

The Relationship between Customer Retention and Customer Loyalty in the Restaurant Industry in Ghana

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Abstract

The purpose of this study is to investigate the relationship between customer retention and customer loyalty, the main objective is to investigate the impact of the constructs of customer retention on customer loyalty in the restaurant industry in Ghana. Out of five hundred (500) questionnaires distributed through convenience sampling method to the population, two hundred and nine (209) returned their questionnaires. With the aid of Statistical Package for Social Sciences (SPSS) the following statistics were employed: descriptive statistics, cronbach's alpha, kurtosis and skewness and regression analysis was used to measure the effect of independent variable (price, service quality, customer satisfaction, and brand image) on dependent variable (customer loyalty). The findings revealed that all four construct of customer retention; namely price, service quality, customer satisfaction, and brand image had a significant and positive relationship with customer loyalty. The research suggests that Customer Relationship Managers (CRMs) finds out what customers expect and serve them better and solve all customers' complaints on time.

Keywords: price; service quality; customer satisfaction; brand image; customer loyalty

1.0 Introduction

Customer retention is a pivot in creating relationships that leads to customer loyalty, in view of these many researchers has dealt deep into construct of customer retentions. Customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining a relationship with current customer (James, 2012). According to Eriksson and Vaghult (2000) customer retention is central to the development of business relationships, and these relationships depend on satisfaction. Gets and Thomas (2001) defined customer retention as customer purchasing a product or services in again and again over an extended period of the time. Pyne (2000) stated that the customer retention explains the percentage rate at the start of the time period and the customer who still remain customer in the end of the time period.

According to Kottler(2000) customer retention is very important because it has a bearing on costs and profitability over time. Ro King (2005) also explained that customer retention involves steps taken by organization in order to reduce customer defection and successful customer retention starts with the first contact with a customer and continues throughout the entire lifetime of a relationship.

Background of restaurant industry in Ghana

The Ghanaian restaurant industry consists of hotels and resorts, restaurants and institutional contracts was valued at \$1 billion and expected to continue to grow, as convenience fast food and local Ghanaian cuisine restaurants continue to expand (Ashitey, 2008). The consistent growth is triggered by growing preference of young professionals to meet business contacts at Ghanaian restaurant. As well is as a result of the changes that are envisaged in the Ghanaian demographics with increased urbanization and more women working outside the home. This trend is making women to have less time to plan and prepare

food for their spouses and children. As such, because of hunger and the lack of time to prepare food at their various homes, preference for food prepared at restaurants has taken central stage in our cultural fabric. Hence the upsurge in Ghanaian restaurant industry which is as well drawing tourist and investor into Ghana. (Inkumsah A 2009;Andaleeb and Conway, 2006).

However, those at the mercy of this upsurge in the restaurant industry are consumers who patronize the delicacies of these restaurants. With Ghanaian consumers' expectation for quality food which is reasonably priced seemingly been on the rise, it is of essence that owners of restaurant treat fairly the issue of customer retention with the utmost importance it deserves and from the perspective of the consumer, since as (Andaleeb and Conway, 2006)

This has made restaurant industry highly competitive, restaurant not only competing among each other but also competing with "pub" and" local chop bars"(Hull, 2002). Restaurant services are easy to duplicate. Restaurants in Ghana provide identical services; they can only distinguish themselves on the basis of price and quality. Therefore, customer loyalty and retention is

potentially an effective tool that restaurant can use to gain competitive advantage. Several previous studies focused on exploring significance of customer retention as well as efficiency are in the banking industry (Fisher, 2001; Aikaeli, 2008; Lwiza and Nwankwo, 2002.) However, there has no or little effort to investigate factors that might lead to customer retention in the restaurant industry. This study focused on construct of customer retention in the restaurant industry in Ghana banking services.

2.0 Material and Methods

2.2.1 Customer retention

Customer retention is the activity a company undertakes to prevent customers from defecting to alternative companies. Successful customer retention starts with the first contact and continues throughout the entire lifetime of the relationship. Customer retention has many benefits such as; increased revenue, lower customer acquisition costs and increased referrals.(Murph 2002).Khan(200) identified four criteria which act as customer retention: price

(charges), customer satisfaction, service quality and brand image as constructs.

