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## **An Inter-correlational Study on Socio-demographic Profile, Customer Satisfaction and Customer Loyalty in a Fast Food Restaurant in the Philippines**

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### **Abstract**

The entry of new players in the fast food industry in the Philippines, both local and foreign companies, has paved for a more competitive business environment. Thus, the need to attend to the satisfaction of their customers has become their main objective. The main purpose of this study is to assess the relationships among socio-demographic characteristics, customer satisfaction, and customer loyalty in a fast food restaurant. Survey questionnaires were distributed to respondents who dined in at the fast food store during the data gathering. Weighted means, standard deviations, verbal interpretations and rankings were determined to measure the level of customer satisfaction and customer loyalty. Spearman's rho correlation coefficients were identified to assess the relationships. Respondents were satisfied in terms of food quality, service quality and price but were dissatisfied with the physical environment. Customer loyalty in terms of first-in-mind, word-of-mouth and repurchase intentions were high. Customer satisfaction indicators are significantly correlated with customer loyalty indicators at p-value .01. Food quality, service quality, physical environment, and price/perceived value for money are significantly correlated with repurchase intention, word-of-mouth, and first-in-mind – indicators of customer loyalty. Significant positive relationship between customer satisfaction and customer loyalty is established. Relationships between socio-demographic variables and customer satisfaction and loyalty vary. Fast food restaurants have to ensure that customers' needs and expectations are met to increase their levels of satisfaction and customer loyalty. Recommendations, particularly on maintaining cleanliness of the physical environment inside and outside of the store at all times, and suggestions for future research are provided.

*Keywords:* Customer Satisfaction, Customer Loyalty, Fast Food Restaurant

### **1 Introduction**

The association between customer satisfaction and customer loyalty is one of the most important relationships in business especially in the marketing field. Customer loyalty affects profitability of any business organizations. Businesses need to compete and cooperate in order to survive and maximize its profits. A big deal in realizing this two-fold goal is to satisfy their customers and retain them as loyal customers in the long run. The relationship between satisfaction and loyalty of customers is associated with customers' attitudes toward products and/or services and buying patterns of customers. The levels of satisfaction and loyalty may also vary based on the socio-demographic characteristics of customers. Studying the relationships among these three variables provides understanding on consumer behavior.

Looking upon different organizations, their priority seems to focus on how they can keep their customers. Customers are longing for many things that would address their needs – food being one of the basic necessities. Using Abraham Maslow's Hierarchy of Needs, Hatch (2014) of Feedback Systems Company which focuses on market research, concluded that customers, who are more satisfied, stay longer, recommend more, and buy more compared to their less satisfied counterparts. In an article published by Keiningham, Gupta, Aksoy and Buoye (2014) in Massachusetts Institute of Technology Sloan Management Review entitled "The High price of Customer Satisfaction", the authors stated that "managers often assume that improving customer satisfaction and financial performance go hand in hand. The reality, however, is more complex." This means there is no clear relationship between satisfaction and customer's buying behavior in the future. This finding echoes one key result of the study of Danny Rueda Cruz of the University of the Philippines published in *The Philippine Star* (October 9, 2001). The researcher found that customers, while they were satisfied of the food, were not loyal to any particular fast food store.

Nevertheless, customer satisfaction plays a vital role in making businesses sustain their growth as evidenced by numerous customer satisfaction surveys being conducted by companies. This is true to all kinds of industries specifically the food service industry. Business owners of food service stores must understand that customers who are dissatisfied with their products and services drive them away. When customers are not satisfied with the products or services the company provides, there is a higher chance that these unhappy customers will not patronize the company anymore. Worse than that is they may spread the bad news instead of the good news. When this happens, it creates poor customer service which translates to lower sales, thus, lower profits. Therefore, organizations are required to change or modify their existing marketing strategies and business policies in order to meet fast-changing customer preferences. When these preferences are met, customer satisfaction follows.

According to the report published by Our Life Policy Research (2015), the global fast food market grew by 4.8% in 2006. Yates (2012) of the Motley Fool, which owns shares of McDonald's and PepsiCo, states that in 2014, the global fast food market share could reach \$239.7 billion which is an increase of 19.5% since 2009.

The world's population is at seven billion and is expected to exceed 9 billion in 2050 (United Nations, 2009). This means more people, more customers. As population becomes bigger, marketers expect that fast food consumption becomes higher which means more profits for fast food chains owners.

In the Philippines, fast food business is a lucrative market. In a country report of Euromonitor International (2014), fast food market is the largest and the fastest-growing category in the foodservice industry. In 2012, the total foodservice revenue amounted to Php121.9 billion which is equivalent to 30% of the total value sales in consumer foodservice. Based on the same report, the fast food market is expected to be the biggest category in the foodservice industry in the Philippines by the end of 2017.

In a report published by the National Statistics Office in 2012, the country had a total of 13,119 establishments engaged in food and beverage services. Of this number, fast food chains ranked second with 2,535 establishments.

With all these statistics, fast food service industry is now a global phenomenon with customers actively finding companies that would meet their expectations on products and services. The emergence of new players on the fast food market makes competition fiercer than before. The entry and subsequent expansion of branches of foreign fast food chain companies in the Philippines is a clear indication on this issue. With increasing competition among these fast food stores, both attracting new customers and retaining them become focal points of marketing strategies of companies. Enlarging the customer base creates revenues and retaining them gives more opportunities to earn more profits.

It is imperative that fast food companies know customers' needs and what satisfies them. Knowing the preferences of the customers may start by getting information on their socio-demographic characteristics. Preferences vary from one customer to the other. A competitive market provides many options for the customers to choose from. Understanding customer satisfaction would give business owners ideas on how to keep their customers loyal to their companies, thus, conducting a study on the relationship between satisfaction and loyalty is important.

Business organizations have given much attention to the concept of customer satisfaction because of its relationship to business profitability. It is therefore natural for the owners and managers to conduct customer satisfaction studies for their own organizations. In the case of fast food chains like the leading fast food corporation in the Philippines, which is the focus of this study, the same marketing principle holds true. Fast food is a term used for food which are prepared and served quickly. There is a minimum time required to prepare the food.

According to Kandampully and Suhartanto (2000), customer satisfaction is the most important consideration for any business. Without satisfied and happy customers, organizational survival will not be guaranteed. In order to make the customers happy, the researchers suggested that it is important for the organizations to modify their business strategies. When doing so, an important consideration on customer satisfaction must be taken into account since customer satisfaction results in loyalty to the company which will create an impact on the overall business profitability.

Burke Incorporated, in its white paper entitled *Advances in Customer Loyalty Measurement* published in 2000, states that loyalty can be measured in terms of the likelihood of future purchases of customers and the likelihood to recommend the company to others. When people are satisfied with the products, the normal tendency is to visit the store and buy the products again. In addition, customers would spread the good news to other people as well.

While many literatures established a clearly positive relationship between customer satisfaction and customer loyalty, there are studies that failed to generalize this finding. Customer satisfaction does not always mean customer loyalty. There are customers who are satisfied with the products and/or services of a company but shift patronage to other companies offering the same line of products and/or services and some unsatisfied customers remain loyal (Ganesh, Arnold & Reynolds, 2000).

In other words, the positive relationship between customer satisfaction and customer loyalty does not apply to all situations (Kamakua, et al, 2002). Several questions need to be addressed by the researcher. First, is it true to customers of the leading fast food store that when they are satisfied, they are more likely to be loyal to the company? Second, will the findings of previous researches, i.e., customer satisfaction translate to customer loyalty, be applicable to fast food store under study?

