

Enhancing Customer Relationships in the Foodservice Industry

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Abstract. Intensification of competition and increasingly demanding customers are forcing the foodservice providers to create stronger customer relationships. Although the relationship marketing discipline is relatively well researched, there are limited studies on measuring instruments and dimensions have been done. Thus, this paper aims to develop a new measuring instrument for relationship marketing, identify the underlying dimensions of relationship marketing as perceived by customers and ultimately to propose strategies for enhancing customer relationships in the foodservice industry. The proposed 29-item instrument has been empirically tested for unidimensionality, reliability and validity using exploratory factor analysis. A factorial analysis suggests that relationship marketing is a multidimensional construct consisting of four key dimensions namely Communication, Trust, Empathy and Commitment. A subsequent multiple regression analysis reveals the dimensions of relationship marketing have significant impact on customer loyalty. Customers tend to be loyal if the foodservice operator can be trusted, reliable in communication to customers, sympathetic and committed in providing excellent service.

Keywords: Relationship Marketing, Communication, Trust, Empathy, Commitment, Customer Loyalty

1. Research Background

As the foodservice landscape evolves, customer awareness and complexity increases, and competition intensifies, foodservice operators are facing greater challenges in sustaining their competitive position and retaining existing beneficial customers. Therefore, it is crucial for the foodservice operators to respond to the changing market needs and find more creative and flexible means for driving competition in this rapidly changing and dynamic market. Establishing collaborative relationships with customers and suppliers is one of the best ways to cope with these challenges [1]. By developing a closer relationship with customers, foodservice operators may gain a competitive advantage and through increased switching costs, may be able to defend it.

An extensive review of marketing literature reveals numerous dimensions of relationship marketing that have been proposed such as trust, commitment, communication, shared values, conflict handling, power, bonding, empathy, satisfaction and many more as a key variables for relationship success [2]-[4]. Despite a considerable number of relationship marketing dimensions identified and validated in the literature, to date there is still no consensus concerning a generic set.

Nonetheless, overwhelming support was found in the literature for the idea that trust, commitment, communication and empathy are the central dimensions for successful relationship marketing applicable to a wide variety of industries and any type of relational approach. Trust is most frequently cited in the literature among all the dimensions and the most powerful relationship-based marketing tool [5]. Commitment is essential for the development of long-term relationships [6]. As for communication, as in [7] argues that effective, reliable and timely communications is crucial in creating and increasing customer loyalty. Although empathy regularly appears in business relationship studies, it is increasingly receiving attention in studies on customer relationships [8]-[9].

2. Research Methodology

The first step involves an in-depth searching of the literature in order to identify the dimensions of relationship marketing and subsequently to generate items to be included in the draft questionnaire. A total of fifteen frequently cited items were generated from the literature and modified to fit the foodservice industry setting. Next, survey form was used to generate the new items for relationship marketing.

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A literature review together with the survey form provided the basis for generating items for inclusion in the draft questionnaire. A total of 35 items were finally generated from the literature as well as survey form. The items were measured on a five-point Likert-type scale that varied from 1=strongly disagree to 5=strongly agree. The draft questionnaire was piloted to 100 representative patrons from four different types of food outlets namely fine dining restaurants, fast food restaurants, coffee shops and food courts.

The results from the pilot test were analyzed and a series of tests were undertaken to determine the reliability of the measure or instrument. The overall Cronbach's Alpha for the variables in the draft questionnaire is 0.960 which indicated high and strong internal consistency among the 35 items and was greater than 0.70. Four items with low correlations of less than 0.30 were dropped from the instrument, resulting in a 31 item scale. The next step was the full scale survey, and the target population of this study is defined as customers of various types of foodservice outlets particularly in Sarawak, Malaysia.

3. Research Findings and Discussions

3.1. Factor Analysis

Exploratory factor analysis was used to assess the dimensionality of the relationship marketing measure in the food service industry. All the 31 items of the questionnaire were subjected to factor analysis, utilizing the maximum likelihood procedure which was followed by a varimax rotation. The decision to include a variable in a factor was based on factor loadings greater than ± 0.40 and all factors whose eigenvalues was greater than 1.0 were retained in the factor solution. Table 1 shows the results of the factor analysis in terms of factor name, the variables loading on each factor and the variance explained by each factor:

Communication (D1) emphasizes the necessity to communicate in understandable ways, give clear explanations, provide helpful advice to customers and recognize how to appreciate customers. This dimension also suggests the importance for the foodservice providers to value and use customer feedback in improving service delivery and frequently ask for customers' opinions and suggestions. On the other hand Trust (D2) stresses the importance of customer confidence with the service provided by the food outlet. This dimension is also concerned with the ability of food service providers to fulfil their obligations in relationships and show their respect to customers.