2.2.2 Customer loyalty

Customer loyalty is the mind-set that persuades a customer either to revisit a company, shop or outlet to purchase a particular product, service or brand (Jessy John, 2010) there again.

All loyal customers build businesses by buying more, paying premium prices, and providing new referrals through positive word of mouth over time (Ganesh *et al.*, 2000).Customer loyalty is closely relates to the company's continued survival, and to a brawny future growth. Hence, for a company to maintain a stable profit level in a fierce competitive market striving to retain existing customers is more important than an aggressive one, which expands the size of the overall market by inducing potential customers (Ahmad & Buttle, 2002).

2.2.3 Construct of customer retention and customer loyalty

2.2.4 Price (charges) and Customer loyalty

A research conducted by Suhartanto (2003) on hospitality industry found a positive relationship between price and customer loyalty. Kandampully (2003) also researched into on hospitality industry and found a positive relationship between price and customer loyalty. Customers who are willing to pay higher prices for a product or service tend to be brand- conscious and prestige sensitive (Khan and Hussain, 2013). Once customers are convinced that they are getting the best quality product or service, they will tend to develop loyalty to it in the long run. (Moghadam 2013) Research conducted by Kaura (2012) revealed that satisfaction in banking environment is influenced by price fairness and service charges.

2.2.5 Customer satisfaction and Customer loyalty

Moghadam (2013) concluded that customer satisfaction has significant influence on customer retention. The findings are similar to Afar and co-workers (2010) who revealed that customers should be satisfied for them to remain loyal with a particular bank. Banks in Tanzania offer similar services to their customers and the only thing which can differentiate them is the way they satisfy

their customers as expected and delivered. Also once a customer is satisfied, it is not easy for him/her to switch between banks and probably refer the bank to his/her family and friends this would lead to increase in profit for the concerned bank. Ouma et al.(2013) explain that staffs who offer a helping hand to customers, adequate information, timely information, handled complaints properly and have better prices in their products including services leads to customer satisfaction.

2.2.6 Service quality and customer loyalty

Elly (2010) in the study on service quality and customers loyalty in Tanzanian commercial banks tried to find out why despite efforts made by commercial banks to retain customers, customers were still leaving their banks. The purpose of the study was to investigate the link between service quality and customers loyalty in Tanzanian commercial banks. The research findings revealed that the overall service quality provided by the commercial banks had a direct relationship with customer loyalty.

2.2.7 Brand image and customer loyalty

According to research conducted by Ike-Elechi and Zhenzhen (2009) on the relationship between brand image and customer relationship, the outcome from the study shows that brand image have positive impact on customer expression of loyalty and commitment to market offering. An investigation into the role of brand image on consumer loyalty conducted by Manesh, and Hozouri (2013) affirms that there is a positive relationship between brand image and customer loyalty.

According to Khalili, Rahchamani, and Abtahi, (2013) who investigated the effects of brand experience, trust, perception image and satisfaction on creating customer loyalty. The results of the survey on testing various hypotheses indicate that brand experience has positive and meaningful relationship with brand satisfaction, trust, perception image and loyalty. In addition, satisfaction, perception image and trust have positive meaningful with customer loyalty.

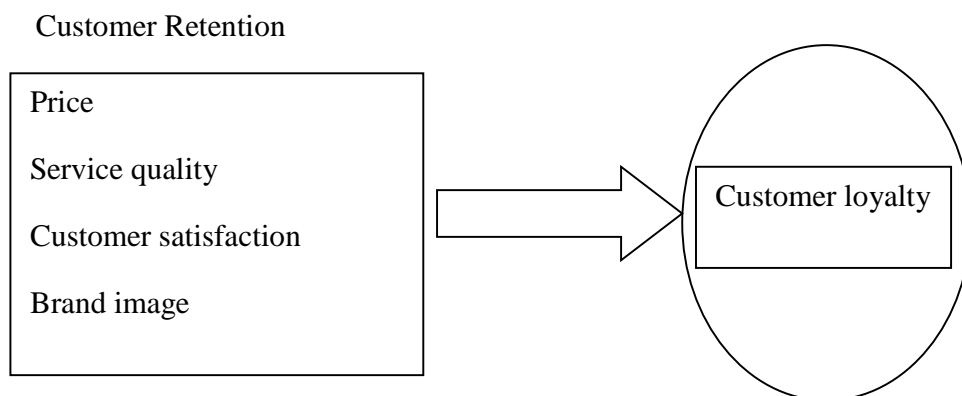


Fig 1 model of relationship between of customer retention and customer loyalty

Based on the above review and research model, hypotheses designed are as follows:

2.3 Hypotheses of the research study

H1: Price affects positively the creation of customer loyalty.

