



IMPACT OF BRAND LOYALTY OF EXISTING RESTAURANT ON NEWLY OPENED RESTAURANTS IN CHANDIGARH

Nikhil Monga*

Sanket Kaplash*

Mallika Bhalla*

Abstract: Chandigarh has been known for a city of food explorer and thus it witnesses new blocks in restaurant industry every now and then. Economically sound entrepreneurs of Chandigarh have a keen interest to be part of a restaurant business. This paper unfolds the risk and challenges faced and strategies adopted by new restaurant entrepreneurs against the brand loyalty of existing restaurants to survive during their stay. The survival mantra is only to come up with a new innovative concept in different elements of the restaurant business has been analyzed by the study of thriving restaurants in this competitive world of brand loyalist consumer. The study reveals that 60% of new restaurants succeed, out of which 40% make them as a brand down the line and 40% of new restaurant struggles to put their mark on the target customer and eventually shuts down due to heavy economic loss, Through this study it has been tried to find out the ways to join the successful category.

Keywords: Brand loyalty, customer satisfaction and restaurants.

*Asst. Prof., Lovely Professional University



INTRODUCTION

Chandigarh, the city beautiful, has also been rated as “Wealthiest town” of India, which motivates the people of Chandigarh, to indulge themselves in trade and business and as restaurant industry is one of the fast growing industries, many ventures can be seen in the city. City is very enthusiastic about food. A part of market segment stick to one brand of restaurant and another have a characteristic to explore. In this study, variables determining brand loyalty of restaurant has been established. Study also tries to unfold the risk and challenges faced by new restaurants over established branded restaurant.

Restaurant industry in India is proliferating. Many international brands have entered in Indian market and planning to spread and many are gearing up to enter. Indian restaurant entrepreneurs are also competing with an advantage of knowing their customer well. The size of the Indian food industry stands at Rs 247,680 crore per annum and is expected to grow at 11 percent to touch a staggering Rs 408,040 crore by 2018 as per" India Food Service Report-2013" of the National Restaurant Association of India.

The success of a restaurant largely depends on its capability to attract guests and its ability to satisfy customer. Once a customer feels satisfied he visits again and again to experience the same food and service and thus exhibits repeat purchase behavior. Satisfied customer not only increase sales but also helps in building positive brand image. Thus customer satisfaction leads to the formation of customer loyalty. Down the line when a restaurant makes itself as a brand, customer becomes brand loyal. But a restaurant industry cannot be seen parallel to toothpaste like products, where one becomes loyal to one brand of toothpaste. In restaurant industry customer wants to explore food and experience different ambience. The phenomenon of exploring food is not exhibited by all segments of market and thus they are loyal to brand, they repeat their footfall in the same restaurant. Customer's expectations change over a period of time and they need to be addressed in order to retain the customer.

Customer satisfaction → customer loyalty → Brand loyalty

Brand loyalty is observed when a customer chooses to repeatedly purchase a product produced by the same company instead of a substitute product produced by a competitor. For example, some people will always buy Coke at the grocery store, while other people will always purchase Pepsi. Brand loyalty is a result of consumer behavior and is affected by a



person's preferences. Loyal customers show consistent adherence to their preferred brands, regardless of convenience or price. Companies will often use different marketing strategies to cultivate loyal customers, be it is through loyalty programs (i.e. rewards programs) or trials and incentives (ex. samples and free gifts). Brand loyalty is important for several reasons. First, it reduces the cost of production because the sales volume is higher. Second, companies with brand-loyal customers don't have to spend as much money on marketing the product, which will permit the company to either retain more earnings or to invest resources elsewhere. Third, companies may use premium pricing that will increase profit margins. Finally, loyal customers tend to recommend products that they like.

Executives in the restaurant industry believe that same kind of brand loyalty cannot be generated like consumers who will always choose Coke over Pepsi or an Apple instead of a Samsung smart phone. Customer satisfaction, service quality, and perceived value and brand image directly or indirectly affect brand loyalty and are important determinant of brand loyalty in restaurant industry. In restaurant industry one needs to convince potential customers that the product is more appealing and meets the expectations, when a new restaurant is opened. A new restaurant faces challenges in terms of financial, marketing and operational aspect against a well established brand. Every newly opened restaurant faces a risk of shutting down if it fails in any of the variable of restaurant industry to make a mark on its clientele but they hope to create and maintain themselves as a brand down the line. Brand loyalty tends to grow stronger when choosing a fine dining restaurant or for some special occasion as in such cases preference is made based on past experiences. When a restaurant goes out of its way to create a unique experience that is hard to find elsewhere, it creates a stronger bond with their guests.

