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RELATIONSHIP OF SERVICE QUALITY ON CUSTOMER SATISFACTION AND LOYALTY AMONG SELECTED FOOD ESTABLISHMENTS IN TAGUM CITY, DAVAO DEL NORTE, PHILIPPINES

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ABSTRACT

Service quality towards clients is essential to customer satisfaction, and as result, customer's loyalty. This study was conducted to determine the interrelationship of these attributes among the selected restaurants of Tagum City. Quantitative data were analyzed using mean and Pearson r. Findings revealed a significant mean on service quality from employee performance ($x=4.50$), while the least mean from employee attitude ($x=4.47$). The most significant mean on customer satisfaction was from a customer-friendly indicator ($x=4.45$), while the least mean was identified from delivery efficiency ($x=4.37$). Analysis showed that the greatest mean on customer loyalty was obtained from perceived alternatives ($x= 4.45$) and the least mean from the relationship strength ($x=4.41$). There is a significant ($p\leq 0.05$) relationship between service quality and customer satisfaction. Also, the relationship between customer satisfaction and customer loyalty is significant ($p\leq 0.05$). from the results of the study, conclusions were made.

KEYWORDS: Service Quality, Customer Satisfaction, Customer Loyalty

1. INTRODUCTION

The most critical challenge every restaurant organization face is providing a high-quality service to customers. If a restaurant doesn't measure up to the customer's standard, the restaurant's operator may not be able to determine what the guests think of the operation. This has made perceived product quality as the most important competitive factor in the restaurant market. In a global setting, challenges to restaurant operators like guest's food safety [1], security, service quality, and technologies [2], and customer satisfaction [3], [4] are constantly faced. It is reported that there is a need for continuous improvement to keep up with the challenges such as from the reports in a study of pizza restaurants [5], [6], customer perceptions in restaurants [7], and service recovery [8], and service quality [9].

Across the globe, there is an increasing number of overseas Japanese restaurants accounting for a 30% increase from the previous year covering North America, Russia, Africa, Oceania,

Central/South America, Europe, Middle East, and Asia [10]. Interestingly, as a third-world country, there is a wide arena of micro-businesses in food restaurants in the Philippines [11]. The restaurant sub-sector are areas where food and drinks are served, covering an array of services such as canteens, fast food outlets, food courts, and fine dining specialty restaurants [12]. In 2016, the Philippines had 7,218 establishments, of which restaurants are majorly leading this sector, accounting for 23.4% of the total (PSA, 2018). To date, an increasing number of establishments are observable.

Literature was reported in the country on the nature of corporate social responsibility in restaurants [13], service quality and consumer preferences [14], customer satisfaction [15], casual dining [16], managerial skills [17], and physical environment of restaurants [18]. However, there is limited information on restaurants at a local level, such as in Tagum City, Davao del Norte. Tagum City is the centre of trade and industry in Davao del Norte and has increased tourist, hotel, and restaurant revenues every year. Several pioneering food establishments in Tagum City have emerged, and this present work aims to determine the service quality of these establishments in relation to customer satisfaction and loyalty.

2. METHODOLOGY

A quantitative research method was employed in this study. There were 200 respondents randomly selected among the customers of the 5 selected local restaurants in Tagum city. Studies say that the acceptable sample size for quantitative studies range from 30 to 500 [19]. This range was also observed in other quantitative studies [20-22]. An adapted research-questionnaire from a previous study was used [23]. The 5 point liker scale was used for the response of this study's respondents, also to specify their level of agreement to the statement, to unit: Strongly agree to strongly disagree (5-1). The analysis of the study was derived using Mean and Pearson-r.

2.1 Research Objectives:

This study aims to find out how service quality relates to customer satisfaction and customer loyalty of food establishments in Tagum City.

Specifically, the study sought to answer the following questions:

1. What is the level that influences service quality of food establishments in Tagum City in terms of:

- 1.1 employee attitude;
- 1.2 employee performance; and
- 1.3 employee behavior?

2. What is the level of customer satisfaction of food establishments in Tagum City in terms of:

- 2.1 delivery efficiency;
- 2.2 customer-friendly attitude; and
- 2.3 work environment?

3. What is the level of customer loyalty of food establishments in terms of:

- 3.1 relationship strength;
- 3.2 perceived alternatives; and
- 3.3 critical episodes?