H2: Service quality affects positively the creation of customer loyalty.

H3: Customer satisfaction affects positively the creation of customer loyalty.

H4: Brand image affect positively the creation of customer loyalty.

2.4 Objectives of the study

The purpose of this study is to investigate the relationship between the construct of

customer retention and customer loyalty. The specific research objectives of the study are;

- To evaluate the relationship between price and customer loyalty.
- To assess the relationship between Service quality and customer loyalty.
- To identify the relationship between customers satisfaction affects and customer loyalty.
- To investigate the relationship between brand image and customer loyalty.

2.5 Methodology

Both primary and secondary data were used in the study. The study adopted purposive sampling technique to select Restaurants whereas convenience sampling techniques were employed to select a restaurants customer. The suitable sampling technique for this study is non-probability technique using convenience sampling. This is due to the difficulty in determining the specific list of customers.

2.5.1 Participants

The target population comprised various restaurants customers, both sexes between the ages of 18 and 50 who visited Sothern

Fried Chicken (SFC), Golden Sticks (GS) Chakula Restaurant (CR). Asia Restaurant (AR) and Chicken Republic (CRR) all in the Tema metropolis during the period of May and June 2013. Selected customers were randomly interviewed at different times of the day, on every day of the week, over a four week period. A sample of 209 customers returned the questionnaires out of 500 questionnaires sent out.

2.5.2 Data collection and Data analysis

Data were collected through the use of a structured questionnaire. The questionnaire was divided into five sections. Section A elicited general and biographical information about respondents. Section B elicited information on Price. Section C sought information on Service quality. The questions in Section D elicited information on Customer satisfaction. The section E sought information on Brand image. The questions in Section F elicited information on Customer loyalty. Likert scales anchored by strongly disagree (1) and strongly agree (5) were used in the questionnaire.

Once the data is collected and entered to computer using SPSS. The following statistics were used: descriptive statistics in

order to have clear picture of study variables. Cranach’s alpha, which measures the internal consistency of a construct, Kurtosis and Skewness values were used to

check the normality of each variable used in the research Regression analysis was used to measure the effect of independent variable on dependent variable.

Table 2. Supporting literature for measurement scales.

Construct	scales
Customer loyalty	[31,46]
Price	[41,43]
Service quality	[39,52]
Customer satisfaction	[43,54]
Brand image	[29,56]

All of the measurement scales used, as indicated in **Table 2**, were based on previous research. Assuring the validity and reliability of the measures required supporting literature to validate the scales which were used in the research constructs. The customer retention construct was measured using the scales and indices included in the work of (Msoka C & Msoka E 2014; Mascareigne 2009) who used the following variables to determine level of customer retention: creating customer

satisfaction, creating customer trust, customer involvement, creating switching barriers, communication effectiveness, customer loyalty, brand image. As shown in **Table 2**, internal marketing construct were measurement scales adapted from previous studies

3.0 Results and Discussion

Following the guidelines indicated in the research methodology section, the researcher collected data in 2013.

Table 3. Demographic information

Variables	Frequency	Percentage
Gender		
Female	110	52.6
Male	99	47.3
Total	209	100.0
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Ages		
18-28	88	42.1
29-39	106	50.7
40-50	15	7.2
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Restaurants		
SFC	38	18.1
GS	35	16.8
CR	37	17.7
AR	72	34.4
CRR	27	13.0
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No. of Visit		
Below 5 times	103	49.2
Between 6 to 10	67	32.0
More than 11	39	18.7

Survey results, 2013

The result shown in Table 3 shows that 52.6% of the respondents are females while 47.3% are male. 42.1% of the respondents falls between the ages of 18 -28, 50.7% of the respondent are between 29-39 and 7.2% are in the range of 40-50.18.1%.besides 16.8%.17.7%, 34.4%and 13% of the respondents patronize the services of SFC,

GS, CR, AR, and CRR respectively. Also 49.2% of the respondent had visited a particular restaurant below 5 times, 32.0% between 6 to 10 times whiles 18.7% more than 11 times. As shown in Table 3 majority of the respondents are male, ages 29-39, vistic AR and had visited between 6 to 10 times.

