Review Article

Managing Service Quality, Food Quality, Price Fairness and Customer Retention: A Holistic Perspective

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Abstract: In this competitive environment, organizations strive to satisfy their customer by providing best quality service at affordable and fair prices with a view to enhance their revenues. To achieve the objective of revenue maximization, organizations strive to identify the factors that help them in retaining their customers. Drawing from the signalling theory of marketing, the current study proposes a novel conceptual model representing the impact of service quality with food quality and price fairness on customer retention in restaurant sector of Pakistan. The paper underlines an important arena of knowledge for academicians as well as organizational scientists on the subject. On the basis of literature available on the variables understudy, the present study forwards eight research propositions worthy of urgent scholarly attention. The conceptualized model of the present article can also be viewed significant in unleashing further avenues for the restaurant management entities, policy makers and future researchers in the domain of managing in the service sector businesses.

Keywords: *Management; Service quality; Food quality; Price fairness; Customer retention*

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1. Introduction

In this era of globalization, organizations make possible efforts to remain competitive and maximize their profit by satisfying and retaining their customers. Research suggests that customer satisfaction is predicted by the quality of service along with other factors (Tan, Oriade, & Fallon, 2014). Moreover, service quality not only predicts customer satisfaction, it is also a contributing factor in customer retention and customer loyalty (Loyyl & Kumar, 2018; Venetis & Ghauri, 2004). Research suggests that service organizations succeed in retaining their customer because of their service quality factor. Due to service excellence, customers pay visit to get their service again and again irrespective of the price increase.

When organizations succeed in realizing their customers that they are receiving best in lieu of their money, their loyalty increases (Venetis & Ghauri, 2004). Similarly, studies revealed that price fairness is strong predictor of customer retention in general and especially in especially in food and hotel industry

(Hanaysha, 2016). Organizations prefer fair prices to retain customer instead of constantly losing them as customers prefer better quality services at affordable prices (Dawes, 2009). As Dawes (2009) argued that price raise is detrimental to the customer retention and their loyalty and they may switch to another service provider. Thus, it is safe to argue that along with service quality, price is also a strong predictor of customer loyalty and retention. Fair prices may increase customer retention while frequent price increase may adversely affect the loyalty.

Researchers have been investigating service quality in broader area of marketing during the last three decades. Moreover, they have been investigating the factors that may affect the customer loyalty and retention. However, we find weaker evidences of scholarly work on the relationship of service quality and customer retention in general and especially in hotel/food industry (Ahmad, Khuwaja, Othman, Qureshi, & Ali, 2017; Venetis & Ghauri, 2004). Further, Ahmad et al. (2017) argue that relationship need investigation in Pakistani context. Similarly, Andaleeb & Conway (2006) argued that the context in which a restaurant operates may be of vital concern for the customer. However, weaker evidence of studies have been found while investigating these relationships (Hanaysha, 2016; Andaleeb & Conway, 2006).

In view of the above, it is quite clear that there exists research defict in the area of customer retention regarding its relation with service quality, food quality and price fairness in restaurant industry. Moreover, past studies have separately invetsigated the relationships of these variables with customer retention. However, the current study found rarely any evidence where these variables have been sculpted together. Thus, the current study aimed to propose the novel conceptual model signifying the impact of service quality contianing the food quality and price fairness on customer retention in restaurants operating in Pakistan.

2. Underpining Theory

The marketing literature suggests multitude of theories to explain the consumer behavior and organizational performance. In relationship of variables understudy in this conceptual may be best explained through "Signaling Theory" which has been discussed in detail in the proceeding section.