4. Is there a significant relationship between:

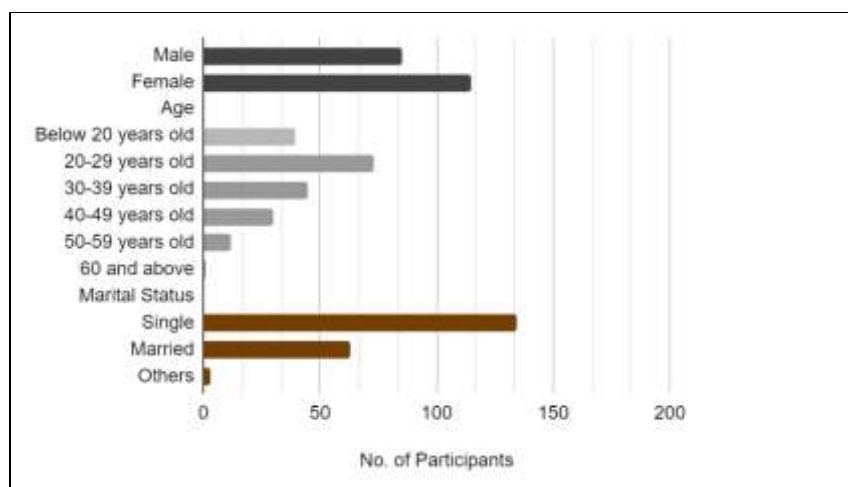
- 4.1 service quality and customer satisfaction; and
- 4.2 service quality and customer loyalty?

3. RESULTS

3.1 Profile of the respondents

Participants in this research were composed of 57.5% female and 42.5% male. Majority of the respondents are from age bracket of 20-29 years old (35.5%), followed by 30-39 years old (22.5%), > 20 years old (19.5%), 40-49 years old (15%), 50-59 years old (6%) and > 60 (0.6%). There are 134 singles, 63 married and another undetermined civil status, 3. Most of the respondents are college undergraduates (162), taken up vocational education (20), and high school graduates (18). Almost all are working as clerks (47), administrative assistants (68), businessmen (42), and other self-owned enterprises (43). Majority of the participants have a monthly income of P10,001 – P20,000 (26.5%), P5,001 – P10,000 (24%), P20,001 – P30,000 (21%), below P5,000 (18.5%), and P30,001 – P40,000 (10%). For their restaurant preference, 29.5% responded because of the location, 8.5% responded because of past experience, 17% because of service, 46% because of quality of food and beverage, 11.5% is value for money, and 1.5% responded because of the interior or the restaurants' atmosphere.

(Figure 1).



