Service Quality, Customer Satisfaction and Customer Loyalty in Nepalese Restaurant Industry

Surendra Mahato¹
Asst. Professor
Nepal Commerce Campus
Tribhuvan University, Kathamandu, Nepal

Joginder Goet²
Asst. Professor
Shanker Dev Campus
Tribhuvan University, Kathamandu, Nepal

Abstract:- This study determines the service quality dimensions and their influence on customer satisfaction and customer loyalty in the Nepalese restaurant industry. The research is intended to examine the relationship between service quality, customer satisfaction, and customer loyalty using structural equation modeling. A positivist quantitative approach has been used to assess the impact of service quality on customer satisfaction and customer loyalty. The data is gathered from 490 students in Nepal by using structured questionnaires, and the theoretical model is tested by analysis of moment structure (AMOS-SEM). The convenience sampling technique was used to select a sample for the study. Moreover, convergent validity and discriminant validity were assessed. The results show that all dimensions have a strong positive effect on customer satisfaction, while consumer satisfaction has a positive and substantial influence on customer loyalty. Findings indicate that service quality plays a very important role in every society, as it has become the basis for how customers interpret hospitality service and, in the end, how it interacts and operates with restaurant services. This research adds up considerably to the literature of hospitality marketing, and it is also fruitful for the academicians since it demonstrates the way restaurant service quality determinants predict satisfaction of clients which ultimately raises the loyalty of clients. This study is useful for those restaurant owners and managers who want to grab markets. This research suggests a model that ultimately enhances customer loyalty towards hospitality service quality through customer satisfaction in Nepal.

Keywords:- Restaurant Service Quality, Customer Satisfaction, Customer Loyalty, SERVQUAL.

I. INTRODUCTION

Customer satisfaction is a key to the growth and sustainability of business in modern competitive era. It's significant how organizations can meet or outperform their customers’ guidelines. The determinants of customer satisfaction and loyalty are of focal significance to the board research. Over the previous many years, research has indicated expanding interest in inspecting how customers see administration quality and how organizations can convey quality true to form by the customers. Studies additionally dissected the norm of service in various manners. For instance, quite possibly the most well-known methodologies embraced in the prior examination (and the contemporary exploration) is SERVQUAL (see Parasuraman, Zeithaml, and Berry, 1988), which takes a glimpse at service quality from the parts of dependability, responsiveness, substance, affirmation, and compassion. A few investigations have created singular structures relevant to the central observational setting. For instance, with regards to the cordiality business (or inn industry), Mei, Dean, and White (1999) altered the SERVQUAL structure to the hospitality business and proposed HOLSERV with added measurements relevant to the hospitality business.

As exploration has progressed, it is currently perceived that administration quality is heterogeneous in that the assumption or translation of administration quality relies upon numerous factors, for example, the sort of customers, socioeconomics, and full scale and miniature level variables (see Ariffin and Maghzi, 2012; Dabestani, Shahin, Saljoughian, and Shirouyehzad, 2016). Examination proposes that the new age of customers expect the administration quality from certain viewpoints which incorporate the climate of the inn (Wang, Wang, and Tai, 2016). Today, lodgings take a gander at numerous variables, for example, have a framework, crime percentage, and well-disposed network, when choosing the host scene, as today customers take a gander at these angles in their general inn appraisal (Assaf, Josiassen, and Agbola, 2015).

The research investigates the determinants of customer loyalty in the Nepalese restaurant industry. We inspect how service quality and reasonable price influence customer satisfaction and customer loyalty and also how customer satisfaction mediates the relationship between service quality and customer loyalty. The research has been done from 490 individuals visiting Nepalese restaurants in Kathmandu. Nepal is generally an under-researched context; especially it lacks literature support concerning the service quality of hotels. Therefore, this research will try to fill that deficiency.

In the ensuing area, we audited the writing on apparent help quality, seen value decency, customer satisfaction, and customer loyalty. Following that we conceptualized a system and built up a few speculations. We at that point introduced results and talked about the outcomes considering the writing surveyed. At long last, we closed and made ramifications for hypothesis and practice.
II. LITERATURE REVIEW

2.1 Service Quality

Service quality is the primary vital part of the mind of customers (Takeuchi and Quelch, 1983). Customers assess service quality measurements dependent on their insights and execution (Lewis and Booms, 1983; Parasuraman et al., 1985, 1988; Gronroos, 1987; Mackay and Crompton, 1990). The nature of service is essential to guarantee customer loyalty for the customer (Ostrowski et al., 1993). Accordingly, the specialist organization should zero in on assistance quality for pulling in esteemed customers more (Backman and Veldkamp, 1995). Customers contrast the actual climate with deciding service quality since the service is intangible (Berry, 1980; Booms and Bitter, 1981).