LITERATURE REVIEW

The marketing literature to date has not clearly identified a theoretical framework of the factors leading to the development of loyalty (Andreassen & Lindestad, 1998; Gremler & Brown, 1998). However, among its determinants, service quality, customer satisfaction, perceived quality, and brand image have been widely recognized as affecting brand loyalty. Service quality, a consumer's judgment about the overall superiority of a product or service (Zeithaml, 1988), is widely acknowledged as one of the important determinants of brand loyalty. Service quality is an essential strategy for success and survival of any business



organisation (McCain et al., 2005), as it can influence customer purchase behaviour and organisation performance (Zeithaml et al., 1996). Considering the importance of service quality for any business, a great deal of service quality research in recent decades has been devoted to examine this construct across industries (Brady & Cronin, 2001; Ekinci et al., 2008; Lovelock et al., 2001; Zeithaml et al., 1996). Despite a number of service quality studies, there has been little consensus not only in its conceptualisation, but also its measurement, dimensionality, and consequences (Brady & Cronin, 2001; Ladhari, 2008; Zeithaml et al., 1996). The lack of this consensus might be related to the unique characteristics of services-intangibility, heterogeneity, and inseparability of production and consumption resulting the subjectivity of interpretation (Rust & Oliver, 1994).

In 1997 Oh revealed through his study that the model of service quality, perceived value, and customer satisfaction is robust model in explaining behavioural intention. He also unfolded direct effect of perceived value and customer satisfaction and indirect effect of service quality on behavioural intention. In 2002, Kandampully & Suhartanto established link among customer satisfaction, brand image and customer loyalty and found that highlighting the important of customer satisfaction and image improves customer loyalty in chain restaurants. In 2002, Baloglu deeply evaluated attitudinal loyalty, behavioural loyalty, brand image, switching cost, relative experience. He developed 'loyalty typology' in restaurants context including; truly loyal, spurious loyal, and low loyal customers. He significantly differentiated the customer type on loyalty antecedents (switching cost, image, and relative experience). Juwaheer in 2004 studies service quality, customer satisfaction and behavioural intentions and found out the overall service quality is mostly influenced by reliability dimension. He further stated that quality dimensions only significantly affects intention to recommend but is insignificant towards satisfaction and intention to return. In 2004, another interesting study by Skogland & Sigaw with the variable of repeat purchase, customer satisfaction, involvement and attitude loyalty founded that there exists a weak connection between customer satisfaction, attitudinal loyalty, and repeat purchase. It further stated that involvement of customers significantly influences on attitudinal loyalty and repeat purchase. In 2007, Chitty, Ward and Chua scaling multiple factors in their study, founded only image and satisfaction has direct effect on loyalty. In 2007, Kayaman and Arasli in their study support the three dimensional model of consumer based brand equity



in the restaurants consisting perceived quality, brand loyalty, and brand image. It further stated that brand loyalty is found and has a positive effect on image rather than in opposite way. Kadampully and Hu in 2007 provided evidence on the role of corporate image as a central model in developing service loyalty. They also found that customer satisfaction and service quality have direct and indirect effect on customer loyalty through image. In 2008, Faullant, Matzler and Fuller with variables of customer satisfaction, destination image and customer loyalty established the relationships between satisfaction image and customer loyalty. He further unfolds that customer satisfaction influences loyalty more than more than image. He also emphasized that among first time visitors, satisfaction is more important than image. Kim, Jin-sun and Kim in 2008, highlights the importance of perceived value in customers' mind. He also concluded that brand loyalty, perceived quality, and brand awareness/ association have significant effect on perceived value. Ladhari in 2009, confirms the effect of service quality (direct or indirect) on behavioral intention.

RESEARCH METHODOLOGY

Research objective:

1. To identify different variables that effect the brand loyalty in restaurant industry
2. To identify characteristics of the customers eating in newly opened restaurant
3. To provide strategies to restaurant managers to increase customer loyalty for the new restaurant.