The store under study is the largest fast food chain in the Philippines. It is 100% Filipino-owned company. According to its website, it "enjoys the lion share of the local market

that is more than all other multinational brands combined.” In addition, 96 of its 2,510 stores are located outside the country which means that it is gaining ground in the international market. Rappler.com (2014) reports that it ranks among 10 best foreign fast food chains in the United States citing a survey conducted by The Daily Meal, a US-based website.

In terms of gross revenues, the company ranked first among fast food chains in the country which reached almost P70 billion in 2009 (Business World’s Top 1000 Corporations, 2011). While it is the most popular fast food in the Philippines, it has to compete with its competitors in order to sustain its growth. Customers have many choices because there are many fast food chains which offer similar food items.

The growth on the number of outlets, sales transactions and revenues remains vibrant. With the increasing number of malls and supermarkets being built across the country, businesses are assured of healthy competition.

It is imperative that understanding the relationship between customer satisfaction and customer loyalty in fast food industry is essential in order for the organizations associated with fast food industry to develop sound marketing strategies. Increasing the level of satisfaction of customers may help fast food industry organizations retain their customers, i.e., enhancing customer loyalty, which would eventually lead to higher business profitability.

## **2 Literature review**

### *2.1 Customer Satisfaction in Fast Food Industry*

The topic of consumer satisfaction is widely discussed among many writers. There have been countless articles about this topic. In fact, if one types the phrase ‘consumer satisfaction’ on Google search, there are around 8.5 million websites that mention it. If the phrase ‘customer satisfaction in fast food’ is typed, around 5 million websites are being crawled by Google. This attests the importance of customer satisfaction worldwide.

Ross Beard, a contributor of Client Heartbeat Blog, helps businesses improve customer satisfaction, customer retention, and customer loyalty by publishing articles on these topics. In one of his articles dated January 20, 2014, he mentioned about why customer satisfaction is important. According to the author, customer satisfaction is a leading indicator of consumer repurchase intentions and loyalty. He recommended that businesses should emphasize exceeding customer expectations.

The American Customer Satisfaction Index is the ‘only national cross-industry measure of customer satisfaction in the United States’ based on the organization’s website (2015). Annually, it captures customer opinions about critical elements of the customers’ dining experiences such as staff courtesy, service speed, food services, store layout and cleanliness, and variety and quality of food and beverages by conducting series of surveys across the United States. These attributes are widely studied in the fast food industry.

The concept of customer satisfaction becomes a driving force for Philippine businesses to create marketing strategies that would satisfy their customers. The leading fast food chain, for instance, states in its website that customer satisfaction has always been the key to the corporation’s success. It is now the market leader among fast food chains in the country. Its market share is more than half of the entire fast food service industry.

According to Euromonitor International’s article published in its website on November 2013, fast food is still the largest and the fastest-growing category in the Philippine consumer foodservice industry which accounts for 30% of total value sales in consumer foodservice.

The book of Dionisio Magpantay and Don Magpantay entitled *Principles of Marketing Philippine Setting* published in 2012 extensively discussed personal factors that affect consumer behavior. For example, the authors stated that companies and businesses need to know

what influences their customers in purchasing products or services. Satisfying the needs and wants of the customers makes man justifies his existence.

These personal factors, such as family-oriented approach, are claimed as the heart of the leading fast food chain's success. The Personnel Management Association of the Philippines (PMAP), the largest group of human resource practitioners in the country, awarded it an Employer of the Year Award. Hewitt Associated gave Best Employer in the Philippines Award to the company as well, and the company also receives a citation as a Top 20 Employer in Asia from the Asian Wall Street Journal. These awards, among others, are manifestations of continuous and consistent quality products and services it provides to its customers (2015).

In the recent article published in Rappler on October 1, 2014, it states that a US-based food website, The Daily Meal, ranked the fast food chain as one of the top 10 fast food stores in the United States. "Fast food may seem like a strictly American tradition, but just about every country has fast food and fast casual chains of its own nowadays. For better or for worse, some of these chains have come to the United States ... we welcome [them] with open arms," *The Daily Meal* wrote.

The concept of customer satisfaction is one of the most popular topics in marketing because it affects business profitability whether in positive or negative manner (Gonzalez, Comesana, & Brea, 2007). All business organizations are concerned with how they will attract new customers and retain them. Customer satisfaction, in fact, is one of the most important considerations in the field of fast food service industry. Anderson and Mittal (2000) found that satisfied customers are more likely to contribute business profitability.

Numerous studies suggest (e.g., Nezakari, Kuan & Asgari, 2011) rivalry in the fast food industry is getting more intense with the increasing number of fast food outlets and other food industries such as traditional restaurants which offer a fresh, variety of tasty foods and full services. To compete in the industry, local fast food restaurants must keep track of their customers, improve and change according to their customers' need and also mentioned that to be able to judge customers' satisfaction levels and to apply that knowledge potentially it must give a hospitality advantage over competitors via such benefits as product differentiation, increase customer retention, and positive word-of-mouth communication.

No business, fast food chain in particular, will exist without customers. In the study of Victoria and Paragua (2012), it was found that all dimensions of service quality are important in maintaining satisfaction among customers in one of the largest fast food stores in the Philippines. The authors concluded that the fast food outlet adhered to the FSC (Food-Service-Cleanliness) Standards of the parent company which contributed to its success.

Chen, Chen, and Liu (2009) analyzed fast food buying behaviour in Metro Manila in the study entitled *Expansion Trend of Fast Food Franchises in Metro Manila* and utilized the four Ps of marketing in determining what affects buying behavior toward fast foods. The research, which covered 12 different fast food store outlets, revealed that the success of Manila's fast food industry can be attributed to its standard processes, enhancement of values, quick services provided, and distribution right. The study further showed that the most important features of the fast food restaurants are cleanliness, price, staff etiquette, dining environment, food quality, and consistency.

## 2.2 Customer Loyalty in Fast Food Industry

In the article published by Bill Nissim entitled *Brand Loyalty: The Psychology of Preference* (2006), he mentioned about Martin Lindstrom's Brand Sense concept. According to this concept, the ultimate goal of a business is to have strong, positive, loyal bond between

brand and consumer so the consumer will turn to brand repeatedly. This return patronage is what the researchers termed as customer loyalty.

A magazine article published in QSR on its February 2012 issue explained that in order for the fast food stores to create repeat business, they need to set realistic goals. One major challenge fast food is facing is that customers do not stick to just one store when dining although they keep on coming on the same store. This observation was also noted in a market survey conducted by TNS Intersearch (2003), a market research firm in the United States. Fast food restaurants have weaker base of loyal customers than other national chains that spend less on marketing activities.

The article (QSR Magazine) further suggested that gimmicks such as loyalty programs and event-specific promotions can be done to attract customers. The article further stated that getting an average visit of 3 to 5 times a month for a customer who usually visits 10 times in a restaurant is an indicator that the store is likely the preferred fast food.

Neil Kokemuller of Demand Media and also a marketing professor from Iowa State University wrote an article in Houston Chronicle entitled Customer Loyalty in the Fast Food Industry (2012). In this article, he stated that there are specific criteria that contribute to customer loyalty and they vary from one customer to another. These criteria are efficiency, customer service, product quality, pricing and family-friendly atmosphere of the fast food stores.

One example of building customer loyalty is the strategy that Del Taco implemented which makes it the second largest Mexican fast food chain in the United States (Bloomberg Business Week, 2008). According to the company's president, Shirlene Lopez, Del Taco chain's success can be attributed to respect that customers deserve. Employees should treat customers with respect and the same respect must be given to the employees by the management. She further stated that looking at the eyes of the customers when talking to them is one way of showing respect.

An article published in The Philippines Star (2001) comprehensively discussed about a book entitled *Fast Food Nation: The Dark Side of the All-American Meal*. The author, Eric Schlosser, spent two years of conducting researches and eating an enormous amount of fast food. He said that most of it tasted pretty good. He further said that taste is 'one of the main reasons people buy fast food; it has been carefully designed to taste good.'