Empathy (D3) relates to the ability of service personnel to exhibit sympathy and reassurance when dealing with customers. It suggests the importance of employees displaying pleasant, courteous and friendly behaviour in service delivery so as to instil confidence among customers. The foodservice providers are required to care and pay individual attention to customers which makes customers feel special. Meanwhile, commitment (D4) describes the commitment and hard work of foodservice providers to provide the best service and to establish and maintain long term customer relationships. In addition, it emphasizes the ability of the foodservice providers to provide excellent products and services at reasonable prices and to provide service right the first time and to fulfil customer's needs and requirements.

The findings of this study reveal that relationship marketing is a multidimensional construct consisting of four key dimensions, namely communication, trust, empathy and commitment which are consistent with some previous research in different kinds of study setting [10]-[11]. This implies that communication, trust, empathy and commitment are essential ingredients in customer-firm relationships in the foodservice industry.

3.2. Reliability Analysis

In this study, two internal consistency estimates of reliability namely coefficient alpha and split-half coefficient expressed as the Spearman-Brown corrected correlation were computed for the three relationship marketing constructs. The values for both the coefficient alpha and split-half coefficient for all the relationship marketing dimensions meet the required prerequisite of 0.70, thereby demonstrating that all the four dimensions are internally consistent and have satisfactory reliability values in their original form.

3.3. Validity Test

One method of examining convergent validity is to correlate the four dimensions with each other. The correlation coefficient values range from 0.68 to 0.75 and this indicate a moderate positive relationship between the four dimensions of relationship marketing indicating evidence of convergent validity.

A Chi-square difference test was employed to test the scale for discriminant validity. In this test, all the discriminant validity checks on the four relationship marketing constructs have been conducted. All the tests were statistically significant at the $p < 0.01$ level, thus indicating that all the four dimensions are distinct constructs, a strong indicator of discriminant validity.

Criterion-related validity was established by correlating the dimensions of relationship marketing namely communication, trust, empathy and commitment scores with the dependent variable, customer loyalty. All the constructs were found to have significant positive correlations with customer loyalty, range from 0.57 to 0.59. Hence, criterion-related validity is established for all the four dimensions.

Table 1. Results of factor analysis

Variables	D1	D2	D3	D4
Willing to help and ready to respond to customer request			.431	
Understand customer specific needs			.608	
Sympathetic and reassuring			.660	
Consistently courteous, pleasant and friendly			.511	
Makes customer feel special			.553	
Caring and paid individual attention			.627	
Show respect to customers		.469		
Honest and frank		.529		
Reliable promises		.550		
Customer trust and have confidence with services		.667		
Always provides accurate information	.431			
Provides detailed information when there is renewal or change in service		.472		
Trustworthy on important things		.564		
Gives clear explanation and provides useful advice	.662			
Has knowledge and competency in answering questions	.625			
Easy talking with as communicate in an understandable way	.662			
Gives prompt service	.491			
Responsible and fulfills obligations		.500		
Products and services fulfill customer's needs and requirements				.470
Provides service right the first time				.439
Establishes and maintains long term customer relationships				.629
Committed in providing the best service				.746
Provides excellent products and services at reasonable prices				.547
Values and uses customer feedback to improve service delivery	.605			
Knows how to appreciate customers	.661			
Resolves conflict effectively	.571			
Frequently asks for customer opinions and suggestions	.585			
Accept criticisms and complaints	.535			
Consistent in providing quality service				.542
Eigenvalues	5.139	4.063	3.772	3.097
% of variance	16.576	13.107	12.166	9.992
Cumulative %	16.576	29.683	41.849	51.841

3.4. Multiple Regression Analysis

The regression model considered customer loyalty as the dependent variable and the relationship marketing scores for the individual dimensions as the independent variables. A multiple regression analysis was subsequently conducted to evaluate how well the four dimensions predicted customer loyalty. The linear combination of the four dimensions has significantly related to customer loyalty, $R = 0.65$, $R^2 = 0.42$, adjusted $R^2 = 0.41$, $F(4, 1564) = 282.81$, $p = 0.01$. The sample multiple correlation coefficient was 0.42, indicating that approximately 42% of the variance of customer loyalty in the sample can be accounted for by the linear combination of the four dimensions. The above findings indicated that the dimensions of relationship marketing are positively associated with customer loyalty. Therefore, the foodservice providers can foster and increase customer loyalty through communication, trust, empathy and commitment. This result is consistent with some previous studies in different setting [12]-[13].