Research method:

The research was carried out during the summer of 2015 by means of a self-administered structured questionnaire. This study sampled 5 newly opened restaurant and 5 existing restaurant restaurants randomly in Chandigarh. A numbered list of all 10 restaurants was created (restaurant number one, restaurant number two, and so forth). Then, sorted numbers with a range from 1 to 10 were generated. A total of 100 questionnaires in 10 restaurants were distributed. Statistical analyses such as frequencies and the mean scores were used according to the research objectives. A Likert-type scale, which may be accepted as a common research method in social sciences, was employed in this study (Ryan and Garland 1999). Respondents were asked to give a score to each of the 31 attributes on levels of loyalty importance and loyalty performance separately using a 7-point Likert-type



scale ranging from not at all important (1) to extremely important (7) and from terrible (1) to excellent performance (7), respectively.

FINDINGS

The first section of the study included characteristics of respondents as shown in the following table:

Variable	Frequency
Gender	
Male	64
Female	36
Marital Status	
Single	63
Married without children	25
Married with children	12
Age	
0-15	3
16-25	64
26-35	25
36-45	5
46-55	3
Over 56	0
Education	
Less than high school	2
High school	4
Some college but not graduate	14
College graduate	60
Post graduate	20
How many times do you dine in your favorite restaurant in a month?	
Once	5
2 times	17
3 times	12
4 times	16
More than 4 times	50

Variable	Frequency
How many times do you dine in a newly opened restaurant in a month?	
Once	65
2 times	15
3 times	9
4 times	7
More than 4 times	4
Purpose of dining in your favorite restaurant?	
Celebration	24
Business	22
Family get together/night out	37
Others	17
Purpose of dining in a newly opened restaurant	
Celebration	4
Business	3
Family get together/night out	9
Just to eat out/Explore	74
Other	10
Points that attracts to visit a newly opened restaurant.	
Distinctive ambiance/ physical attractiveness	33
Weekend offers/ reward points/ combo packs	17
Reviews from friends and family/web search	21
Innovative food/ Product offering	29



Variables of brand loyalty in a restaurant

A. Food Quality	Frequency
Nutritious/healthy food	2
tasty food	3
variety in the menu	1
fresh food	5
consistent standard	4
B. Service Quality	
friendly/polite/helpful staff	1
knowledgeable staff	
speed of service	2
service style	
Consistency in service	4
professional staff	3
C. Ambiance	
brand name/fame	0
overall comfort	2
quiet atmosphere	
view from the restaurant	
overall cleanliness	1
privacy in the restaurant	3
appearance of the restaurant	5
appearance of the staff	4
appearance of the other	
Customers	
temperature of the restaurant	
background music	
D. Convenience	
Location	2
ease of reservation	
ease of parking	
overall timing	
children friendliness	
promotions/coupons	
price/value for money	1

According to the data analysis, we have identified that brand loyalty in restaurant industry is based on service quality, food quality, ambiance, convenience. And customers have given the maximum weightage to food quality followed by service quality and convenience. Determinants of satisfaction from the point of food quality are found to be variety in menu, nutritious and healthy food, tasty food, consistent standard and fresh and well plated food. Study reveals polite and helpful staff valued more in service quality followed by speed of



service, professional staff and consistency in service. From the aspect of ambiance customer rated overall cleanliness as priority followed by comfort, privacy in restaurant, appearance of the staff and appearance of the restaurant. In convenience most of the customer rated price and value for money, followed by location.

Customer eating in a newly opened restaurant is of 16-30 age groups and the most number of people found to be employed unmarried youth followed by college going and newly married couples. The reason of a bent towards newly opened restaurant is found to be attractive ambiance and innovative concept, followed by reviews of friends, family and web; and discounted food and beverage. The number of visits of the customers in existing restaurant is found to be very high as compared to a newly opened restaurant in a month. Repeated footfall in a newly opened restaurant is found to be 20 percent in a month.

According to study we have identified that customer has given maximum weightage to the physical attractiveness and product offering followed by the different offers. Online marketing, advertisement, weekend offers, combo packs, buffet concept, customer reward points can be opted for strategies by newly opened restaurant.

Newly established restaurants with modern concept and located in spacious conducive environments have high customer turnover. The competitive advantage of most restaurants relies on offering unique quality services or products to customers at reasonable cost for high and sustainable performance. Most restaurants do not achieve targeted objectives and levels of performance because of the nature of human resource working in these organizations. Employees lack the required basic skills, attitude and knowledge to offer quality services to the customers of all categories. Many of the employees leave organizations due to unfavorable working environment including long working hours, job insecurity and salary hike expectations. Additional questions were asked to customer, those visited newly restaurant about their satisfaction level. 60 percent of customers were found to be satisfied. When asked about whether, they can form brand in near future, 40 percent were affirmed about the brand value.