2.1. Signaling Therory

In marketing perspective, the effectiveness of messages largely depends on believability and relevancy for the consumers. To overcome the challenge of crafting believable signals, it is imperative for the marketers to have an understanding of signaling theory and signal design features. Signaling theory has been evolved from the study of animal and human behavioral ecology. Similarly, to overcome the skepticism of receivers, effective signals are of vital concern and these signals help in linking signaled quality with identity or costliness. To overcome the second challenge of rendering attractive and meaningful signals to consumers, it is imperative for the marketers to have knowledge of receiver psychology which involves attraction on the basis of instinctive preferences that originate from shared human evolutionary history. Instincts such as sensory bias, sexual stimuli, neatens may help the marketers to arouse appeal among the consumers (Dunham, 2011).

In view of the above brief description of the signaling theory, it is assumed that marketers in general and especially the restaurant managers can attract consumers through the believable and relevant signals of best service quality and fair prices.

3. Literature Review and Research Propositions

3.1. Customer Retention

Organizations strive for customer retention and loyalty to maximize their profit (Ahmad et al., 2017). Customer retention refers to the efforts of organization to make the customer loyal. It involves customers'

favorable attitudes towards repurchase and revisit intentions (Kaura, Prasad, & Sharma, 2015). In hotel and restaurant industry, providing best quality of service and food, ideal location and fair prices are the strong predictors of customer retention (Hanaysha, 2016).

3.2. Service Quality

Service quality refers to the conformance to the requirements of customers and is related to the customer satisfaction (Venetis & Ghauri, 2004). It involves overall excellence of services (Omar, Ariffin, & Ahmad, 2016) which is strong predictor of customer satisfaction and customer retention(Ahmed, Kura, Umrani & Pahi, 2019). Service quality includes all the tangible and intangible factors that shape customer satisfaction which in turn is predictor of customer retention (Andaleeb & Conway, 2006). Parasuraman, Zeithaml, & Berry (1988) proposed five facets of service quality include; tangibles, reliability, responsiveness, assurance and empathy.

Tangibles involve all the physical facilities such as outlook of the restaurant, employees' appearance and equipment's. *Reliability* is the facet of service quality involves the ability of an organization to provide the promised service accurately every time. *Responsiveness* is providing prompt service/help to the customer. *Assurance* involves the ability of employees to be courteous to customer and inspire trust and confidence among them. Empathy is the most vital facet of service quality that involves caring and offering individualized attention to the customers (Ahmad et al, 2017).

RP1: Service Quality positively affects customer retention in restaurant industry.
RP2: Assurance and Empathy positively affects customer retention in restaurant industry.
RP3: Cleanliness positively affects customer retention in restaurant industry.
RP4: Food Quality positively affects customer retention in restaurant industry.
RP5: Reliability positively affects customer retention in restaurant industry.
RP6: Responsiveness positively affects customer retention in restaurant industry.
RP7: Tangibility positively affects customer retention in restaurant industry.

3.3. Price Fairness

Price is the most vital factor in marketing mix (4 Ps of marketing) as it is the direct source of return on investment (ROI). Business managers and marketing executive adopt pricing strategies which are not only the source of ROI but also are in-line with the financial position of the customer. Research suggests that price fairness is strong predictor of customer satisfaction and their retention in general and especially in hotel industry. Prices that are true reflection of service quality are linked with customer retention (Hanaysha, 2016). Prices are also the reflection of consumer behavior and are deciding factor for their revisit intentions (Dawes, 2009). Fairly charged prices reflected through the service and product quality are considered as the contributing factor for customer loyalty and retention (Andaleeb & Conway, 2006; Kaura, Prasad, & Sharma, 2015).

RP8: Price Fairness positively affects customer retention in restaurant industry.

