CHAPTER 1

INTRODUCTION

1.1 HOTEL INDUSTRY AND NEED FOR THE STUDY

Hotel industry seems to have tremendous growth over the last few decades. In addition, that there is growth of chains of restaurants. This could be due to reasons like population growth, employment of both the spouses, more earning due to husband and wife employment and above all, hotels have become a place for spending time with the family. The hotels unlike the other industry have multiple features like environment, location, price, food quality and service quality and thus become complex to manage. On the other hand, the customers do have preferences in taste, look for pleasant environment, convenient location, etc. In such situations a study will help to understand the factors leading towards customer loyalty. There is churn of customers across the chains of restaurants even though each built and exhibit core competence over a period of time.

Hotels strategically plan on retaining the customer’s base and loyalty becomes a key factor in deciding the success of business. The antecedents of loyalty proposed in this study are customer behaviour like product price, hotel location, environment, and service and food quality. The study aims to understand to what extent these behavioural facets will help the business to increase the customer loyalty base. The relationship quality is proposed as a mediator between the behaviour aspects of the customer and the loyalty. Relationship quality is measured using two variables namely trust and satisfaction and it is essential for the business to enhance the relationship quality. The study proposes to examine the role of antecedents of customer loyalty in chains of restaurants.
1.2 CURRENT SCENARIO RESTAURANTS IN INDIA

Tamilnadu is a place known for varied cuisines. The taste buds of the people are such that there are delicacies and dishes change according to the location. This makes the state richer in terms of number of food items and this is evident from the fact that one can see a restaurant even at the remote location of the state. A classification of restaurants can also be made according to the kind of customers they serve. Based on different taste buds and the cost that the customers can afford to, there are different types of restaurants providing service to the customers. There are also chains of restaurants which are of prime importance to this study. These restaurants have to provide similar type of service across all the branches of the restaurant.

As per the report given by Planning Commission, Government of India the GVA (Gross Value Added) for service sector for the year 2014-15 is about 61.18 lakh, which is 52.97% of total GVA of India. The GDP composition for the year 2014 -15 for services sector is 57.9%. India ranks 11 among the countries of the world with respect to the contribution towards the nation through the services industry. The revenue provided to the nation by the restaurants and hotel industry in the year 2011-12 is 882,957, in 2012-13 the amount it gave was 1046,241, in 2013-14 it was 1,257,324 which accounted to 12% of the total share in contribution towards the GVA of the nation. In 2014-15 the amount contributed by the restaurants and hotel industry is 1,431,836 which is about 12.40% GVA towards the nation [1].

1.2.1 Reasons for Rapid Growth of Restaurant Industry

There are various reasons for the rapid growth of the restaurant industry. Some of the reasons could be as follows:

1. The family structure is one of the main reasons. The families have become nuclear in structure. This has paved way to immediate decision making by the young couples or rather the head of the families to decide to dine out at the restaurants.
2. The factor that both the husband and wife move out of home to earn for the family, their time to prepare food at home narrows down. This makes them to have food from restaurants. This saves a lot of energy for the lady from cooking and cleaning the dishes. This also saves the family a lot of time.

3. All the members of the family are so busy that at least during the time they get united at the dining table of a restaurant they get to talk with each other and enjoy a good family time allowing them to spend quality time together.

4. It has become a trend that for any smallest occasion or any achievement people move out to restaurants for treat. So people get together at the restaurants for celebrating an occasion or the success of a person.

5. There are so many people leaving their home and working or studying at different places in order to succeed in their professional life. As they are living alone they prefer eating out at restaurants rather than cooking just for themselves. This saves both time and energy for them.

6. Many official meetings and important decisions are made at the restaurant dining tables. The corporate usually invite customers for lunch or dinner and talk over the table regarding the details of the business and close the business in a fruitful manner along with delicious lunch. Many bigger organizations allot funds for this activity.

7. Many people are always on the move. It becomes difficult for them to prepare food and carry with them wherever they go and many a times people are required to cross even international borders. Hence, their job demands them to eat at restaurants wherever they are.

8. There are many marketing professionals whose job is to reach the customers place and provide them with good service. In this rush to treat the customers in the best possible way and in order to achieve
the targets these people prefer munching on the food on the go at various restaurants put up at various locations.

9. The personal, professional, economic, social, cultural reasons make the rapid growth of the restaurants possible in Tamilnadu state.

1.2.2 Various Societies Which Back up the Restaurants in Tamilnadu

The hospitality industry is regulated and managed by various associations with regard to the day to day issues and interactions of the hotels and restaurants. These associations frame certain rules and regulations for the benefit of the restaurant owners and the customers. They also see to that the policy of the government is also followed by the members of the association to the fullest.