This particular observation was compared by the author of The Philippine Star column with the findings of a study conducted by Danny Rueda Cruz of the University of the Philippines. Cruz conducted a survey of 400 customers of fast food restaurants and how Filipinos define quality and what makes the customers loyal. Based on the report, Filipinos ranked flavour and taste as the top criteria why they keep on returning the same fast food stores. However, he emphasized that there seems to be no loyalty among Filipino fast food customers because they 'jump from one fast food to another' easily.

Nevertheless, fast food chains continue to provide loyalty cards to their customers (Reyes, 2011). According to the report, several loyalty cards have unique promotional strategies. For example, *Shakey's* has Pizzanatic Supercard, *Pizza Hut* has Palm card, *Angel Pizza* has Privilege card, and *McDonald's* has Midnight card. Some companies offer 'buy one, take one' promo. In the case of Jolibee, the company's Happy Plus Card offers points for every purchase. Every P50 entitles the customer to earn 1 point which is equivalent to one peso.

Companies have forged partnerships with other companies to create customer loyalty programs. For instance, Jolibee Foods Corporation and Bank of the Philippine Islands joined forces in introducing the Happy Plus Card, the first of its kind system in the fast food industry (Kabayan Tech, 2012). This loyalty card for Jolibee customers can earn points for every purchase. Every Php50 transaction is equivalent to one point which is equal to one peso. BPI provides the payment infrastructure.

According to Gee et al. (2008), the advantages of the customer loyalty are; (1) cost less to serve the customers; (2) customers will pay a higher cost for a set of products; and (3) customers will act as product or service ambassadors via word of mouth for the company. Therefore, it is important to study the factors that affect customer loyalty and results in desired buying behaviour (Lee & Lambert, 2000). Wang and Zhao (2007) noted that fast food companies are required to influence the customer loyalty and adopt those strategies which could be helpful in building the loyalty of the customers.

Researchers such as Lee, Hsiao and Yang (2010) found that one of the factors that fast food companies can enhance their loyalty program is by improving the service quality because high service quality can contribute to satisfying the customers. In fact, fast food companies are investing money on training and development of their employees so that they can effectively provide quality customer service which in turn enhance satisfaction of customers (Sudhahar, Israel & Selvam, 2006).

Competition among restaurant industry, particularly the fast food sub-sector, is fierce nowadays. There is a vast opportunities for market but consumers are price conscious and exhibit brand loyalty (Edralin & Castillo, 2001). Therefore, business managers must make sure that their customers are satisfied with their product and service offerings.

While the study of Enriquez-Magkasi and Caballero (2014) focused on customer satisfaction and loyalty in Philippine resorts, it has explored dimensions of service quality that affect loyalty to the company which are similar to the fast food industry.

Flores (2013) recommended that to attract more regular customers, fast food chain stores can serve same kind of products but can be distinguished from one another. Moreover, the author suggested that more advertisements should be put through different media of communications.

### *2.3 Measures of Socio-demographic Characteristics*

Several studies pointed out the relationship between socio-demographic variables of respondents and customer satisfaction. For example, in the study of Abdullah and Hamdan (2012), results showed that age and monthly income have a significant relationship with all dimensions of customer satisfaction. Educational attainment was related to technological and sales and marketing aspects. While gender was found a significant relationship with customer satisfaction in the study of Abdullah and Hamdan (2012), the study of Raza et al (2012) found no significant relationship between the two variables.

Female customers exhibit higher levels of loyalty (Mittal & Kamakura, 2001; Pettersson, 2007; Verboef & Donkers 2005). Since female customers generally place a higher value on long-term relationships, they also tend to be more loyal than males (Pettersson, 2007).

Household income is believed to positively influence the level of customer loyalty (Keaveney & Parthasarathy, 2001; Verboef & Donkers, 2005). Customers that are more concerned with prices tend to be less loyal because lower household incomes lead to increased price comparisons, thus, lowers loyal. Similarly, higher income customers tend to be more loyal (Shankar et al, 2003).

Existing research (Mittal & Kamakura, 2001) has also been consistent with the fact that higher levels of education are associated with lower levels of loyalty. As education levels increases, so does the customers' need for information related to their purchase intention, thereby increasing purchasing involvement. This association between educational levels and purchasing involvement suggests that educational levels should be negatively associated with loyalty.

## *2.4 Measures of Customer Satisfaction*

### *2.4.1 Food Quality*

Food quality is one of the most important components of any dining experience (Namkung & Jang, 2007; Sulek & Hensley, 2004). This finding was validated by the study of Clark and Wood (1999) which found that food quality is a primary factor influencing customer satisfaction and loyalty. Mattila (2001) identified top three reasons why customers patronize their target restaurants: food quality, service quality, and atmosphere. Moreover, Fu and Parks (2001) examined the quality of food item as one of the 24 items used in the survey questionnaire to measure diners' perceived quality of restaurant service.

Several researches used different sets of constructs to measure food quality. Risjswijk and Frewer (2008) measured the variable in terms of taste, good product, natural/organic and freshness. Other measures include presentation, health options, taste, freshness, and temperature (Namkung & Jang, 2008) and freshness, presentation, taste, and innovative food (Shaharudin et al, 2011). Shaharudin, Mansor and Elias (2011) concluded that freshness of the food is the most important food attribute among Malaysian customers, followed by presentation and taste.

### *2.4.2 Service Quality*

The causal relationship between service quality and customer satisfaction has been a major focus on several studies in the fast food industry and findings are not always consistent. Relationships among service quality, consumer satisfaction, and purchase intentions were examined. The researchers found that service quality was an antecedent of consumer satisfaction while consumer satisfaction was not a significant predictor to service quality.

The most common method of measuring service quality is the SERVPERF Model proposed by Parasuman, Zeithaml, and Berry (1985). This model consisted of five dimensions, namely, tangibility which includes the physical environment and the equipment used to provide their products and services; reliability which includes company's regularity and consistency in providing services to clients; responsiveness which refers to the willingness of staff to provide quick service and prompt response to customers; assurance which means the knowledge and courtesy of employees and their ability to convey trust to customers; and empathy which means caring, individualized attention given to costumers.

### *2.4.3 Physical Environment*

There are previous studies on food service industry that focused on the atmospheric aspect or the physical settings of the store. Ryu and Han (2010) examined how perceptions of customers of physical environment influence customer satisfaction and customer loyalty. Facility aesthetics, lighting, layout and social factors have significant effects on disconfirmation which in turn had direct influences to customer satisfaction and loyalty. The study of Ryu and Han (2010) showed that if the condition of the fast food environment is improved, more customers would be satisfied.

Physical environments, such as spatial layout of a service organization which includes the arrangement of furniture and equipment, may also influence consumer buying behavior. According to Wall and Berry (2007), this physical environment may affect customers' physical comfort and movement.

Other researchers examined variables such as physical environment of the restaurant (Meng et al, 2008; Kim, 2008), decor and design (Han et al., 2009; Namkung et al, 2008),



cleanliness, atmosphere, and space (Han et al., 2010; Andaleeb et al., 2007; Yukse et al., 2003).

#### 2.4.4 Price/Perceived Value for Money

Price or the perceived value for money has a significant role in selecting a product. Price is one of the four P's of Marketing Mix that has significant role in implementation of marketing strategy (Kotler & Armstrong, 2012). Han (2009) claim that one of the most adaptable factors which improved quickly is the pricing (Andalleb et al., 2006). Andaleeb and Conway (2006) found that service quality, price expectation, and food quality influenced customer satisfaction in that order of degree of importance.