Table 4. Values of Cronbach’s alpha for the research construct

Construct	Value
Customer loyalty	0.8214
Price	0.7168
Service quality	0.8990
Customer satisfaction	0.9226
Brand image	0.8339

A reliability test was carried out using Cronbach’s alpha, which measures the internal consistency of a construct. The recommended minimum acceptable limit of

reliability measure, as reported by (Sekaran, 2003) is 0.60. As shown in Table 4, all the constructs passed the reliability test.

Table 5. Descending means of the constructs Customer loyalty

Construct	Mean	Standard deviation
Price	4.065	0.4654
Service quality	4.270	0.7409
Customer satisfaction	4.132	0.6432
Brand image	4.012	0.5001

(Source field work, 2013)

The result shown in Table 5 indicates frequency and descriptive statistics used to determine the relative importance of each of the constructs. The competitive priorities

shown in Table 5 have a mean above 4. Therefore it concludes that all of constructs are of significant importance to the study.

Table 6. Skewness and Kurtosis for research constructs. Variable

Variable	Skewness	Kurtosis
Customer loyalty	-0.001	-0.523
Price	-0.224	-0.143
Service quality	-0.643	-0.504
Customer satisfaction	-0.700	0.123
Brand image	0.324	0.610

(Source field work, 2013)

From Table 7, Kurtosis and Skewness values were used to check the normality of each variable used in the research. Skewness values larger than (+1) or smaller than (-1), as suggested by Hair.J, Babin, B, Money. A and Samouel.P (2003) indicate a substantially skewed distribution.

Besides according to Hair.J, Anderson.R, Tatham.R and Black.W (1998) added that a curve is too peaked when the Kurtosis exceeds (+3) and is too flat when it is below (-3). This means Skewness values within the range of (-1) to (+1) and Kurtosis values within the range of (-3) to (+3) indicate an acceptable range. As shown in Table 5, the values of Skewness and Kurtosis for each variable indicate that the research constructs fell within the acceptable range.

Multiple regression analysis was conducted to test the research hypotheses. Regression analysis was used to measure the effect of independent variable on dependent variable. (Multiple for several predictors and linear for one independent). Besides multiple regressions is used to identifies how much of the variance in the dependent variable is explained when a set of variables is able to predict a particular outcome. (Aldlaigan & Buttle 2002).

Table 7. Model summary

Model	R	R Squared	Std. Error of the Estimate
	0.920	0.825	0.175

(Source field work, 2013)

The results of the multiple regression analysis, as shown in **Table 7**, R determines the correlation between customer retention and customer loyalty. These explain that the correlation between the two variables is .092 which signifies a strong positive relationship. Besides the result reveal a coefficient of determination, R², which predicts the relationship between the

independent variables and dependent variable, of 0.825. This means that 82.5 percent of the total variance in the dependent variable (customer loyalty) is accounted for by the independent variables (price, service quality, customer satisfaction and brand image). This result affirms that the four construct of customer retention is significant in creating customer loyalty.

Table 8 ANOVA result model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.391	3	1.797	197.181	.000(a)
	Residual	161.489	196	.824		
	Total	166.880	199			

a Predictors: (Constant), Price, service quality, customer satisfaction, brand image

b Dependent customer loyalty

(Source field work, 2013)

The results of the F-ratio, as shown in **Table 8**, indicates that the regression model is significant at $p < 0.001$. It can be concluded,

that the regression model predicts customer loyalty strongly. In other words, the customer retention construct: price, service

quality, customer satisfaction, brand image (the independent variables) have the ability

to predict customer loyalty (the dependent variable).

Table 9. Results of multiple regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	4.703	.693		6.790	.000
	price	-.175	.083	0.47	2.105	.000
	Service quality	.081	.088	0.45	.919	.000
	Customer satisfaction	-.131	.101	0.48	3.295	.000
	Brand image	.045	.456	0.46	5.345	.000

a Dependent Variable: customer loyalty

(Source field work, 2013)

The regression analysis presented in **Table 9** reveals that the creation of customer loyalty is determined by the customer retention construct of price, service quality, customer satisfaction and brand image. Price has a beta value of 0.47. This means that Price explains 47. % of the creation of customer loyalty, at a p-value of.000.This explains a significant association of Price with customer loyalty.