The following are the associations which are in place in controlling the activities of the restaurants in India:

1. National Restaurant Association of India (NRAI)
2. Federation of Hotel and Restaurant Association of India (FHRAI)
3. South India Hotels and Restaurants Association (SIHRA)
4. Hotel and Restaurant Association of Eastern India (HRAEI)

1.3 MOTIVATION TOWARDS THE RESEARCH AND THE STATEMENT OF PROBLEM OF RESEARCH

The service sector is accounted for about 70% of GDP growth in most of the developed countries where their economies are highly dominated by the service sector and not even by the manufacturing industry. Service sector is that which needs lot of man power to handle the functioning of the industry and it also needs to aim at the satisfying the customers every time it encounters the customers. Time and providing the best service to the customers are the most important tenets of the service industry. It is a great challenge and lot of skill is required to handle customers in a service industry.
As per the survey conducted in the year 2014 with regard to the output towards the nation pertaining to service industry, India was found to be in the 13th position overall [1]. This service industry was majorly contributed by the hospitality industry on the whole which is majorly contributed by the hotel industry, which is still contributing to our growing nation. The type of service that are being provided in the service sector are even more challenging as the service provider have to provide service to a wide variety of customers[2]. The still ticking growing number of hotels in the nation is the major indicator and the proof towards the growth aspect in this service sector. On the other hand, both, the partners in the family (now that majority of the family has become a nuclear family) are employed and are busy in catering to the needs of their professional growth and with the less time available with them to spend with the family, they seek the quality restaurants who can provide them with good quality food at a reasonable rate as the time they have towards preparation of food is very less and that they have more of disposable income in the family to spend for their food in good quality restaurants. This current situation leads to high competition and, individual hotels started proliferation as chains of restaurants. The aim of these chains of restaurants is to cater high quality food with great taste consistently. The taste buds of various customers are different from each other. This is one of the biggest challenges for the chains of restaurants to fulfill the need of each and every customer [3].

The greatest and the toughest challenge lieing ahead of these service providers is the customer attraction and the way they adhere to inorder to retain the set of customers with the same restaurants which may in future lead to customer loyalty, which may reduce their operational expenses in the long run [3,4]. Another attribute that is required by the service provider inorder to retain the customer and improve the customer loyalty they need is the positive word of mouth, through which the customer themselves will spread the positive feedback about the service provider to one or many of the prospective customers. This may attract the new customers to visit their restaurant and then to try out the recipes with them. The customers have higher trust towards a restaurant if the same was referred to by a friend or a relative than the one chosen by them without any previous experience.
This leads to higher satisfaction in the service rendered to them [4]. This is that part of hospitality industry where the intervention of human is very high in nature and this is the greatest challenge ahead of the service provider in standardization of the procedure as this requires proper training to be provided with the employees of the service provider and the expectation in this standardization is that every employee will be behaving in the same manner. This also poses one of the attribute in meeting out the competition in this industry. As this service industry is complicated and creates interest to study the nuances of the same, it is proposed to study the customer loyalty attributes for the chains of restaurants which are in Tamil Nadu and this study aims in coming up with a model to study the predictors of customer loyalty.

1.4 OBJECTIVES OF THE STUDY

The objectives of the study are framed keeping in mind the theoretical contribution that addresses the research gap in chains of restaurants. The proposed research work has the following specific objectives.

1) To analyze the effect of customer behaviour on relationship quality in chains of restaurants.

2) To assess the influence of relationship quality on word of mouth communications (WOM).

3) To evaluate the effect of relationship quality on customer loyalty in chains of restaurants.

4) To analyze the mediation effect of relationship quality between customer behaviour and customer loyalty.

1.4.1 Elaboration of Objectives

1) To analyze the effect of customer behaviour on relationship quality in chains of restaurants.

The customer behavior is defined by five predictors or parameters as given by various researchers like Sangyup Sean Yun, Jean Harrison. The five
customer behaviors are Food Quality, Service Quality, Price, Location, and Environment. These five parameters are found important and proved by many researchers. The first objective of this study is to analyze the effect of customer behavior on relationship quality. The relationship quality is defined by two parameters such as customer satisfaction and customer trust. It is proved in various research studies that the relationship quality is affected by the customer behavior.

2) To assess the influence of relationship quality on word of mouth communications (WOM).

The relationship quality is defined by two parameters such as customer satisfaction and customer trust. The word of mouth is defined to be an important factor in service industry. This has greater impact on achieving the service of the organization than any other factor. The customers tend to have greater trust towards a particular service sector when that service sector is being referred to by any of their friend or relative. If this word of mouth will have higher impact in influencing the customer loyalty towards a particular service industry if the customer is highly satisfied and also his or trust towards the same increases multifold. This has been proved in earlier studies as well. The same is being tested on the chains of restaurants across Tamilnadu state.

3) To evaluate the effect of relationship quality on customer loyalty in chains of restaurants.

Customer loyalty is the core objective of the service industry; And therefore is the desired destination of all service providers in general and service industry in specific. It is not a directly derived entity which is attained by any of the service provider. It is the outcome of various attributes which leads to a satisfied service to the customer as well as increase in the customer trust towards the service provider. The effect of the customer satisfaction and the customer trust towards a particular service industry in improving or decreasing the customer loyalty especially for the chains of restaurants is being assessed here.
4) To analyze the mediation effect of relationship quality between customer behavior and customer loyalty.