In the study of Voon (2011) among Malaysian customers, it was found that price is one of the key determinants on satisfaction and loyalty, the other factor was human service. This finding was validated a year later with the study of Sahari, Basir, and Jangga (2012) where researchers concluded that food pricing influenced customer satisfaction among customers in Malaysia.

Quin and Prybutok (2008) investigated the role of price/value for money in determining customer satisfaction in fast food restaurants. While the findings suggested that the role of price did not find it to be significant because of the relatively low prices of products, the young consumers who are not economically strong may have find price as a motivating factor why they have dined at the restaurants.

#### 2.5 Measures of Customer Loyalty

##### 2.5.1 Repurchase Intention Word-of-Mouth and First-in-Mind

There are several studies that measure customer loyalty in terms of repurchase intention (Taleghani, Largani, & Mousavian, 2011; Fullerton, 2005; and Johnson et al, 2006). Repurchase intentions simply refer to the likelihood of using a brand again in the future.

Yi and Suna (2004) measured repurchase intention with two indicators: repeat purchase intention and repurchase probability. Taleghani, Largani, and Mousavian (2011) adapted repurchase intention in their study with five items.

Hayes (2009) concluded that customer loyalty is directly related to financial growth of the company. The researcher used number of referrals which is word of mouth, purchase again, purchase different products, increase purchase size and customer retention or defection size as measures of customer loyalty.

Boonlertvanich (2011) used variables repurchase intention, word-of-mouth, and first-in-mind to measure customer loyalty in Thailand's banking sector. As a result, customer perceived value has a great impact on customer loyalty.

Figure 1 Conceptual Framework of the Study

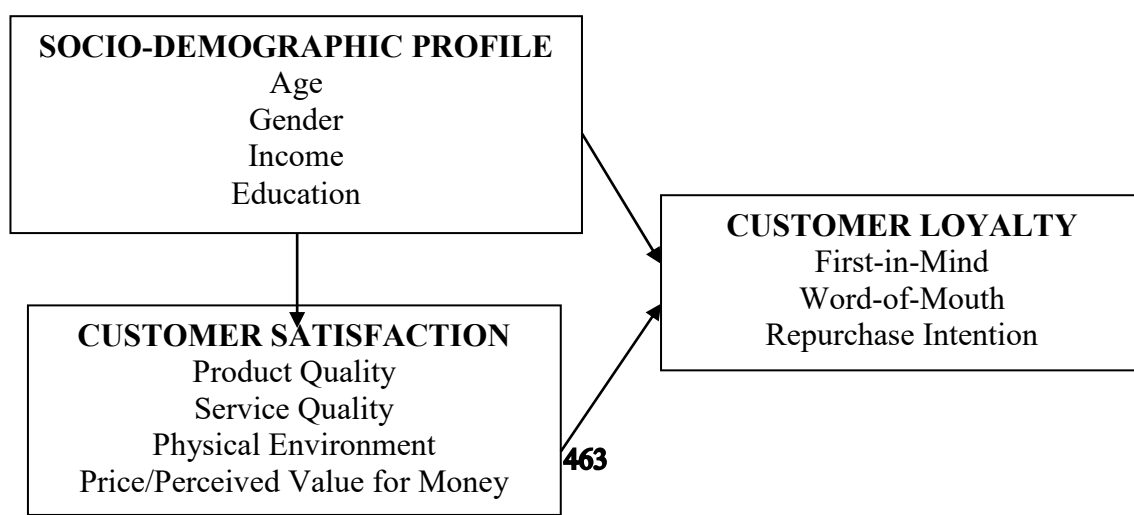


Figure 1 shows the conceptual framework of this study. This framework is own construct based on the existing studies on customer satisfaction and loyalty in the fast food service industry. Relationships on three variables – socio-demographic characteristics of the respondents, customer satisfaction, and customer loyalty were tested. Socio-demographic characteristics include age, gender, education, and income.

There are numerous studies that used item indicators for food quality (Shaharudin et al, 2011; Namkung & Jang, 2008; Rijswijk & Frewer, 2008; Sulek & Hensley, 2004; Soriano, 2002; Susskind & Chan, 2000). Example of research that has previously explored service quality and physical environment indicators is the research of Bernarto, Meilani and Kusuma (2013). As for the price/perceived value for money, the SERV-PERVAL Scale (Petrick, 2002) was used. Measurement indicators of customer loyalty was used based on the previous studies (Enriquez-Magkasi & Caballero, 2014; Mojares, 2014; Petrick, 2002).

### **3 Methodology/Materials**

#### *3.1 Research Design*

The researcher used the descriptive-correlation design in this study due to its appropriateness to the problem. Correlations among socio-demographic profile, customer satisfaction, and customer loyalty were identified. It involves collection and analysis of data to be gathered in order to identify the rate of customer satisfaction in the leading fast food store in Taguig City. This section focuses only on individual-level of satisfaction assessment. It is intended to serve as a resource for those who wish to assess their satisfaction in a research study. Data and market analysis cultivates the organization's awareness of the fast food market and the greater competitive environment, ensuring accurate and focused strategies of the business.

The study utilized the survey method. The researcher produced questions for food quality, service quality, physical environment, and price/perceived value for money.

#### *3.2 Sampling Techniques and Respondents of the Study*

Convenience sampling was used to attain the number of respondents on the selected fast food chain. An adequate sample size is necessary to determine statistical power of the findings. Since the population of customers in a fast food chain cannot be determined, it would be impossible to use any formula, e.g., Slovin's formula. The proponent distributed 420 questionnaires. Of this number, 400 were completed questionnaires. The 20 questionnaires were considered spoiled due to too many items that were left unanswered. Therefore, the response rate is 95.24%.

The respondents of this study were customers of the leading fast food store in Taguig City. This company was chosen due to its reputation of customer satisfaction and its success in its business operations. To describe the characteristics of the respondents, age, sex, educational attainment, and monthly income were asked.

#### *3.3 Research Instrument*

The research instrument used was a survey questionnaire which makes any data gathering fast and gets accurate information. The researcher provided questions about food quality, service quality, physical environment, and price/perceived value for money. Measures for overall customer satisfaction and customer loyalty were included in the questionnaire as well.

The survey questionnaire is divided into three parts. First, respondents were asked about their socio-demographic characteristics, i.e., age, gender, monthly income, and highest educational attainment. Age and income were treated as continuous variables measured in years and in pesos, respectively. Gender was considered nominal variable while educational attainment was considered as ordinal data.

The second part deals with measures of customer satisfaction and customer loyalty. A research instrument must operationalize the research questions and the conceptual framework. Five categories under satisfaction were measured with each category having five items.

Likewise, to measure the level of customer loyalty, five measurement items were treated. Responses were in the form of 4-point Likert scale. The rating of '1' signify that the customer 'strongly disagree' with the statement, '2' for disagree, '3' for agree, and '4' for 'strongly agree.'

To measure the internal consistency of constructs used in the study, Cronbach's alpha was used as shown in Table 1. The minimum level of generally accepted Cronbach's alpha value is 0.70 (Taber, 2016; Cortina, 1993). The higher the value is, the more reliable and consistent the items are on each scale.

Table 1  
*Cronbach's Alpha Reliability Statistics*

Marketing Mix Elements	Cronbach's Alpha	Number of Items
Food Quality	.791	5
Service Quality	.822	5
Physical Environment	.738	5
Price/Perceived Value for Money	.827	5
Repurchase Intention	.820	5
First in Mind	.859	5
Word of Mouth	.872	5

### 3.4 Statistical Treatment of Data

Three kinds of statistical analyses will be conducted in this study. The following discussion presents three sections. The first section describes univariate analysis. Frequency and percentage distributions, weighted means, composite mean scores, and standard deviations are discussed. The second section deals with bivariate analysis which includes cross tabulations and chi-square tests. The third section presents correlational analyses among different variables to test the association among them. Spearman's rho was used to test correlations among variables. Spearman Rank Correlation Coefficient uses ranks to calculate correlation. This study used ordinal data, Likert items which were ranked, thus Spearman's rho is the most appropriate correlation statistics to use. Interpretation of numerical values is given below:

$r > 0$  implies positive agreement  
 $r < 0$  implies negative agreement  
 $r = 0$  implies no agreement

#### 3.4.1 Univariate Analysis

Frequency and percentage distributions of respondents in each of the characteristics under consideration will be employed. This is the simplest form of univariate analysis. It de-

scribes the characteristics of respondents in terms of socio-demographic variables, i, e., age, sex, income, and educational attainment.

