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## **Factors Affecting Customer Loyalty in the Restaurant Service Industry in Kuwait City, Kuwait**

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### **Abstract**

The aim of this study is to explore the critical factors of service quality, customer value and brand image, which help to generate customer loyalty in the restaurant industry in Kuwait. Moreover, this study has also attempted to validate the link between the independent variables, such as service quality, customer value and brand image, and the dependent variable being customer loyalty. This study employed the simple random sampling method to select 100 respondents who eat in the different restaurants in Kuwait. The personal information of the respondents has been analysed through the use of descriptive analysis. In addition, Pearson's correlation test has been used to test the hypotheses. According to the results, all the hypotheses have been found to be supported, representing the fact that the tested variables are significantly related to each other. Thus, the results outline that restaurant management should not only build and maintain a competitive edge in the restaurant industry market but should also put more effort into improving the service quality, provide better customer value, and attain a brand image that will finally contribute to securing customer loyalty.

**Keywords:** Restaurant, Corporate Image, Customer Loyalty, Brand Image, Service Quality

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### **Introduction**

The restaurant environment is a globally competitive marketplace which pushes food and drink outlets to offer quality products or services, maintain productivity and consistency, and ensure customer satisfaction in order to remain in existence and to continue to progress. Moreover, the need to create and retain customer loyalty has also been recognised as the most salient requirement for organisational success in this competitive market. According to Eshghi et al, (2007) customer loyalty is described as the strong intention of customers to buy the products or services repeatedly from the same company. Loyal customers not only buy the products or services frequently, but also recommend others to visit and buy the same or similar products (Liu et al, 2011). Customer loyalty has been identified as the basis for a company in any industry to gain a competitive

advantage. It is measured based on returning customers, referrals, and word of mouth. The improvement and retention of loyalty amongst customers is a crucial factor for the organisation's sales performance and growth (Reicheld, 1996; Liu et al, 2011).

There are many companies in the service industry of Kuwait, especially in Kuwait City; however, this study is limited to the restaurant industry of the city. The rise of international hotels, fast food chains and restaurants, and hyper dynamic market circumstances pose crucial challenges for the existing hotels and restaurants in all countries, including developed and developing countries, like that of Kuwait, with 2.2 million foreigners living in the country and a market of \$3.5 billion spent annually at restaurants. Moreover, there are more than 4,700 restaurants including fast food organisations such as Burger King, Chilli's KFC, Nandos, McDonalds, and Peppe's Pizza. In such a competitive market the restaurants have to attract new customers and retain them to ensure a growing market share and to gain a competitive advantage (Hong and Goo, 2014; Enshghi et al, 2007; Kaufman, 2015). Hence, it is necessary for the restaurant companies to identify what factors affect both new and existing customers in selecting restaurants and food.

Once the restaurant companies are able to meet the expectation of the local and international customers, creating loyal customer relationships and achieving customer satisfaction will easily gain them a greater marketing share. There have been several studies on the variables affecting customer loyalty and customer satisfaction in different industries and factors such as the convenience of obtaining products, supporting services, the cost of products or services, quality, brand, and customer value. However, there has been no empirical research on the restaurant industry of Kuwait and other countries to understand what factors affect customer loyalty. This scanty amount of data regarding the factors, which affect customer loyalty in Kuwait's restaurant industry inspires us to conduct this study, including several specific factors such as brand, service quality, and customer value, which affect customer loyalty to the restaurants located in Kuwait City.

Therefore, this study was conducted in Kuwait City to explore how customers in different restaurants view the three variables of restaurant service, namely, brand, quality of service, and customer value. Furthermore, we have also measured how strongly every variable included in the study is related to the phenomenon of customer loyalty. Thus, the results from the research give us comprehensive and updated ideas as to how these variables are linked to customer loyalty in the restaurant marketplace in this Gulf Country.

## **Literature Review**

Service quality is identified as a global concept for all industries and the fundamental requirement for all customers regardless of their products and services (Li et al, 2011; Sundbo, 2015; Su, Swanson & Chen, 2016). They advised that the service quality largely determined the profitability of an organisation and its link to continuing growth. There have been numerous studies, which have shown strong relationships between the service quality of products and the customer's satisfaction, readiness, and intention to buy again, as well as their verbalisation and continuous loyalty to a particular organisation (Zeithaml et al, 1996; Liu et al, 2011; Ali, 2018). In addition, the best service quality not only attracts customers from competitors, but also contributes to them making frequent purchases of particular products and services and to recommend others as a result of positive feedback and referral (Ventis and Ghauri, 2000; Thompson et al, 2006; Woodcock et al, 2011; Nwakuna, 2017). According to Lie et al, (2011), the regular purchases by the customers

and the future of an organisation mostly depends on loyalty, which is an indirect and subconscious promise to repurchase certain products and services on a regular basis.