The above objectives were talking about the direct impact of the attributes towards improving the customer loyalty. This objective assesses the indirect effect of the relationship quality on the customer loyalty. The relationship quality is divided into two attributes in this study namely, the customer satisfaction and the customer trust. The impact of these does have an effect on the customer loyalty but here the indirect effects of these attributes are being measured.

The customer behavior which is divided into five attributes in this study namely, the food quality, service quality, location, price and environment do directly lead to achieving loyal customer but here we have two mediation attributes which is being assessed. The two mediation factors that are being considered are the customer satisfaction and the customer trust. Hence, it is being assessed as to how the relationship quality has mediating effect on customer loyalty.

1.5 LIMITATIONS

This study has been considered as theoretical perspective and every perspective is only a perspective which is not holistic. The judgment sampling method was used is a non-probabilistic sampling, which has some disadvantages. The study is of cross sectional nature and again this method has some demerits. This Study has not considered on the branding aspect this may deviate from the management domain. May be inter discipline study could be relevant as a research option to get a complete holistic view. This study is also confined to only four chains of restaurants across TamilNadu State.

1.6 ORGANISATION OF THE THESIS

The chapters in this thesis report discusses briefly as under which gives out the major and important objectives and the details of each and every chapters herewith. Chapter 1: This chapter identifies the research overview with importance given to what motivated the researcher to take up this particular research work and
in developing the statement of problem of concern for the study. This is done by
discussing various aspects by discussing the statements leading to the problem of
concern and then proposing the statement of the purpose, which then lead to
formulation of the research questions, then bringing the clarity on develop in the
objective of the study of concern. To sum up this chapter aims in bringing out the
purpose of the study, in what way it is important for the study, the concept of how it
is relevant in the study of concern towards measuring the customer loyalty
pertaining to the chains of restaurants through this proposed model of concern for
research.

Chater 2: Chapter 2 tries to bring out the literature review, and it tries to
identify the discussions related to the topic of concern. This chapter covers the
concepts pertaining to Service Quality, Customer Satisfaction, Customer Trust and
Customer Loyalty in the chains of restaurants, which come under the hospitality
sector. This also covers the attributes related to each other in this concern of study.

Chapter 3: The chapter 3 covers the Theoretical Framework, consisting of
the attributes of concern of the study wherein it also dwells into the current
framework which involves the customer loyalty pertaining to the chains of
restaurants. There are more number of critical factors leading to success and there
are various other success indicators which remain in the service quality, food
quality, customer satisfaction, customer trust and the customer loyalty’s theory from
the review of literature. This chapter covers considerable amount of details of
previously done research work in the line of the listed attributes of concern of the
study. The original framework was considered for adoption in the existing study
along with the inclusion of another important variable of concern word of mouth,
which also imparts a major concern over the service quality measurement. This
is adopted in lieu with other existing attributes of concern in the form of constructs
which are proposed in the current study which is given a direction through the
research questions, research hypotheses and its measurement. This study is taken
forward with the original framework and inclusion of word of mouth in the model of
concern.
Chapter 4: In this chapter the content pertains with regard to the pilot study, research methodology and the data analysis of the study of concern. The type of research design is descriptive in nature. The data taken is just one time, which is cross sectional in nature. The primary data was collected by the researcher by way of questionnaire which has total of 40 items developed in order to assess the service that is being offered to the customers. Initially this questionnaire is tested with the customers for checking the content’s reliability and validity by way of pilot study, which tests for the reliability and validity of the questionnaire. The scale of measurement was generated and it was validated in the domain of concern that is the chains of restaurant and it was identified that the scale was good and it needed no further modification and this was the outcome of the pilot study.

In this questionnaire, all the items of concern for the study has been framed in the form of statements using the rating scale of 5 point likert scale, throughout the questionnaire where in there are a total of 40 questions being framed. This final questionnaire was then used in the pilot study to test the various attributes like if there is going to be any kind of ambiguities in understanding of the questions, if there is going to be any omissions or any kind of errors in the questions which might be irrelevant to the study, where this entire activity was done with the help of 50 samples considered. Once all the ambiguities are cleared, the data was collected by administering the questionnaire to those customers who are treated to be the samples for the study, who have dined in that chain of restaurant atleast once within that particular month. The sample size considered is 600 for the study, where in 150 from each of the chains of the restaurant was considered and the data from these samples were collected through the “personal contact” using the paper and pen methodology.

All the nine theoretical constructs were considered where its being described using 40 items in the questionnaire. The Partial Least Square Structural Equation Modelling (PLS SEM) has been used as this particular theory need not have the data to satisfy the multivariate normality. This chapter consists of the findings which is based on the analysis of the data collected from the sample size of 600. This chapter consists of the conclusion which is derived from the analysis and this outcome is made to compare with the literature available on the given area of study. This particular chapter also has the limitations of the concern study.