CONCLUSION AND SUGGESTIONS

As the restaurant industry matures and competition becomes strong, customer loyalty is of primary importance. As there is versatile clientele therefore there can be no single type of loyalty programme that is appropriate for all restaurants. Different types of restaurants



have to come up with different approaches to the development of loyalty programmes but it may be emphasised that as the bonding between customers and restaurant get closer, loyalty levels may rise. Therefore, the treatment of customers, their fulfillment level of needs and expectations have played a significant role in building bonding which may result in customer loyalty.

Results from this study indicate that all features of a restaurant establishment are not equally important to the customer. It was found that specific features (tasty and fresh food, overall cleanliness and nutritious/healthy food and polite/helpful staff) were the most important factors determining customer loyalty. The awareness towards healthy food is increasing; an accelerated trend of “natural” and “farm fresh” product can be seen in a segment of customer. Various marketing aspects of the restaurant operation such as product, price, place and promotion, people, process and physical appearance may directly affect the restaurant’s image and loyalty. Therefore, these variables need to be managed and marketed in accordance with the restaurant’s image. From the research results, it can be argued that newly opened restaurant should emphasize nutritious/healthy and fresh food options on their menus. They should also come up with innovative infrastructure or concept in order to attract customers and make them believe that they are committed to customer satisfaction.

Opening a restaurant and attracting customer is a challenge when customer is loyal or has a wide choice of established branded restaurants. Expectations are high in terms of food, service, ambiance and value for money. One of the important elements of a newly opened restaurant is menu; either they produce same set of products available in the market or they go for something which is unique but there is always a risk about the acceptability by the customer and in some cases it has been observed that restaurant struggles with menu, they often change it. New restaurant faces challenge in finding and retaining a well trained staff of food as well as of service. Consistency in food is also found to be difficult to maintain. Finance is an area where many restaurant entrepreneurs run into big problems especially in lack of capital. Restaurant entrepreneur should plan to have enough money to run for at least one year without compromising its set standards and varied customer expectations. Additionally, restaurant owners need to have enough financial resources to cope with unexpected costs and increases. Marketing has to be given importance from the



very first day of the restaurant business failing in which leads to slow recognition and slow relationship formation with the customer. Formalizing the brand standards such as mission statement, logo, graphics, guidelines, etc helps in generating trust among customers. Creating a responsive website, engaging in social media and digital marketing and starting an email database boosts a relationship among customers. It is evident that a new restaurant needs to recognise their dependence on repeat customers. Moreover, their word of mouth recommendations will act as an important information sources.

As the market of existing restaurants is highly established therefore, there is a need of surpassing the customer's expectation in order to increase the number of footfall.

The study reveals that 60% of new restaurants succeed, out of which 40% make them as a brand down the line and 40% of new restaurant struggles to put their mark on the target customer and eventually shuts down due to heavy economic loss.

Finally, it is proposed that future research may be conducted on the impact of newly opened restaurants of Elante Mall on branded existing restaurants of other influential location in Chandigarh. Thus, customer loyalty measures may be compared and strategies may be inferred.

REFERENCES

1. Oh, H., & Parks, S. C. (1997). Customer satisfaction and service quality: A critical review of the literature and research implications for the hospitality industry. *Hospitality Research Journal*, 20(3), 35-64.
2. Oh, H. (1999). Service quality, customer satisfaction, and customer value: A holistic perspective. *International Journal of Hospitality Management*, 18(1), 67-82.
3. Kandampully, J., & Suhartanto, D. (2003). The role of customer satisfaction and image in gaining customer loyalty. *Journal of Hospitality and Leisure Marketing*, 10(½), 3-25.
4. Kandampully, J., & Hu, H. (2007). Do hoteliers need to manage image to retain loyal customers? *International Journal of Contemporary Hospitality Management*, 19(6), 435-443.
5. Baloglu, S. (2002). Dimensions of customer loyalty: Separating friends from well wishers. *Cornell Hotel and Restaurant Administration Quarterly*, 43(1), 47-59.
6. Back, K. (2005). The effects of image congruence on customers' brand loyalty in the