Strong and positive relationships have been pointed out in the researches of Kuo et al, (2009) and Aydin and Ozer (2005). However, their studies were conducted regarding the mobile companies' services related to the quality of service and subsequent intention of the customers to want to order the same certain service package from this provider. Their investigations found that post-purchase satisfaction is generated among customers based on the good quality of the products or services. Moreover, in other studies, the intention to repurchase from a particular service provider and suggest to others to buy particular products from an organisation, mainly originates from service quality (Levesque and McDougell 2010; Cronin et al, 2000; Chiu, Wang, Fang & Huang, 2014; Choi and Mattia, 2018). These have been acknowledged within the research findings of Liang et al, (2013), who found that changing service provider and leaving an organisation were the results of the failure of a particular company to provide good services to the customers. These denote that the failure of providing good quality services to customers can be a fundamental reason for a customer to switch restaurants by a customer in Kuwait City. Hence, the hypothesis can be created as:

***Hypothesis 1: The quality of the service in restaurants creates a positive relationship and increases customer loyalty.***

Brand image plays a significant role in formulating an image about a company and its products and services because it conveys an organisational exceptionality in terms of products and services (Cleopatra, et al, 2004; Aldousari & Elsayed, 2018). On the other hand, Nguyen and Leblanc (2001) outlined that the corporate image or brand recognition is related to the behavioural and physical characteristics of an organisation's architecture, business name, the services or tangible products, and the perception of quality, which is conveyed by every internal stakeholder through their interaction with the customers. Nguyen and Leblanc (2001) came to the conclusion that the brand image or corporate image is strongly related to the three industries of retail, telecommunications, and education. Johnson et al (2001) found in their study that the brand image has a certain impact on the behavioural aspects, especially customer loyalty. There have been some companies, which have experienced dramatic sales reductions due to negative brand image; for example, Tesco in the UK experienced sales reductions due to the horsemeat scandal, which seriously hampered its brand image (Lawrance, 2013; Duijst, 2014). According to Brakus et al, (2009) and Wang (2010) customers remain loyal to a brand because it conveys a positive organisational image among the customers, particularly in the case of tangible products and exchanges of services. Therefore, we can hypothesise that:

***Hypothesis 2: There is a positive relationship between a restaurant's brand image and customer loyalty.***

Customer value has a positive impact on the customer's intention to purchase a particular product or service (Kuusik 2007; Wang et al, 2013; Kandampully, 2014; Mehajan et al, 2017). This is also supported from the research of Dodds et al (1991) illustrating that the decision to purchase and repurchase is affected by the customer's perceived value. A customer's value or perceived value not only has a strong impact on the decision to purchase a particular product but also the word of mouth intentions of a customer (Casalo, et al, 2008; Fandos Roig et al, 2009; Markovic, 2015). According to the research of Pura (2005), the customer value works to ensure a frequent readiness to buy particular products or services. The customer value is defined as the 'utility that is originated from the

expected performance and perceived quality of a product or service that immediately and directly affects customer loyalty' (Wang et al, 2004). In addition, several studies proved in their particular research fields and industry that the customer's perceived value has a positive relationship and strong influence on customer loyalty (Wang et al, 2004; Gruen et al, 2006; Liu et al, 2011). Hence, it is hypothesised that:

**Hypothesis 3:** *There is a positive relationship between customer value and customer loyalty in the restaurant industry of Kuwait.*

## Methodology

A survey was conducted to collect primary data through the use of a questionnaire, which was adapted and modified from Chereang, (2007). The questionnaire has been prepared based on five sections: section A included information on the demographic profile of participants; section B included fourteen items relating to the perception of service quality; section C included fourteen items about customer value relating to the service industry; section D included eight items relating to restaurant brand image; and section E included four items relating to customer loyalty towards restaurants in Kuwait. The questionnaire was also pre-tested before it was distributed among 150 individuals in Kuwait; however, there were only 100 useable questionnaires out of those returned because twenty-three were incomplete and the rest were not returned. The random sampling method was applied to those individuals asked to complete the questionnaire. The characteristics of the data were defined through the descriptive analysis. The data from the participants has been summed up in a direct and comprehensible manner and subsequently analysed based on the demographic profile of the participant, for example: age, gender, marital status, race, occupation, personal income (monthly) and education level. To test the hypothesis, Pearson's Correlation coefficient has been applied to determine the relationships between the variables and establish whether the results met the hypotheses.

## Results and Discussion

### Respondents' Demographic Profile

Table 1 below provides the demographic profiles of the respondents.