The formula for percentage distribution is as follows:

$$\% = F/n \times 100$$

Where:

%= Percentage

F= Frequency

n= Total number of respondents

To describe the level of customer satisfaction and extent of loyalty of each variable, weighted means were explored. The constructs investigated in this study were measured using a 4-point Likert scale anchored by 4 as 'very satisfied' and 1 as 'not satisfied.' In addition, composite mean scores for all dimensions were determined through two steps. First, mean scores of the respondents' answers in each item of every dimension were computed. Second, the mean of these mean scores was calculated by adding all mean scores then divide the sum by five which is the number of items per dimension. Moreover, the total weighted mean for customer satisfaction was calculated by adding the four mean scores then divide the sum by four dimensions. Higher mean scores signify higher degrees of satisfaction and loyalty.

### 3.4.2 Bivariate Analysis

The second part of data analysis is bivariate analysis which describes levels of satisfaction and loyalty in relation to the four socio-demographic variables. Frequency and percentage distributions of respondents will be presented by cross-tabulating the profile characteristics by four satisfaction indicators and three loyalty indicators.

Cross tabulations and chi-square analysis allow statistical tests of significance whether a systematic relationship exists of the joint frequency of two or more variables in the study. The likelihood ratio chi-square statistics is the most fundamental measure of overall fit. The larger the chi-square value, the better.

To test the relationships among variables under study, correlation coefficients were determined. In measuring the relationship between customer satisfaction and customer loyalty, Spearman's rho ( $\rho$ ) correlation was used.

## 4 Results/Findings

### 4.1 Profile of the Respondents

Table 2 shows the profile of the respondents by selected socio-demographic characteristics. About 21.2% of the respondents are 17 years old and below while those who are 40 years old and above comprise 14.4% of the total number of respondents. Majority of the respondents belong to age group 18-39 equivalent to 64.4% of the total number of respondents.

More than half of the respondents are single (51.2%), followed by those who are already married (47.5%), and widowed (1.2%). About 30% of the respondents have monthly income below P5,000, followed by income higher than P20,000 (23.8%), P5,000 to P10,000 (18.1%), P10,001 to P15,000 (15.0%), and P15,001 to P20,000 (13.1%).

Table 2

*Profile of the Respondents*

Socio-demographic Characteristics	Frequency	Percentage
Age		
10-19	164	41.0
20-29	159	39.8
30-39	50	12.5
40-69	27	6.7
Gender		
Male	148	37.0
Female	152	63.0
Highest Educational Attainment		
Elementary	3	0.7
High School	118	29.5
College	258	64.5
Master's	14	3.5
Doctorate	7	1.8
Income		
P10,000 and below	155	38.8
P10,001-P20,000	161	40.2
P20,000-P30,000	58	14.5
P30,001 and above	26	6.5

### 4.3 Customers' Levels of Satisfaction

Table 3  
Customers' Level of Satisfaction in Fast Food Restaurant in terms of Food Quality

Food Quality	Weighted Mean	Standard Deviation	Verbal Interpretation	Rank
1. Different menu are available.	3.24	.650	Strongly Agree	3
2. The food has a pleasing appearance.	3.22	.689	Agree	4.5
3. The food is clean.	3.32	.655	Strongly Agree	2
4. The food has a good taste.	3.42	.659	Strongly Agree	1
5. The quality of food is excellent.	3.22	.667	Agree	4.5
<b>Composite Mean</b>	<b>3.28</b>		<b>Strongly Agree</b>	

Table 3 presents customers' level of satisfaction in fast food store in terms of food quality. Results showed that the respondents strongly agreed that the food has a good taste with a weighted mean of 3.42. It ranks first among the five food quality items. This is followed by the cleanliness of food with a weighted mean of 3.32 and the availability of different menu with a weighted mean of 3.24. Customers put premium on food taste, cleanliness of food, and availability of different menu as shown by the degrees of agreement which are all 'strongly agree'. The pleasing appearance of food and its quality both have weighted means of 3.22 with verbal interpretation of agree. The composite mean for food quality is 3.28 with a verbal interpretation of 'strongly agree'.

Food quality remains the top priority of customers when looking for food to eat at fast food chains. This finding is consistent with previous researches (Namkung and Jang, 2007; Sulek and Hensley, 2004, Matilla, 2001). For instance, Matilla (2001) indicated that among the top three reasons why customers patronize their restaurants, food quality comes first. Specifically, food quality was the most important attribute that affects both customer satisfaction and customer loyalty.

Table 4

## Customers' Level of Satisfaction in terms of Service Quality

<b>Service Quality</b>	<i>Weighted Mean</i>	<i>Standard Deviation</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
1. The employees are courteous.	3.05	.610	Agree	3
2. The employees provide service quickly and accurately.	2.57	.715	Agree	5
3. The employees are knowledgeable and skillful.	3.10	.601	Agree	1
4. The employees are willing and able to provide service in a timely manner.	2.81	.682	Agree	4
5. Employees are patient when taking order.	3.08	.703	Agree	2
<b>Composite Mean</b>	<b>2.92</b>		<b>Agree</b>	

Generally, customers agreed that employees of the fast food store are knowledgeable and skillful (WM=3.10), patient when taking their orders (WM=3.08), courteous (WM=3.05), willing and able to provide service in a timely manner (WM=2.81), and provide service quickly and accurately (WM=2.57), in that order, as shown in Table 4. The composite mean for service quality is 2.92 with a verbal interpretation of 'agree'.

Table 5  
Customers' Level of Satisfaction in terms of Physical Environment

<b>Physical Environment</b>	<i>Weighted Mean</i>	<i>Standard Deviation</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
1. The store has spacious seating arrangements.	2.52	.743	Agree	3
2. Surroundings are neat and clean.	2.24	.841	Disagree	5
3. The store has attractive building and dining area.	2.31	.722	Disagree	4
4. The store has sufficient lighting.	2.56	.668	Agree	2
5. The store has modern looking equipment.	2.72	.785	Agree	1
<b>Composite Mean</b>	<b>2.47</b>		<b>Disagree</b>	

Respondents agree that the store has modern looking equipment as shown in the weighted mean of their responses which is 2.72, the highest among five items of physical environment indicators. This is followed by the observation that the store has sufficient lighting with a weighted mean of 2.56 and it has spacious seating arrangements with a weighted mean of 2.52. When respondents answered on the statement 'The store has attractive building and dining area', they disagreed on it with a weighted mean of 2.31. When it comes to the neatness and cleanliness of the store's surroundings, respondents also disagreed as evidenced by the weighted mean of 2.24, the lowest mean score of all five indicators. The resulting composite mean is 2.47 with verbal interpretation of 'disagree' as shown in Table 5.

