them prefer to have in afternoon and none of the respondent prefers to have fast food in the morning hours. Hence it is clearly evident that there is more demand for fast food in the evening time.
- 42 percent of the sample respondents spend on fast food ranges from 500-1000 per month, where as 21 percent of the respondents spend on fast food ranges from 1000-1500 per month, 20 percent of the respondents spend more than 1500 per month on fast food and about 17 percent of the respondents spend less than 500 towards fast food.
- 67 percent of the sample respondent prefer fast food for taste; around 17 percent of respondent revealed that they consume fast food as an alternative to home food, 9 percent of the respondent consumes fast food for their convenience, followed by 4 and 3 percent for time constraint and quick service respectively and it also shows that price is not the reason for the consumption of fast food.

- Majority of the (54 percent) sample respondent express, that they would dine with 2-4 persons. 26 percent express that they would dine with more than 4 persons. About 11 percent give preference to dine with one person and the remaining 9 percent prefers to have fast food alone or they may go for take away service.
- 36% of the customers choose to eat at selected fast food outlet because they were satisfied by the food and service provided in their previous visit, whereas 20% of the respondents are coming for the first time just to try a new fast food joint. 19% of the respondents have chosen because of word- of-mouth, 16% of the respondents have other reasons to choose the fast food outlet, 5% and 4% of the respondents have seen the advertising on the billboards and local TV ads respectively
- The brand image of the fast food restaurants has been built mainly based on goodwill and word-of-mouth marketing.
- It is observed that because of the convenience factor with regard to the variety of the items on the menu card, fast food is considered as a main meal instead of a snack.
- The marketing strategies are not aggressive and seldom make use of print and Television media.
- The fast food diners give more importance to value for money and hygiene
- Mostly unmarried people are interested in consuming fast food as it is more convenient for them
- Service encounters and the ambience of the restaurant plays a vital role in attracting the customers
- The main reason for eating fast food is the change in the taste and preferences of the consumers.
- The professionalism exhibited by the staff while taking the orders is also an important factor.

8. Conclusion

The fast food restaurant marketers can improve the quality of service by providing training to their staff. The service providers should pay more attention in training and developing their staff in order to make the dining experience an impressive one for their customers. The consumers are health conscious so the service providers should focus on the ingredients, nutritional value and quality of food. Service encounters and the ambience of the restaurant plays a vital role in attracting the customers and also the professionalism exhibited by the staff while taking the orders is an important factor in selecting a fast food outlet. The food quality and taste is the most significant factors in choosing a fast food restaurant and it also leads to customer satisfaction.

9. References

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