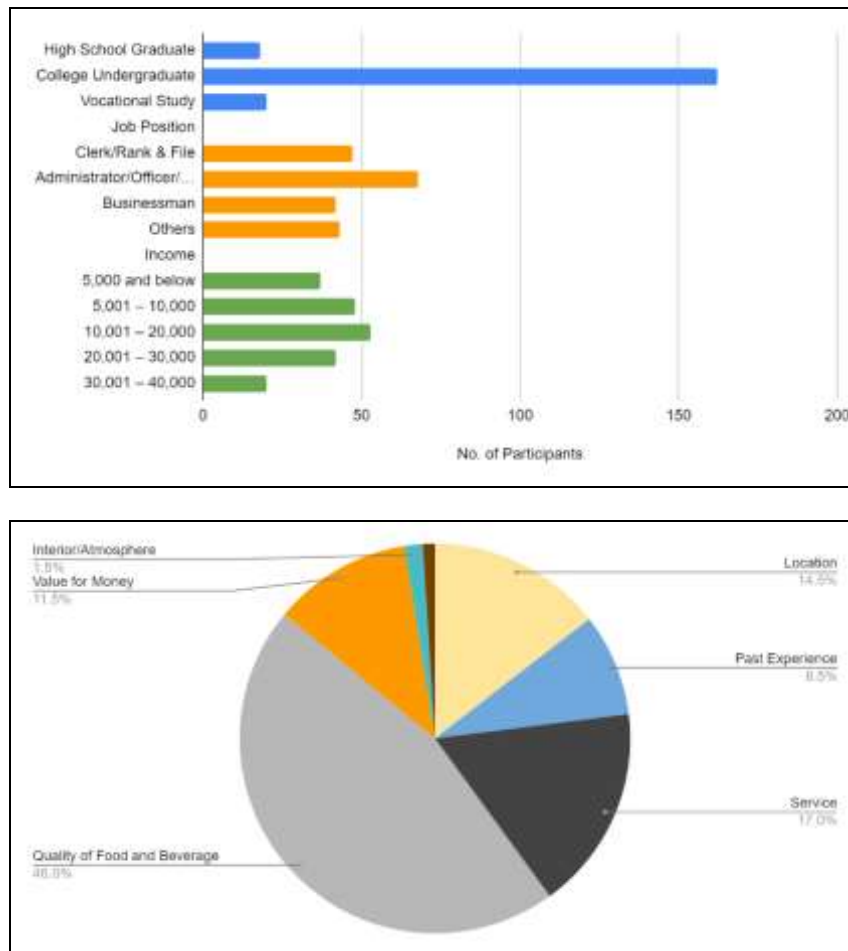


Figure 1. Profile of the respondents in Tagum City

4.2 Service quality, customer satisfaction, and customer loyalty

Among the indicators, Employee performance got the highest mean of 4.50 and a standard deviation of 0.66. Then, Employee Attitude with a mean of 4.47 and a standard deviation of 0.46. Employee behavior got a mean of 4.48, and a standard deviation of 0.43, and these three indicators got very high in the equivalent description. The overall mean score of the level of service quality is 4.48 with a standard deviation of 0.43, and its descriptive equivalent is very high. For customer satisfaction, customer-friendly as an indicator got the highest mean of 4.45 and a standard deviation of 0.53. The work environment obtained a mean of 4.43 and a standard deviation of 0.50. Delivery Efficiency got a mean of 4.37 and a standard deviation of 0.54, and these three indicators got very high in the equivalent description. The overall mean score of the level of customer satisfaction is 4.43 with a standard deviation of 0.50, and its descriptive equivalent is very high. Among the indicators for customer loyalty, Perceived Alternatives got the highest mean of 4.45 and a standard deviation of 0.54. Then, Critical Episodes with a mean of 4.44 and a standard deviation of 0.56 (Table 1).

Table 1. Mean score for service quality, customer satisfaction, and customer loyalty dimensions.

Variables	Mean	SD
Level of Service Quality	4.48	0.47
Employee Attitude	4.47	0.46
Employee Performance	4.50	0.66
Employee Behavior	4.48	0.43
Total		
Customer Satisfaction		
Delivery Efficiency	4.37	0.54
Customer-Friendly	4.45	0.53
Work Environment	4.43	0.50
Total	4.42	0.45
Customer Loyalty		
Relationship Strength	4.41	0.54
Perceived Alternatives	4.45	0.54
Critical Episodes	4.44	0.56
Total	4.41	0.54

4.3 Service Quality, and Customer Satisfaction

Table 2 presents the significant relationship between service quality and customer satisfaction. Service quality obtained a mean score of 4.48 with a standard deviation of 0.43, and customer satisfaction obtained 4.50 as a mean with a standard deviation of 0.49. As a result, the r-value is 0.915, and the r-square is 0.8354, which results in a P-value of 0.001 against the probability level of 0.005. Thus, the null hypothesis is rejected. This means that there is a significant relationship between service quality and customer satisfaction.

Table 2. Relationship between Service Quality and Customer Satisfaction of Food Establishments in Tagum City

VARIABLES	MEAN	SD	r-value	r-square	P-value @0.05
Service Quality	4.48	0.43			
Customer Satisfaction	4.50	0.49	0.914	0.8354	0.001

4.4 Service Quality and Customer Loyalty

Table 3 presents the significant relationship between service quality and customer loyalty with the variable service quality and customer loyalty. Service quality obtained a mean score of 4.48 with a standard deviation of 0.43, and customer loyalty obtained 4.52 as a mean with a standard deviation of

0.48. As a result, the r-value is 0.891, and the r-square is 0.7939, which results in a P-value of 0.001 against the probability level of 0.005. Thus, the null hypothesis is rejected.