As for the relative influence, the resultant output had an adjusted R^2 of 0.41 ($p = 0.01$) and yielded four dimensions contributing significantly towards explaining the variance in the customer loyalty. All the

bivariate correlations between the four dimensions and the customer loyalty were positive, and all the dimensions were statistically significant ($p < 0.01$). As shown by Table 2, trust is found to be the most important dimension of relationship marketing in the foodservice industry in determining the variation in customer loyalty followed by communication, empathy and commitment. This finding is consistent with previous study, for example [7] confirmed and validated that trust is the most important dimension in the context of Malaysian banking industry. In conclusion, the greater the trust in the foodservice outlet, the more reliable and timely its communications, the more sympathetic and reassuring they are and the higher level of commitment the more satisfied and loyal its customers tend to be.

Table 2. Relative Importance (Customer loyalty as dependent variable)

Dimension	Standardised Coefficients (β)	Rank
Trust	0.213	1
Communication	0.177	2
Empathy	0.169	3
Commitment	0.168	4

4. Strategies for Enhancing Relationship Marketing

As the competition intensifies on a global basis to produce greater pressures from rival operators, the foodservice provider must be able to formulate differentiated strategies to increase their competitiveness. Therefore based on the findings of this study, four recommendations were proposed as follows:

First is by instilling customer trust and confidence. The trust dimension is found to have a greater impact on customer loyalty among the four dimensions of relationship marketing. In other words, customers perceived trust to be more important than other dimensions in determining their loyalty towards the foodservice operators. Therefore, the foodservice operators should strive to win a customer's trust and confidence towards them. Introducing a service guarantee is one of the ways to instil customer trust and confidence which means keeping to what has been promised.

Second is by developing an effective communication strategy. The communication dimension suggests that the foodservice operators should be able to communicate in an understandable way, give a clear explanation, provide useful advice, appreciate customers and must possess knowledge and competency in answering customer's questions. They should also value and use customer feedback in improving service delivery, resolve conflict effectively, be willing to be criticized, give prompt service and provide accurate information. This involves developing methods of communication proactively with customers regarding the organisation's products and attempting to initiate dialogue with customers.

Third is by exhibiting empathy and assurance. It indicates that foodservice employees must show sympathy and reassurance when dealing with customers, be caring and pay individual attention to customers, understand customer's specific needs, be consistently pleasant, courteous and friendly, make customers feel special and ready to respond to customer requests. Foodservice operators should have feelings of empathy for customers, and treat them well as this is one of the most important elements of goodwill which could turn customers into loyal ones. Empathy requires foodservice operators to proactively anticipate customer needs and reach out to them to offer relevant products and services, even if it means losing money in the short term.

Fourth is giving full commitment to customers. Although commitment is found to be least important as compared to the other three, is also an essential ingredient for successful long-term relationships and leads to customer loyalty. In fact in the literature, commitment is one of the most cited dimensions after trust as a useful tool in gaining customer loyalty and enhances customer relationships. Developing a customer's commitment in business relationships do pay off in increased profits, customer retention, and willingness to refer and recommend. Findings of this study suggest that commitment is the fourth most important dimensions perceived by customers after empathy. Customers tend to be loyal to the foodservice operators that show genuine commitment and hard work to provide excellent service and to establish and maintain long term customer relationships.

5. Conclusion

The major contribution of this study to both marketing academic work and practice is the identification of relationship marketing dimensions from the customer's perspective within the foodservice industry. A factorial analysis using both exploratory and confirmatory suggest that relationship marketing is a multidimensional construct consisting of four key dimensions namely communication, trust, empathy and commitment, which are distinct, yet related and conceptually clear. This study has also attempted to contribute further to the existing body of knowledge by developing and validating a new measuring instrument in relationship marketing, which consists of a 31 item questionnaire that is exclusively designed to fit the foodservice industry. Additionally, the results of multiple regression analysis provide significant evidence that the dimensions of relationship marketing are influencing and positively correlated to customer loyalty. As the present study is focused merely on one service industry, thus it is difficult to generalize the results across other service industries, but interestingly such a technique also eliminates problems associated with the effects of industry differences. Nonetheless it would be useful to assess the generalizability of the scales developed in previous studies to other contexts. Second, due to cultural and environmental differences, the results of this study are also hard to generalize across countries because it was conducted in single country namely Malaysia. Thus, further research on relationship marketing could be extended by conducting a cross cultural or regional study which could increase the generalizability of the findings.

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