Table 6  
Customers' Level of Satisfaction in terms of Price/Perceived Value of Money

<b>Price/Perceived Value for Money</b>	<i>Weighted Mean</i>	<i>Standard Deviation</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
1. The products offered in this store are	3.11	.664	Agree	3

reasonably priced.				
2. This fast food store offers value for money.	3.12	.607	Agree	2
3. The store offers good products for the price.	3.20	.669	Agree	1
4. Purchasing products in this store would be economical.	3.09	.690	Agree	4
5. Price discounts and/or earning points through loyalty program are very good strategies.	3.20	.728	Agree	1
<b>Composite Mean</b>	<b>3.14</b>		<b>Agree</b>	

Table 6 presents customers' level of satisfaction in the fast food store in terms of price/perceived value for money. All price indicators have weighted means with corresponding verbal interpretation of 'agree' which translates to the fact that customers are generally satisfied. The composite mean is 3.14. As to rankings, respondents believed that the store offers good products for the price (Rank 1; WM=3.20) and price discounts and earning points through loyalty program are very good strategies (Rank 1; WM=3.20). Respondents also believed that the leading fast food store offers value for money (Rank 2; WM=3.12), followed by the statement that the products offered in the store are reasonably priced (Rank 3; WM=3.11). Meanwhile, the belief that purchasing products in the store would be economical ranked last with a weighted mean of 3.09.

Table 7  
Composite Mean Scores of Customer Satisfaction Indicators

<b>Customer Satisfaction</b>	<i>Weighted Mean</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
Food Quality	3.28	Agree	1
Service Quality	2.92	Agree	3
Physical Environment	2.47	Disagree	4
Price/Perceived Value for Money	3.14	Agree	2
<b>Composite Mean</b>	<b>3.00</b>	<b>Agree</b>	

Table 7 summarizes the weighted means and the composite mean of customer satisfaction indicators. Among the four indicators, customers placed food quality as the primary indicator of satisfaction with a weighted mean of 3.28. Next is price/perceived value for money with a weighted mean of 3.14. This is followed by service quality with a weighted mean of 2.92. Last in rank is the physical environment indicator with a weighted mean of 2.47. Among the five indicators, physical environment of the store received the least degree of agreement of customers. With a weighted mean of 2.47, respondents are dissatisfied with the physical environment of the store which includes neatness and cleanliness of the store and the attractiveness of its building and dining areas. Overall, respondents are generally satisfied with a weighted mean of 3.00.

The findings are consistent with previous studies that the top reasons for patronizing casual restaurants such as fast food chains are food quality, service quality, atmosphere, and price (Mattila, 2001).

### 4.3 Customers' Level of Loyalty

The succeeding tables present the level of loyalty of customers towards the leading fast food chain.

Table 8  
Customers' Level of Loyalty in terms of Repurchase Intention

<b>Repurchase Intention</b>	<i>Weighted Mean</i>	<i>Standard Deviation</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
1. I would visit this store again.	3.32	.662	Strongly Agree	1
2. If I got any product for free, I would still buy product from this store.	3.30	.672	Strongly Agree	3
3. I would eat in this store the next time.	3.31	.672	Strongly Agree	2
4. I will continue to patronize the products and services of this store in the future.	3.18	.676	Agree	4
5. I will buy other products and services being offered in this store.	3.12	.702	Agree	5
<b>Composite Mean</b>	<b>3.25</b>		<b>Strongly Agree</b>	

Table 8 indicates that respondents' level of loyalty is very high as shown in the degree by which they agree on the repurchase intention indicators with composite mean of 3.25 and its verbal interpretation of 'strongly agree'. In fact, respondents are likely to visit the store again (WM=3.32) which ranks first. They are also more likely to eat at the store the next time around (WM=3.31) which ranks second among five indicators of repurchase intention. Even if they are offered with a free product, they would still buy products of the fast food store (WM=3.30) which ranks third. Not only products of the fast food store will be patronized by the respondents but services as well (WM=3.18). This leading fast food store offers birthday party packages to those who wish to celebrate the occasion at the store. Likewise, customers are willing to buy other products and services offered by the store (WM=3.12). The first three indicators have verbal interpretations of 'strongly agree' while the last two indicators have descriptive interpretations of 'agree' which are indicative that customers would still come back to the store and make purchases of store's products and services in the future.

Table 9  
Customers' Level of Loyalty in terms of Word-of-Mouth

<b>Word-of-Mouth</b>	<i>Weighted Mean</i>	<i>Standard Deviation</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
1. I would say positive things about this store to other people.	3.16	.694	Agree	1
2. I would encourage my friends, relatives, and colleagues to eat in this fast food.	3.14	.744	Agree	2
3. I would recommend this store as the best fast food store.	3.02	.732	Agree	5
4. I can say that this store makes me satisfied.	3.10	.669	Agree	3
5. I will say positive reviews to people about this store.	3.08	.685	Agree	4
<b>Composite Mean</b>	<b>3.10</b>		<b>Agree</b>	

As can be seen in Table 9, the overall rating of the level of customer loyalty in terms of word-of-mouth indicators is 3.10 and interpreted as 'agree'. Among the indicators mentioned, customers agreed that they would say positive things about the store to other people with a weighted mean of 3.16, the highest among the five. Customers would also encourage their friends, relatives, and colleagues to eat in the same fast food having a weighted mean of 3.14.



They also agreed that the store made them satisfied (WM=3.10), they will say positive reviews to people about the store (WM=3.08), and they would recommend the store as the best fast food store (WM=3.02).

Table 10  
Customers' Level of Loyalty in terms of First-in-Mind

<b>First-in-Mind</b>	<i>Weighted Mean</i>	<i>Standard Deviation</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
1. If I would eat in a fast food restaurant again tomorrow, this store would be my first choice.	3.02	.735	Agree	2
2. When talking about fast food, I think of this store first.	2.96	.817	Agree	5
3. Even with the presence of new competitors, I will dine in this fast food store first.	2.97	.764	Agree	4
4. The offering of discounts from other fast food stores will not change my mind to prioritize first this store.	2.98	.739	Agree	3
5. I think of this store first when talking about burgers and spaghetti.	3.17	.742	Agree	1
<b>Composite Mean</b>	<b>3.02</b>		<b>Agree</b>	

Table 10 shows customers' level of loyalty in the leading fast food store in terms of first-in-mind indicators. When asked about their degree of agreement or disagreement on the statement 'I think of this store first when talking about burgers and spaghetti', respondents said that they agree as manifested by mean score of 3.17 which ranks first. This is followed by the statement 'If I would eat in a fast food restaurant again tomorrow, this store would be my first choice' with a weighted mean of 3.02. The third rank has a mean of 2.98 which refers to the statement 'The offering of discounts from other fast food stores will not change my mind to prioritize first this store.' Even with the presence of new competitors, customers said they will dine in fast food store first as shown in the weighted mean of their responses which is 2.97 which ranks fourth. Finally, when customers talk about fast food stores, they think this leading store first with a weighted mean of 2.96.

Table 11  
Composite Mean Scores of Customer Loyalty

<b>Customer Loyalty</b>	<i>Weighted Mean</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
<i>Repurchase Intention</i>	3.25	Agree	1
<i>Word-of-Mouth</i>	3.10	Agree	2
<i>First-in-Mind</i>	3.02	Agree	3
<b>Composite Mean</b>	<b>3.12</b>	<b>Agree</b>	

Mean scores of customer loyalty indicators are shown in Table 11. As seen in the table above, each of the three indicators has a weighted mean that falls under the descriptive interpretation of 'agree'. Customers agree that they have the intention to repurchase products from the store with a weighted mean of 3.25, followed by word-of-mouth with a weighted mean of 3.10, and lastly the first-in-mind indicator with a weighted mean of 3.02. With a composite mean of 3.12 and a verbal interpretation as 'agree', this means customers are loyal to the leading fast food store under study.