Table 3. Relationship between Service Quality and Customer Loyalty

VARIABLES	MEAN	SD	r-value	r-square	P-value @0.05
Service Quality	4.48	0.43			
Customer Loyalty	4.52	0.48	0.891	0.7939	0.001

4. DISCUSSION AND CONCLUSION

4.1 Service quality

Based on the results, the largest mean on service quality was noted from employee performance ($x=4.50$). On the other hand, the least mean on service quality was identified from employee attitude ($x=4.47$). In a workplace, the attitudes of employees can have a significant effect on the service quality of any business. A study revealed that organizations that create an employee-focused environment and put a premium on service quality directly influence employees' attitudes and the performance of customer service [24]. A restaurant can be less or more productive depending on how an employee performs their duty; the more an employee functions effectively, the more efficient the operation flow would be. Furthermore, service quality is the result of a comparison between the quality of service expected and the performance of the employee perceived. Additionally, due to the intangible and inseparable of the services, and many services being the result of interaction between the service provider and the customer, the performance of frontline employees is critical to customers' perception of service quality. Service quality has a close relationship with customer satisfaction, customer loyalty, positive word of mouth, and the performance of employees. A positive atmosphere makes it easier to cope with work stress, enhance employees' commitment, and reduces conflicts and fight, which can provide the organization with profits in terms of employee better employee performance and commitment at work and hence better service quality, customer satisfaction, good image, customer loyalty and improvement of organization's brand image [25]. The efforts to promote service quality are attributed to managing employee behaviors and training them in interpersonal skills to exhibit a true customer focus. It was also observed that in service encounters, employee behavior would impact customer perceptions of service quality. Furthermore, food service employees' work behaviors were positively related to customer perception of service quality. Employee attitudes and behaviors in service performance determine the customer's perception of service quality. In addition, a study suggested that there is a significant correlation between service quality and employee performance. The effect of empowerment on the behavior of frontline employees highlights the importance of maintaining service quality [26]. Service quality is a major factor that helps firms satisfy their customers and, in turn, gain their loyalty. Empirical evidence indicates that customer satisfaction and loyalty positively affect the performance of service firms in general [27] and restaurants in particular [28]. Efficient service delivery is one of the most important portals that service institutions practice

achieving customer satisfaction. Thus, efficient delivery equals immediate savings, it increases customer satisfaction and customer service if it is parted and parceled with efficient delivery. Likewise, adding an efficient delivery service to a restaurant can increase customer satisfaction and sales. Also, a study revealed that efficient service delivery is significant to customer satisfaction. Furthermore, it also revealed that there is a positive correlation between efficient service delivery and customer satisfaction [29]. The way the employee behaves with a friendly attitude toward customers affects customer satisfaction and can result in a positive outcome. Employees who attain a friendly attitude towards customers can help a lot in making them feel satisfied. An employee's attitude and how he/she behaves toward customers affect customer satisfaction. Customers like to deal with organizations whose staff shows willingness and keenness. Customers like to know that these employees are in much attention to help. Also, stated that if customers perceive sincere behavior and friendly attitude from employees, their customer satisfaction will be relatively higher. To make customers feel satisfied, an employee should be willing to help, have lots of patience, and have a positive and friendly attitude. Thus, the energy of a positive and friendly attitude produces the spirit of cooperation and helps the work team reach customer satisfaction goals when team members strive to be at their best performance [30].

4.2 Customer satisfaction

In this study, the greatest mean of customer satisfaction was identified from a customer-friendly indicator ($\bar{x}=4.45$), while the least mean was identified from delivery efficiency ($\bar{x}=4.37$). Findings from this study showed that the customers of the selected restaurants are very much satisfied in a customer-friendly environment. The work environment should fit a kind of establishment that is operating, like a restaurant's work environment should be well-sanitized and well-organized because it reflects the food that is being offered. Furthermore, a work environment is made up of company culture, management styles, hierarchies, and human resources policies. Growing evidence reveals that there are direct connections between the work environment and important organizational outcomes, such as customer satisfaction, customer loyalty, and profitability. It was shown that employees' perceptions of their work environment could be modeled in terms of two factors: a concern for employees and a concern for customers. Keeping employees satisfied with their work experience, creating a positive working environment, and allowing them to have a sense of ownership in the business can have a tremendous effect on customer satisfaction and loyalty. Moreover, it was noted that profitability, productivity, low turnover, an excellent safety record, and customer satisfaction result from employee engagement created by a positive work environment [31]. To achieve customer satisfaction in a restaurant business, the management and staff must be capable of providing excellent food and excellent service to customers. Naturally, improving the quality of service is important in promoting a high level of customer satisfaction and loyalty in the restaurant business. It is the most fundamental goal that when achieved, will make the business stay in the market. It also helps customers to communicate their needs straight to the sellers. It can measure how well a company's products or services meet or exceed customer expectations. Also, the importance of food quality as a measure of customer satisfaction in the restaurant industry is well-validated [32].