Service quality is the actual difference between service expectations and actual performance received by the customers (Lewis & Booms, 1983; Gronroos, 1984; Zeithaml, 1988; Parasuraman et al., 1983, 1985, 1994). The SERVEQUAL (service quality) scale for measurement was propounded and used popularly by (Parasuraman et al., 1985, 1988, and 1994). They used both qualitative and quantitative approaches for measuring service quality. SERVQUAL is a five-dimensional measurement tool for service quality (Parasuraman et al., 1988).

Quality of service is the secret to maintaining reputation by satisfying vales customers for grabbing business opportunities in the markets. It is a vital element that helps an organization seize new opportunities in the world in which it works (Ali, Dey, & Fileiri, 2015). The entire business survival depends upon the service quality delivered to consumers (Gorondutse & Hilman, 2014). In the inn ventures, great help quality might be reflected from numerous points of view, yet the primary components of administration quality are affable conduct of representatives, neatness, affirmation, security, room upkeep, and dependability from the inn staff (Samori and Sabtu, 2014). The degree of service quality may differ according to the service items change in the inns. Rooms, for example, would have various costs and establishment levels. In light of this, customers would have various perspectives and assumptions for the services that the lodging will give (Lee, 2013). Room size, inn building actual appearance, sound and serene air, tidiness of the whole lodging when all is said in done rooms help to shape customer service regarding the general assistance. For instance, in Muslim nations, it is normal that guys and females will have separate pools and salons. Similarly, in Hindu nations, the bed is relied upon to be in eastern settings. Cafes close by Temples like Manokamna and Pushapatinath field, comparably, on account of Muslim and Western (Non-Muslim) vegan nourishments are given high needs since sightseers expect their foods and different services according to their strict convictions and philosophy. Muslim customers will expect the choice of halal food or substitute to halal food in inns, for example, non-veggie lover food. Attributable to their individual tastes, certain individuals essentially don't eat non-veggie lover food (Henderson, 2015). Subsequently, the idea of administration quality is multifaceted and the network is one of the variables driving such intricacy.

2.2 Customer Satisfaction

Customer satisfaction is the real difference between service expectation and service real achieved. A significant level of satisfaction with the items or services accompany the exhibition surpasses assumption and dissatisfaction comes from the failure in the items or services (Kotler, 2000). Subsequently, customer satisfaction is a passionate reaction to the service provided. Customer satisfaction is ensured in the case when service performance exceeds the service expectation of customers. Li, Ye, & Law (2013) explain that customer disappointment comes when the expectation is higher than the performance of the products or services. Shafiq, Shafique, Din, & Cheema, (2013) reveal that a business gets a higher level of satisfied customers when you can provide a higher level of satisfaction to customers through the higher performance of your services in comparison to competitors. Customers from previously established inclination hopes, notice item execution, contrast execution, and assumptions, structure disconfirmation insights, consolidate these discernments with assumption levels, and structure satisfaction decisions (Oliver, 1980). They get against the cost paid. Successful entrepreneurs heavily concentrate on providing higher quality service to customers against their competitors so that they can make their customers satisfied with their services provide. Hence, satisfied customers become a loyal customers for the business. Thus, better service quality must be provided to the valued consumers in the restaurants (Amin, Yahya, & Aniza, 2013). Kasiri, Cheng, Sambasivan, and Sidin (2016) advocate that service quality impacts customer satisfaction and customer loyalty in the inn business. Customer satisfaction is a significant zone of worry for the café business which comprises of a few factors that add to customer satisfaction in an item or administration, which change from customer to customer. Customers look at various factors determining customers' satisfaction, which may vary upon knowledge, education, and experience (Gorondutse and Hilman, 2014). Customers make expectations accordingly. Therefore, what constitutes customer satisfaction may be beyond the offered benefits or solutions to the issue?