Table 12  
Correlations Matrix of Socio-demographic Profile and Customer Satisfaction

Customer Satisfaction	Socio-demographic Profile			
	<i>Gender</i>	<i>Education</i>	<i>Age</i>	<i>Income</i>
<i>Food Quality</i>	-.008	.026	.006	-.121*
<i>Service Quality</i>	.039	.087	.096	-.130**
<i>Physical Environment</i>	.024	.025	-.041	-.042
<i>Price/Perceived Value for Money</i>	.037	.046	.087	-.060
<b>Interpretation</b>	<b>Not significant</b>	<b>Not significant</b>	<b>Not significant</b>	<b>Significant for Food Quality &amp; Service Quality; Not significant for Physical Environment &amp; Price/Perceived Value for Money</b>

\*Correlation is significant at 0.05 level of significance.

\*\* Correlation is significant at 0.01 level of significance.

In measuring the relationship between customer satisfaction and customer loyalty, Spearman's rho correlation was used. All but one socio-demographic characteristic resulted to a significant relationship with two customer satisfaction indicators. This study revealed that income of customers and food quality has significant relationship with r-value of -.121. The relationship between service quality and income was also significant at 0.01 alpha level with r-value of -.130. Thus, statistical significance exists at 0.05 level of significance.

Table 13  
Correlations Matrix between Socio-demographic Profile and Customer Loyalty

Customer Loyalty	Socio-demographic Profile			
	<i>Gender</i>	<i>Education</i>	<i>Age</i>	<i>Income</i>
<i>Repurchase Intention</i>	.082	.110*	.046	-.029
<i>Word-of-Mouth</i>	.110*	.098*	.014	-.108*
<i>First-in-Mind</i>	.109*	.032	-.017	-.093
<b>Interpretation</b>	<b>Significant for Word-of-Mouth &amp; First-in-Mind; Not significant for Repurchase Intention</b>	<b>Significant for Repurchase Intention &amp; Word-of-Mouth; Not significant for First-in-Mind</b>	<b>Not significant</b>	<b>Significant for Word-of-Mouth; Not significant for Repurchase Intention &amp; First-in-Mind</b>

\*Correlation is significant at 0.05 level of significance.

Table 13 shows the relationships among the socio-demographic characteristics and five indicators of customer loyalty. Gender did not show any significant relationship to repurchase intention, thus, hypothesis is accepted. Word-of-mouth and first-in-mind indicators, however, were significant to gender. As to education, only its relationship with first-mind indicator was insignificant. The educational attainment of respondents was statistically significant to repurchase intention and word-of-mouth at 0.05 level of significance. No customer loyalty indicators was found to be significant to age. As for income, only the word-of-mouth indicator was found to be significant.

Table 14  
Correlations Matrix of Customer Satisfaction and Customer Loyalty

Customer Loyalty	Customer Satisfaction			
	<i>Food Quality</i>	<i>Service Quality</i>	<i>Physical Environment</i>	<i>Price/ Perceived Value for Money</i>
<i>Repurchase Intention</i>	.634**	.602**	.538**	.584**
<i>Word-of-Mouth</i>	.590**	.620**	.543**	.519**
<i>First-in-Mind</i>	.541**	.576**	.525**	.473**
<b>Interpretation</b>	<b>Significant</b>	<b>Significant</b>	<b>Significant</b>	<b>Significant</b>

\*\*Correlation is significant at 0.01 level of significance.

As shown in Table 14, customer satisfaction is highly correlated with customer loyalty. The values of correlation coefficients are high in all variables. The highest of these is the relationship between food quality and repurchase intention with r-value of 0.634. This is followed by service quality and word-of-mouth (0.620), service quality and repurchase intention (0.602), food quality and word-of-mouth (0.590), price/perceived value for money and repurchase intention (0.584), service quality and first-in-mind (0.576), physical environment and word-of-mouth (0.543), food quality and first-in-mind (0.541), physical environment and repurchase intention (0.538), physical environment and first-in-mind (0.525), and price and word-of-mouth (0.519). The least strength of correlations was found between price and first-in-mind indicator.

Customers agreed that food offered has different menu, pleasing appearance, clean, good taste, and excellent quality and these affect their loyalty. Excellent food quality leads them to return to the same fast food store and patronize their products and services.

## 5 Discussion of Findings

### 5.1 Profile of the Respondents

Majority of the respondents are young (10 to 29 years old) with a combined sample of 80.8%. There were more females than male respondents (63.0% vs. 37.0%). Most respondents have bachelor's degrees that comprise 64.5% of the total sample size. About 40% of the respondents have incomes between P10,000 and P20,000 per month.

### 5.2 Levels of Customer Satisfaction

The levels of customer satisfaction were measured using the weighted means of customers' responses of Likert scale items. Respondents generally agreed, which means satisfied, to the leading fast food store as shown in the composite mean score of 3.00. Among 20 indicators of customer satisfaction, good taste of food has the highest level of satisfaction experienced by the customers with weighted mean of 3.42 out of 4.00. However, it appears that they disagreed, that is, dissatisfied when asked about physical environment. It implies that customers were not satisfied with the physical environment of the store. Food quality ranks first, followed by price, service quality, and physical environment. Perceived quality of food remains the number one concern for the customers, outdoing price of products.

As shown in the results of the study, age, gender, and education did not show significant relationships with customer satisfaction. For income, only the food quality and service quality were found to be significant to customer satisfaction. This only shows that customers put premium to the quality of food they eat and the quality of service they receive every time they dine in at fast food stores. When tested further using the overall measure of customer satisfaction, the findings reinforce the results that these socio-demographic characteristics are not significant to the level of satisfaction of customers.

### **5.3 Levels of Customer Loyalty**

Among the three indicators of customer loyalty, repurchase intention ranks first which means customers will be returning to dine in the fast food restaurant. This is followed by word-of-mouth marketing where customers would say good things about the store to other people. Lastly, first-in-mind ranks third. Customers were generally loyal to the fast food store as shown by the composite mean of 3.00 with the verbal interpretation of 'agree'. Because of so many fast food stores and other small businesses, competition is so fierce that one needs to formulate marketing strategies that would be beneficial to everyone.

### **5.3 Correlations between Profile of Respondents and Customer Satisfaction**

The findings of this research show that generally, socio-demographic characteristics of respondents did not show significant correlations with the overall measure of customer satisfaction. However, income is statistically significant with both food quality and service quality which are negatively associated. This is consistent with the findings of previous studies such as Sivesan and Karunanithy (2013) who found that customers who have higher incomes tend to scrutinize the quality they receive from fast food restaurants.

While gender was found to have a significant relationship with customer satisfaction in the study of Abdullah and Hamdan (2012), the study of Raza et al (2012) found no significant relationship between the two variables. The study of Raza was confirmed in this particular study that gender does not have any significance with customer satisfaction.

### **5.4 Correlations between Profile of Respondents and Customer Loyalty**

Household income is believed to be positively influence the level of customer loyalty (Keaveney & Parthasarathy, 2001; Verboef & Donkers, 2005). Customers that are more concerned with prices tend to be less loyal because lower household incomes lead to increased price comparisons, thus, lowers loyalty. These findings are partly true in this research. This study reveals that income and word-of-mouth indicator were correlated but income and other loyalty indicators were not. However, Shankar et al (2003) provided opposite conclusions: higher income customers tend to be more loyal. The discrepancy in different researches, including this work, on the relationship of income to customer loyalty is worth noting. Further researches are recommended.

Existing research (Mittal & Kamakura, 2001) has also been consistent with the fact that higher levels of education are associated with lower levels of loyalty. As education levels increases, so does the customers' need for information related to their purchase intention, thereby increasing purchasing involvement. This association between educational levels and purchasing involvement suggests that educational levels should be negatively associated with loyalty. However, this research shows that education and customer loyalty were not statistically significant.