4. Conceptual Framework

In view of the literature review and research proposition, the researchers proposed a novel model as shown in the figure below:
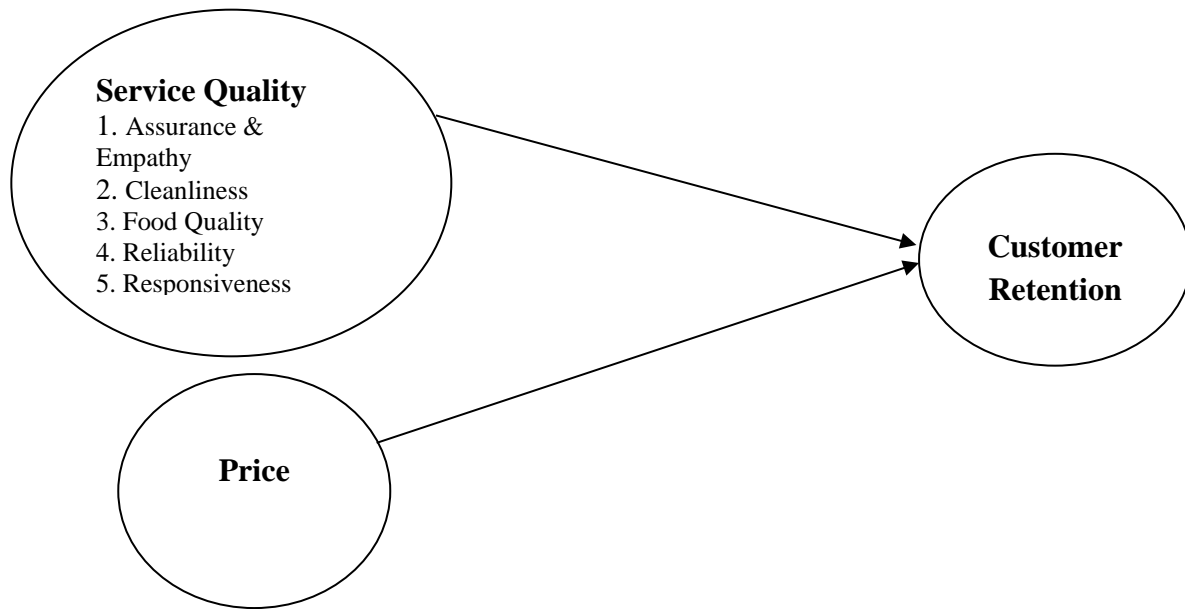
Figure 1. Conceptual Model

5. Methodology

The study proposed a conceptual model depicting the impact of service quality and price fairness on customer retention in restaurant industry of Pakistan. An extensive review of the literature on the variables understudy was undertaken by accessing various databases such as Google Scholar, Science Direct, Emerald, ProQuest, and Tylor and Francis with a view to ensure reliability of the literature. Further, this review also helped in identifying the research deficit in the previously conducted studies on this subject. To support the proposed conceptual model, the researchers employed signaling theory.

The current study intended to investigate the proposed relationship in food industry (restaurants) which is supported in the previous studies (Ahmad et al. 2017; Hanaysha, 2016; & Andaleeb & Conway, 2006).

6. Discussion, Conclusions and Implications

The study aimed at developing and proposing a model to investigate the impact of service quality and price fairness on customer retention in restaurant industry of Pakistan. As discussed earlier, service quality and price fairness are among the vital factors that affect the customer retention in hotel and restaurants in Pakistan. The proposed model may offer new avenues for further research focusing hotel and restaurant sector in general and especially in Pakistan.

The marketing literature about customer retention shows that factors like service quality and prices fairness positively affect the customer loyalty and retention (Ahmad et al. 2017; Hanaysha, 2016; & Andaleeb & Conway, 2006). Thus the study focuses the contributing factors (service quality & price fairness) that affect customer retention which in turn affects the organizational performance. The study also has both theoretical and practical implications for the business managers in general and especially restaurant managers facing the performance issues. Moreover, the study may offer new knowledge to the existing body of literature on proposed relationships.

This study has attraction for the common readers and the future researchers to know the factors that ignite the customer retention and overall performance. Since the study was only based on conceptual

model, the future researchers may test the proposed relationships empirically in the context of Pakistan hotel and restaurant sector or any other developing country context.

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