**Table 1: Respondents' Demographic Profile**

Variables	Values	%
Age	Below 20	0
	21-30	49
	31-40	37.4
	Above 40	13.6
Gender	Male	83
	Female	17
Marital Status	Married	76
	Singe	24
Education level	Undergraduate	81
	Masters/MBA	19
	MPhil/DBA/PhD	0
Marital Status	Married	76
	Singe	24
Occupation	Public Sector	14
	Private Sector	36
	Unemployed	34
	Students	16
Monthly Income	Above \$10000	21
	\$3000 - \$9900	74
	Below 1000	5

### Reliability Test

A reliability test was conducted to measure the internal consistency and reliability of the results based on the value of the Cronbach's Alpha. The acceptable score of a Cronbach's Alpha coefficient value is 0.70 (Nunnally and Bernstein, 1994). If the Cronbach's Alpha ( $\alpha$ ) coefficient value is closer to 1, the higher value is the indication of the internal consistency. Hence, it denotes that the items in the particular variables are highly inter-correlated. The results for the reliability test have been outlined in Table 2 where the Cronbach's Alpha values are varied from between 0.760 to 0.842. The variation indicates the scales used in this study are consistent and reliable.

**Table 2: Results of the Reliability Test**

Variables	Items	Cronbach's Alpha
Service quality	24	0.844
Customer value	14	0.832
Brand image	8	0.760
Customer loyalty	4	0.826

### Pearson's Correlation Analysis

The relationship between the independent and dependent variables have been outlined in Table 3. According to Pearson's correlation test results, it has been identified that there is a positive and significant relationship between the independent variable such as service quality, customer value and brand image and the dependent variable customer loyalty in the restaurant industry in Kuwait.

**Table 3 Pearson's Correlation Test Results**

Variables	Customer loyalty	Service quality	Customer value	Brand image
Customer loyalty	1	0.924	0.854(**)	0.860(**)
Customer value	0.854(**)	1		
Brand image	0.860(**)		1	
Service quality	0.924(**)			1

**Hypothesis 1:** *The quality of the service in restaurants creates a positive relationship and increases customer loyalty.*

The P value of the 0.0001 obtained, outlines the results that service quality is positively and significantly related to the loyalty of the customers or guests in the restaurant industry of Kuwait, since any P value less than 0.005 ( $p < 0.05$ ) is an indication of the significant and strong relationship between independent and dependent variables. According to the results, the positive Pearson Correlation value of 0.924 represents that the service quality has a positive relationship with customer loyalty. Hence, Hypothesis 1 becomes supported according to the Rule of Thumb of Guildford where an r value of 0.924 outlines a very strong correlation between service quality and customer loyalty. This finding is supported by Yee, Ling and Leong (2015), Lee, (2011) and Lei et al, (2009) where they also identified strong relationships between the service quality and customer loyalty in the industry where they conducted research.

**Hypothesis 2:** *There is a positive relationship between a restaurant's brand image and customer loyalty.*

The P value of the 0.0001 obtained outlines that customer value is positively and significantly related to the loyalty of the customers or guests in the results industry of Kuwait since any P value less than 0.005 ( $p < 0.05$ ) is an indication of the significant and strong relationship between independent and dependent variables. Since, the positive Pearson Correlation r value is 0.854, we can say that this represents a positive relationship between customer value and customer loyalty. Hence, Hypothesis 2 is supported according to the Rule of Thumb of Guildford where an r value of 0.854 outlines a very strong correlation between customer value and customer loyalty. This result is consistent and supported with the findings of Yee, et al, (2015), Chreang (2007) and Wang et al. (2004).

***Hypothesis 3: There is a positive relationship between customer value and customer loyalty in the restaurant industry of Kuwait.***

The P value of the 0.0001 obtained outlines that brand image is positively and significantly related to the loyalty of customers or guests in the restaurant industry of Kuwait since any P value less than 0.005 ( $p < 0.05$ ) is an indication of the significant and strong relationship between independent and dependent variables. Since, the positive Pearson Correlation r value is 0.860, we can say this represents that there is a positive relationship between brand image and customer loyalty. This result is also supported from the research works of Yee et al, (2015), Kim and Lee (2010) and Lennon, (2009).

## **Conclusion**

The restaurant industry has been facing tremendous competition across the world, both in developed and developing countries. Therefore, customer loyalty is vital for future growth. However, customer demand can change overnight and therefore organisations have to put in the effort so that customers want to remain loyal. The findings of this study reveal that there is a strong and positive relationship between customer loyalty, and service quality, brand image and customer value. The findings of this study have shed light on why customers go to a particular restaurant; if the customer has a good experience in the restaurant, is treated with respect, and provided with good food and a quality service, this will hopefully result in customer loyalty. It is therefore important to support restaurant organisations and encourage them to improve their quality of service, reflect a better brand image and deliver great service to their customers. The management of the restaurants can make best use of this information to identify the ways to retain existing and loyal customers and attract new ones.

## **Limitations and Direction for Future Research**

Every research study has some limitations. Hence, this study has also had limitations, such as the level of participants due to using the simple random sampling method. Therefore, the sample cannot be typical for the target population and there is a limited possibility of the generalising of the present findings. However, the findings of the study may lay the groundwork for future studies to include the larger population from various occupations in Kuwait.

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