2.3 Customer Loyalty

Customer loyalty can be characterized as a long-term commitment with a particular item or services bringing about the acquisition of a similar brand in the future without considering the impact of other situational factors (Oliver, 1999). Customer loyalty is the responsibility of the customer with the service provided, with the end goal that where the customer needs a particular help or set of services, they incline toward a similar service provider (Narteh, Agbemabiese, Kodua, and Braimah, 2013). In straightforward words, for the organization, customer loyalty implies repeat purchase of the same goods or services provided. Kaura, Prasad, and Sharma (2015) characterize customer loyalty as attitudinal loyalty and behavioral loyalty. The previous glances at the mentality of the consumers with the end goal that the customer has good
Hypotheses Development:

H1: The perceived price has a positive and significant relationship with customer satisfaction.

H2: Service quality has significant impact on customer satisfaction.

H3: Customer satisfaction has positive and significant influence on customer loyalty.

H4: Perceived price has positive and significant influence on customer loyalty.

H5: Service quality has positive and significant influence on customer loyalty.

H6: Customer satisfaction mediates the relationship between perceived price and customer loyalty.

H7: Customer satisfaction mediates the relationship between service quality and customer loyalty.

III. MEASUREMENT INSTRUMENT

The data collection instrument was validated by experts and educationists and then it was used for the pilot testing. The sample of the study was 490 customers, who have experienced restaurant services in Kathmandu. The respondents were requested to fill the questionnaire via email. The online questionnaire was constructed and disseminated to the respondents. The five-point Likert scale was created to quantify builds in the examination which goes from 1-strongly disagree to 5-strongly agree. The study has utilized adopted scale for estimation. The perceived price was taken from (Akbada, 2006; and Cronin, Brady, and Hult, 2000). Customer satisfaction and customer loyalty have been taken from (Olornunowo, Hsu, and Udo, 2006) and (Nartesh, Agbemaiese, Kodua, and Bramiah, 2013), separately. All build other than reasonable cost has just been utilized in the inn business as for service quality, customer satisfaction and customer loyalty. Besides, the poll has comprised old enough, sex, marital status, education level, occupation, monthly pay, number of banks record and repetition of cafés visit in a week. A comfort examining strategy was utilized to gather information from respondents. In the accommodation testing strategy, the example from the unit is taken dependent on simple, comfort, and openness. Though, in a straightforward irregular examining procedure, the unit is taken from the inspecting outline, in which, each example has equivalent likelihood to be picked as an example. This is the motivation behind why the accommodation examining strategy has been sent to gather information from the respondents who are accessible and effectively open for the examination. Comrey and Lee (2013); Ali and Raza (2017) and Raza et al. (2018) clarify that an example of 50 respondents is taken as poor yet an example between 300 is considered as acceptable and 500 respondents are viewed as brilliant for the factor investigation especially utilizing AMOS-SEM. Along these lines, the examination has disseminated 540 surveys to respondents at first, through messages and long range informal communication locales. At long last, after the evacuation of missing qualities and unusable polls, the last information was limited to 490 respondents. The criteria of maintaining not less than 25 items has been met (Hair et al., 2006). The researchers have made ethical considerations Ethical considerations by ensuring that the information provided by the respondents would not be disclosed for any other reasons and voluntary.

IV. DATA ANALYSIS AND RESULTS

The research has used structural equation modeling as a part of AMOS (Sarstedt et al., 2014), using a non-parametric bootstrapping technique (Hair et al., 3011). The technique uses a measurement model ad final structural model for the study (Hair et al., 2011; Hair etal., 2012; Henseler et al., 2012, Raza et al., 2018). It is an effective and highly reliable method of breaking down a complex model into a simple one. Besides, AMOS-SEM is also the highly recommended model for mediation and moderation analysis. Convergent (Fiske & Campbeli, 1979) and discriminant validity (Cook & Campbell, 1979) have been checked to ensure the effectiveness of the model used for the study. The appraisal of single thing dependability is finished by assessing a basic relationship (normalized loadings). As per Table 1, all things are recorded to be solid since their separate qualities are more noteworthy than 0.5 (Tabachnick and Fidell, 2007). Besides, Convergent and discriminant legitimacy have likewise been checked dependent on two strategies given by (Fornell and Larcker, 1981).
Table 1 shows the average variance extracted (AVE), factor loadings, Cronbach alpha, AND composite reliability (CR). The variables used in the study are reliable since their respective appraisal of single thing dependability is finished by assessing a basic relationship (normalized loadings). As per Table 1, all things are recorded to be solid since their separate qualities are more noteworthy than 0.5 (Tabachnick and Fidell, 2007). Besides, Convergent and discriminant legitimacy have likewise been checked dependent on two strategies given by (Fornell and Larcker, 1981).ed Cronbach alphas values are higher than 0.7, meeting the criteria of Cronbach alphas proposed by Tabachnick and Fidell (2007). Likewise, it also maintains the criteria of composite reliability which are found to be higher than 0.7 (Nunnally et al., 1967). The values of average variance extracted have also been recorded to be greater than 0.5 which meets the criteria of convergent validity (Fornell and Larcker, 1981). All constructs have met the criteria of reliability and validity (Table 1). Furthermore, Table 1 denotes the cross-loadings of each item and it reveals that all the loadings are higher on their particular construct comparing to their respective construct and their difference is under recommended standard limits 0.1 (Gefen and Straub, 2005; Raza et al., 2018). The diagonal elements in bold are the value of the square root of each construct which are recorded to be higher than all other correlation values in Table 2. It means that it meets the criteria of discriminant validity (Henseler et al., 2015). Therefore, discriminant validity criteria have been met. Table 2 also explains the mean, standard deviation, correlation, and average variance extracted. The mean values show that customers agree that perceived price and service quality have a positive attitude towards customer satisfaction and customer loyalty.