- upper middle-class hotel industry. *Journal of Hospitality & Tourism Research*, 29(4), 448-467. doi:10.1177/1096348005276497.
7. Back, K., & Parks, S. C. (2003). A brand loyalty model involving cognitive, affective, and conative brand loyalty and customer satisfaction. *Journal of Hospitality & Tourism Research*, 27(4), 419-435. doi:10.1177/10963480030274003.
 8. Juwaheer, T. D. (2004). Exploring international tourists' perceptions of hotel operations by using a modified SERVQUAL approach - a case study of Mauritius. *Managing Service Quality*, 14, 350-364.
 9. Skogland, I., & Siguaw, J. A. (2004). Are your satisfied customers loyal? *Cornell Hotel and Restaurant Administration Quarterly*, 45, 221-234.
 10. Park, C. W., Jun, S. Y., & Shocker, A. D. (1996). Composite branding alliances: An investigation of extension and feedback effects. *Journal of Marketing Research*, 33(4), 453-466.
 11. Chitty, B., Ward, S., & Chua, C. (2007). An application of the ECSI model as a predictor of satisfaction and loyalty for backpacker hostels. *Marketing Intelligence & Planning*, 25, 563-580.
 12. Kayaman, R., & Arasli, H. (2007). Customer based brand equity: Evidence from the hotel industry. *Managing Service Quality*, 17, 92-109.
 13. Faullant, R., Matzler, K., & Füller, J. (2008). The impact of satisfaction and image on loyalty: The case of Alpine ski resorts. *Managing Service Quality*, 18, 163-178.
 14. Han, X., Kwortnik, R. J., & Wang, C. (2008). Service loyalty: An integrative model and examination across service contexts. *Journal of Service Research*, 11, 22-42.
 15. Ekinci, Y., & Riley, M. (1998). A critique of the issues and theoretical assumption in service quality measurement in the lodging industry: Time to move the goal-post? *International Journal of Hospitality Management*, (17). 249-362.
 16. Ekinci, Y., Massey, G. R., & Dawes, P. L. (2008). An extended model of the antecedents and consequences of consumer satisfaction for hospitality services. *European Journal of Marketing*, 42, 35-68.
 17. Kim, W. G., Jin-Sun, B., & Kim, H. J. (2008b). Multidimensional customer-based brand equity and its consequences in midpriced hotels. *Journal of Hospitality & Tourism Research*, 32, 235-254.
 18. Clemes, M. D., Gan, C., & Ren, M. (2010). Synthesizing the effects of service quality,



- value, and customer satisfaction on behavioral intentions in the motel industry: An empirical analysis. *Journal of Hospitality & Tourism Research*, In Press. doi:10.1177/1096348010382239.
19. Clemes, M. D., Wu, J. H., Hu, B.-D., & Gan, C. (2009). An empirical study of behavioral intentions in the Taiwan hotel industry. *Innovative Marketing*, 5(3), 30-50.
 20. Ladhari, R. (2009). Service quality, emotional satisfaction, and behavioral intentions. *Managing Service Quality*, 19(3), 308-331.
 21. Andreassen, T. W., & Lindestad, B. (1998). Customer loyalty and complex services: The impact of corporate image on quality, customer satisfaction and loyalty for customers with varying degrees of service expertise. *International Journal of Service Industry Management*, 9(1), 7-23. doi:10.1108/09564239810199923.
 22. Gremler, D. D., & Brown, S. W. (1998). Service loyalty: Antecedents, components, and outcomes. *American Marketing Association. Conference Proceedings*, 9, 165-166.
 23. Zeithaml, V. A. (1988). Consumer perceptions of price, quality, and value: A means-end model and synthesis of evidence. *Journal of Marketing*, 52(3), 2-22.
 24. McCain, S. C., Jang, S., & Hu, C. (2005). Service quality gap analysis toward customer loyalty: Practical guidelines for casino hotels. *Hospitality Management* 24, 465-472.
 25. Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of Marketing*, 60(2), 31-46.
 26. Brady, M. K., & Cronin, J. J. (2001). Some new thoughts on conceptualizing perceived service quality: A hierarchical approach. *Journal of Marketing*, 65(3), 34-49.
 27. Ekinici, Y., Massey, G. R., & Dawes, P. L. (2008). An extended model of the antecedents and consequences of consumer satisfaction for hospitality services. *European Journal of Marketing*, 42, 35-68.
 28. Lovelock, C. H., Patterson, P. G., & Walker, R. H. (2001). *Services marketing: An Asia-Pacific perspective* (2th ed.). NSW: Prentice Hall.
 29. Ladhari, R. (2008). Alternative measures of service quality: A review. *Managing Service Quality*, 18(1), 65-86.
 30. Rust, R. T., & Oliver, R. L. (1994). *Service quality: New directions in theory and practice*. Thousand Oaks: Sage Publications.