Based on the results of the study, age did not exhibit any significant relationship with any of the customer loyalty indicator. Even after testing the correlation between age and the overall customer loyalty, it did not exhibit any significant relationship. This means age does not matter to being loyal in the fast food store. Results also show that gender, education, and income of respondents have significant relationships with word-of-mouth indicator, which means, customers would usually tell other people such as their families, friends, and colleagues about positive reviews of the store. Gender and first-in-mind indicator also manifested significant relationship. It means thoughts about making the fast food store a priority differs whether a customer is a male or female. Difference in educational attainment is found to be significant with the customers' intention for return patronage. When correlations are run using the overall measure of customer loyalty, none of the socio-demographic characteristics exhibited significant relationship.

### **5.5 Correlations between Customer Satisfaction and Customer Loyalty**

Findings of this study show that customer satisfaction and customer loyalty are highly correlated at significant level 0.05. This is consistent with the previous studies. Sefian et al (2013) showed that customers revisit the fast food outlets due to the food quality and perceived value offered by them. Ryu and Han (2010) confirmed that providing high-quality food is a key component of running a successful quick-casual restaurant.

All indicators of customer satisfaction and customer loyalty were found to be highly significant.

## **6 Conclusions and Recommendations**

In any business organization, customer satisfaction is one of the most important issues (if not the most important of them all) that business organizations need to be addressed. Customer satisfaction is an integral concept in marketing and the key element in planning, organizing, and implementing marketing activities. When customers are satisfied, customers are likely to return and continue patronizing the fast food industry's products and services. Therefore, market researchers and managers need to look closely at issues which affect customer satisfaction.

In this study, four socio-demographic variables were used to describe the characteristics of customers by means of frequencies and percentages. These profile characteristics are age, gender, educational attainment, and income. Majority of the customers are young, female, have bachelor's degrees, and earn between P10,000 and P20,000 monthly.

Levels of satisfaction and loyalty were measured by using means of Likert scale items. Customers of the fast food store are generally satisfied with the quality of food, service quality, and perceived value for money on one hand. On the other hand, they are generally dissatisfied with the physical environment of the store. However, customers agree that they would still be loyal to the fast food store.

In the end, it is concluded that food quality, service quality, physical environment, and price/perceived value for money are significantly correlated with repurchase intention, word-of-mouth, and first-in-mind – indicators of customer loyalty. Significant positive relationship between customer satisfaction and customer loyalty is established.

Managers of any fast food restaurant should be cognizant of the needs and wants of the customers and offer them quality in all aspects of the business. Enhanced policies and guidelines should be designed to improve the service quality and physical environment of the store such as the following:

1. ***Respond to customer feedback and/or satisfaction surveys as honest as possible.*** Customer feedback and satisfaction surveys are very important to determine the level of satisfaction of customers which would eventually be useful for the management. Customers, therefore, should answer questions as honest as possible and make it sure that they would return the questionnaires with complete answers. Customers should understand that their opinions matter and these serve as starting point for companies to offer new products, improve existing products and services, and offer retention plans.
2. ***Continued preparation of high-quality of food is important.*** Food quality was the top reason why customer satisfaction was very high, therefore, owners or operators of this leading fast food store must continue preparing food that is good-tasting and has high quality. Researches show that quality of food greatly influences the level of customer satisfaction. Marketing researches must be conducted what particular menu the customers want, launch the product for market test, and evaluate whether or not customers want it. Owners must not be afraid of innovation. Managers must modernize food preparation and food technology.
3. ***Intensive marketing for the existing loyalty program must be pursued.*** As revealed by the results of this study and consistent with previous researches, customers of fast food stores and other casual quick service restaurants put premium to the value of money they used in exchange for patronizing the companies' products and services. While the fast food store currently offers a loyalty card where customers earn points every time they make purchases, it has not been introduced intensively to customers. For instance, P50 worth of purchase is equivalent to one point, which in turn, is equal to P1.00 (in contrast to one point for every P200 worth of products in other competitors). Some customers have expressed their satisfaction on loyalty card because it adds value to their money. The researcher also recommends partnership with banks and other merchants so that customers would be able to use these cards in transactions with other partner stores. Many loyalty cards today have partnered with MasterCard and/or Visa so that their loyalty cards serve as debit cards which can be used for online shopping.
4. ***Service quality must be improved.*** Service quality ranks second lowest among the four indicators of customer satisfaction. While customers are generally satisfied with service quality, two important indicators exhibited the lowest intensity of satisfaction. These are the provision of quick service and the willingness and ability of service crews to provide that service in a timely manner. One possible reason for this is the long queues when ordering food. It is recommended that when long queues are observed, all point-of-sale (POS) machines must be operated. Service crews must also learn to smile with consistency to customers who are being served as this shows hospitality service.
5. ***Maintain cleanliness of the physical environment of the store.*** Based on the composite mean scores of the respondents, physical environment has the lowest mean score which means customers are not satisfied. Majority of the comments written by customers in the survey questionnaire identified comfort rooms as 'dirty' and 'needs improvement.' While customers are satisfied with the quality of food, dissatisfaction with physical environment may result to a decrease in loyalty. Comfort rooms must have adequate supply of water, liquid hand soaps, and tissue papers. Outside surroundings must always be cleaned so that garbage would not be a sore in the customers' eyes. Place or location is one of the most important elements in 7Ps of marketing mix. Therefore, marketing strategy of this leading fast food store should focus more on cleanliness of the physical environment. One way of doing this is to conduct intensive orientation among service crews especially those who

are assigned to clean dining areas, comfort rooms, and proximities. Managers should regularly check comfort rooms and other areas to make sure that assigned personnel are doing their jobs properly.

6. ***Offer cash discounts for meals.*** Pricing strategies are very important in a competitive market. Based on the findings of this study, price/perceived value for money is highly correlated with customer loyalty. Therefore, fast food store must continue offering value meals, freebies, and cash discounts for purchases.
7. ***The use of different forms of advertising is highly recommended.*** To increase the chance of customers' acceptance of the fast food's products and services, different media mixes must be utilized. For instance, tarpaulins (billboards) must be conspicuously displayed in the surroundings. A TV monitor would also help customers know more about their product and service offerings.

## 7 Implications for Future Research

Examining the effects of predictor variables to both customer satisfaction and customer loyalty. To examine the effect of variables under studied to customer satisfaction and customer loyalty, the proponent recommends further studies. What are the variables that affect satisfaction and loyalty? To what extent do these variables affect the dependent variables? These questions are worth exploring and regression analysis would tell us the degree of effect of predictors to the dependent variables.

Conducting research studies on the same fast food store but in different locations is suggested. Generally, it was found in this study that socio-demographic variables are not correlated with either satisfaction or loyalty variable. Will this finding be also true to fast food stores of similar brand but are located in different place such as in business districts, e.g. Bonifacio Global City? This would validate or invalidate the findings presented in the current study.

Comparative studies of customer satisfaction and loyalty of different brand names/companies are highly recommended. In comparing how customers perceive satisfaction and loyalty in different fast food stores albeit different brand names gives the researchers an idea whether or not the same set of customer characteristics affect satisfaction and loyalty.

Moreover, to know the needs of customers and to satisfy them, managers and restaurant administration should study customer's values and must understand how consumers perceive their restaurant's products and services, so a study that divulges consumer perception of all brands is necessary. A study of this type should explain how customers appraise main brands that help in the managerial and the academic understanding of customers' assessment process. Restaurants should invest in the training and development of their employees as they are the ones who are directly dealing with the customers. Their presence and approach creates an image in the customers mind. Customer retention is important in the current competitive environment. Restaurant manager should need to take care of the factors that directly impact the customer retention rate. As what F.P. Reichheld said, "As a customer's relationship with the company lengthens, profits rise. And not just by a little. Companies can boost profits by almost 100 percent by retaining just 5 percent more of their customers". Managers must always bear this in mind.

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