The discriminant validity has also been met since the diagonal elements in the Table 2 shows the average variance extracted values of each construct. The value of AVE are greater than the correlation values of each construct. Therefore, it ensures that there is no validity concern particularly discriminant validity. Besides, there is a positive and significant relationship between perceived price and customer satisfaction (r = 0.392, p < 0.01). Likewise, there is a positive and significant relationship between service quality and customer satisfaction (r = 0.557, p < 0.01). Customer satisfaction and customer loyalty has also positive and significant relationship between them (r = 0.570, p < 0.01). Finally, there is a positive and significant relationship between service quality and customer loyalty (r = 0.815, p < 0.01).

Table 1: Measurement Model Result

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Loadings</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted</th>
</tr>
</thead>
<tbody>
<tr>
<td>PP</td>
<td>PP1</td>
<td>.818</td>
<td>0.861</td>
<td>0.865</td>
</tr>
<tr>
<td></td>
<td>PP2</td>
<td>.871</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PP3</td>
<td>.856</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SQ</td>
<td>SQ1</td>
<td>.879</td>
<td>0.965</td>
<td>0.966</td>
</tr>
<tr>
<td></td>
<td>SQ2</td>
<td>.874</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SQ3</td>
<td>.845</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CL1</td>
<td>.567</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CUL</td>
<td>CL2</td>
<td>.615</td>
<td>0.903</td>
<td>0.912</td>
</tr>
<tr>
<td></td>
<td>CL3</td>
<td>.702</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CL4</td>
<td>.797</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CL5</td>
<td>.781</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CUS</td>
<td>CS1</td>
<td>.862</td>
<td>0.958</td>
<td>0.961</td>
</tr>
<tr>
<td></td>
<td>CS2</td>
<td>.874</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS3</td>
<td>.876</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS4</td>
<td>.911</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS5</td>
<td>.873</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Table 2: Mean, SD and Correlation Coefficient

<table>
<thead>
<tr>
<th></th>
<th>CLO</th>
<th>SD</th>
<th>CLO</th>
<th>PPF</th>
<th>SEQ</th>
<th>CUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3.433</td>
<td>1.123</td>
<td>0.823</td>
<td>0.571***</td>
<td>0.823</td>
<td>0.951</td>
</tr>
<tr>
<td>SD</td>
<td>4.236</td>
<td>0.733</td>
<td>0.571***</td>
<td>0.823</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CLO</td>
<td>4.137</td>
<td>0.924</td>
<td>0.815***</td>
<td>0.393***</td>
<td>0.951</td>
<td></td>
</tr>
<tr>
<td>PPF</td>
<td>3.857</td>
<td>0.840</td>
<td>0.570**</td>
<td>0.392***</td>
<td>0.557***</td>
<td>0.911</td>
</tr>
</tbody>
</table>

Note: ***p<0.01, **p<0.05, 8p<0.10, CUS= Customer satisfaction, CLO = Customer Loyalty, SEQ = Service Quality, PPF = Perceived price, SWR = Standardized Regression Weights, Diagonal elements (Bold) represents square roots of average variance extracted (AVE)
4.1 Path Analysis

Table 3 shows path analysis, which contains different paths, standardized regression weights of each path tested, critical ratios, and p-values. The standardized regression weights show the degree to which each variable has its influence on dependent variables. The sign and magnitude have the respective degree of association and direction of influence on dependent variables. The significance of hypotheses is accepted or rejected based on their respective p-values. The p-value should be less than 0.05. Hence, Table 3 reveals that all formulated hypotheses are accepted since their respective p-values are found to be less than 0.05. The result revealed that there is a significant impact of perceived price on customer satisfaction, represented by H1 (β = 0.295, CR = 3.551, P = 0.000<0.01).