Service quality has a beta value of 0.45. This means that Service quality explains 45. % of the creation of customer loyalty, at a p-value of.000.This indicates a significant association of Service quality with customer loyalty. Customer satisfaction has a beta value of 0.46.

This means that Customer satisfaction explains 46. % of the creation of customer loyalty, at a p-value of.000.This shows a significant association of Customer satisfaction with customer loyalty.

Brand image has a beta value of 0.48. This means that Brand image explains 48. % of the creation of customer loyalty, at a p-value of.000.This indicates a significant association of Brand image with customer loyalty. Regression model is significant at $p < 0.001$. Therefore, all the hypothesized relationships between customer retention and customer loyalty are accepted. **Table 10** summarizes the research hypotheses and their results.

Table 10. Summary of research hypotheses and results

Hypothesis	Description	Beta	t-value	Comment
H1	Price affects positively the creation of customer loyalty.	0.47	6.790	Accepted
H2	Service quality affects positively the creation of customer loyalty.	0.45	2.105	Accepted
H3	Customer satisfaction affects positively the creation of customer loyalty.	0.48	3.295	Accepted
H4	Brand image affect positively the creation of customer loyalty.	0.46	5.345	Accepted

(Source field work, 2013)

3.2 Discussion

The multiple regression analysis, therefore, shows the existence of a significant positive relationship between each of the four independent variables (Price, service quality, customer satisfaction, brand image) and the dependent variable (consumer loyalty). These results are congruent with the findings of previous empirical work. Filip and Anghel (2009), research into customer level of loyalty in Romanian retail banking sector and the factors influencing customer retention. Findings were that the Romanian customers remained with their respective

banks due to favorable attitudes and positive motivations. Gerpott, Rams and Schindler (2001) concluded that positive relationship between customer retention and customer loyalty in telecommunication market exist in Germany.

Elly 2010; Moghadam 2013; Suhartanto 2003) empirical research reviewed supports the above findings. Rust and Zahorik (1993) explained that there is a significant relationship between retention and loyalty.

However, Smith and Chang (2009) concluded that customer retention has no impact on customer loyalty.

4.0 Conclusion

The aim of the study is to examine the relationship between of customer retention construct and customer loyalty in the restaurant industry in Ghana. From the main objective four specific objectives were developed from which four hypotheses were synthesized that guided the study.

Based on the literature reviewed and data collected and analysed, it indicates that there is a strong and positive relationship between customer retention and customer loyalty.

Staff kindness, adequate and timely information, complaints handling and better prices of drinks and quality food and other services were found to be strong in explaining the influence of customer satisfaction. Clarity of restaurant procedures should be simple and spelt out to all customers, to reduce complaints. Also restaurants should customize their services based on the request from clients. The menu should base on what customers want and not what the restaurant thinks on what customers want, and they should be updated periodically since customers' expectations change over time.

Restaurants supervisors need to monitor their subordinates when providing services

to customers and should have feedback plans from customers on the services they enjoy. Random periodic questioning of some customers on services they received from the restaurant should be done within short intervals. Also before creating any new additional items on the menu they should at least consider customers for their inputs on what they really want so that the food and drinks are easily obtainable and convenient.

Managers need to by recruiting young and energetic staffs that can cope with the speed of delivering services and motivate them with additional incentives when they outperform their normal work. More waitress and waiters should be allocated on the front office more specifically cashiers to reduce the workload and long queue. Temporary staff should be engaged during for peak hours especially holidays and lunch time.

One best way to retention customer who will then become loyal is to employ the services of Customer Relationship Managers (CRMs) to serve for the large groups or families, they can easily know what customers expect and serve them better at the same time monitor services delivered by staff. With this management is sure that customers'

complaints are solved in time, information delivered in timely manner.

4.2 Limitation of the study

The decision about the size of the sample was taken considering time and cost, the need of precision and a variety of further considerations. Due to the limit of time and costs, the population was narrowed to restaurant customer in Tema metropolis alone. This study is also limited to few customer retention construct other existing construct were excluded in the study.

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