Table 3: Standardized Regression Weights for the Regression Model

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Regression Path</th>
<th>SRW</th>
<th>C.R.</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>CUS &lt;-- PPF</td>
<td>0.295***</td>
<td>3.551</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>CUS &lt;-- SEQ</td>
<td>0.593***</td>
<td>8.476</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>CLO &lt;-- CUS</td>
<td>0.078**</td>
<td>2.233</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>CLO &lt;-- PPF</td>
<td>0.318***</td>
<td>6.42</td>
<td>Supported</td>
</tr>
<tr>
<td>H5</td>
<td>CLO &lt;-- SEQ</td>
<td>0.645***</td>
<td>13.513</td>
<td>Supported</td>
</tr>
<tr>
<td>H6</td>
<td>CLO &lt;-- CUS &lt;-- PPF</td>
<td>0.244***</td>
<td>4.352</td>
<td>Supported</td>
</tr>
<tr>
<td>H7</td>
<td>CLO &lt;-- CUS &lt;-- SEQ</td>
<td>0.312***</td>
<td>5.732</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Note: ***p< 0.01, **p< 0.05, *p<0.10. CUS= Customer satisfaction, CLO = Customer Loyalty, SEQ = Service Quality, PPF = Perceived price, SRW = Standardized Regression Weights

The result also revealed that service quality has highest and positive influence on customer satisfaction (β = 0.593, CR = 8.476, p = 0.000<0.01). It means H2 is accepted. H3 (β =0.078, CR = 2.223, P = 0.023 < 0.05) is significant and positive influence of customer satisfaction on customer loyalty in Nepalese restaurant industry. Perceived price has positive and significant impact on customer loyalty in Nepalese restaurants industry, supporting H4. Likewise, the result concluded that there is a positive and significant impact of service quality on customer loyalty (β = 0.645, CR= 13.513, p = 0.000<0.01), which supports H5.

The mediating role of customer satisfaction between perceived price and customer loyalty was tested using the non-paramedic bootstrapping method. The result revealed that perceived price has its significant indirect influence on customer loyalty through customer satisfaction (β = 0.244, p = 0.000<0.01) at 95% confidence interval (0.321 – 0.442). Therefore, there is a partial mediating role of customer satisfaction on perceived price and customer loyalty in Nepalese restaurants industry. Likewise, the result reveals that there is a mediating role of customer satisfaction between service quality and customer loyalty in Nepalese restaurants industry (β = 0.312, p = 0.000< 0.01) at a 95% confidence interval (0.167 – 0.387), indicating partial mediation.

V. CONCLUSION

The main purpose of the research was to examine the influence of service quality on customer satisfaction and customer loyalty in Nepalese restaurants industry. The data from 490 respondents were collected through well-structured questionnaires using convenience sampling techniques. Perceived price and service quality have been taken as independent variables whereas customer loyalty is taken as dependent variable and customer satisfaction has been considered as a mediating variable. The result confirms that there is a positive a significant relationship between independent variables.

Following the findings, the Perceived price has positive and significant impact on customer satisfaction in the Nepalese restaurant industry. Perceived price plays crucial role in the mind and heart of restaurant-goers, as customers view the price as a determining factor for consumers. The study also revealed that service quality is the most determining factor causing higher level of customer satisfaction in the Nepalese restaurant industry. Likewise, there is a positive a significant impact of perceived price on customer loyalty. This shows that a restaurant owner should concentrate on the price of the services delivered to customers so that they can be retained in the long run. Furthermore, service quality is an important component so far we talk about customer loyalty in the Nepalese restaurant industry. The result has shown that service quality is an integral part of Nepalese restaurants to retain customers and make money out of the business. Thus, owners should have a better customer attraction strategy for ensuring the loyalty of the consumers visiting Nepalese restaurants.

The results have also found that customer satisfaction mediates the originally expected relationship between perceived price, service quality, and customer loyalty. The influence of service quality on consumer loyalty is mediated by customer satisfaction. Thus, customers’ satisfaction has to be taken into higher consideration while making a strategy for restaurants.
REFERENCES