4.3 Customer loyalty

Analysis showed that the greatest mean on customer loyalty was obtained from perceived alternatives ($x= 4.45$) and the least mean is from the relationship strength ($x=4.41$). Findings from this study showed that the customers of the selected restaurants are very much satisfied with the alternatives offered. Perceived service quality is derived from the individual service encounter between the customer and the service provider, during which the customer evaluates the quality and develops a judgment. Previous research has shown that service quality directly affects customer loyalty. Others have reported that service quality has an indirect effect on loyalty, mainly via customer satisfaction as a mediating variable. It was also argued that service quality leads to enhanced customer satisfaction and loyalty. It has been given a meaning that service quality is relevant to customer satisfaction, and by it service quality has an impact on customer loyalty [33]. Loyal customers are extremely valuable and investing in customer loyalty is essential. It is needed to learn about customers individually and then systematically create enduring business relationships. This is like transforming into a personal relationship where the reward is not only financial. The process of earning loyalty involves caring about the organization's customers, respecting each of them, and constantly thinking about customers' needs [34]. There are four kinds of possible relationships between customer satisfaction and customer loyalty: failures, forced loyalty, defection, and success. Repeat purchase behavior is often associated with brand loyalty, even though it is different. Brand loyalty reflects a commitment to a particular brand, while the repurchase solely involves the purchase of a particular brand of the same over and over. The occurrence of consumer brand loyalty is due to the effect of satisfaction and dissatisfaction with the brand continuously accumulated, in addition to the perception of the quality of the product [35]. The customer's loyalty in terms of critical episodes is very much favorable. Every restaurant encounter situations that put the business, as well as the customers, in the line. Critical episodes are events that, if resolved well, can strengthen the relationship but if resolved poorly, can detract from satisfaction and loyalty. Accompanying customers can be an easily overlooked step, but it's crucial to maintaining customer loyalty during critical situations. Proper handling could give the impression to the customers and in return gain their loyalty. Perceiving service quality during critical episodes is found to be the most critical factor in affecting users' customer loyalty yet rewarding when it is taken carefully [36].

4.4 Relationship between service quality to customer satisfaction

In this study, results showed a significant relationship between service quality and customer satisfaction. Interestingly, the analysis revealed a mean score of 4.48 and an r^2 value of 0.8354 at $p<0.05$ (significance level). This result is similar to the study of [37] where service quality and customer satisfaction may significantly influence repurchase intentions among university restaurant customers but argued that it cannot moderate the effect of service quality. A related study from [38] showed that guests perceive higher experience from higher service quality attributes in agro-tourism accommodations. This finding concurs with the meta-analysis of [39] where service quality is a key determinant of customer satisfaction and plays a pivotally important role in customer loyalty. This suggests that customer-perceived service quality has been given increased attention in recent years,

due to its specific contribution to business competitiveness, developing satisfied and loyal customers. This makes service quality a very important construct to be understood by firms by knowing how to measure it and making necessary improvements in its dimensions where appropriate, especially in areas where gaps between expectations and perceptions are wide. Customer satisfaction in service leads to customer loyalty. Greeting the customer is the first step, making each feel welcome. Then the client's specific needs must be determined and met with efficiency. The objective is to create friendly and personal relationships that provide positive associations between the customer and the establishment [40].

4.5 Relationship between service quality to customer loyalty

Results from this study showed a significant relationship between service quality and customer. It showed a mean score of 4.52 and an r^2 value of 0.7939 at $p < 0.05$ (significance level). This implies that service quality greatly affects customer loyalty in a directly proportional relationship. With the given relationship, the higher the service quality, the higher is customer loyalty. On the contrary, when the service quality is low, customer loyalty is also low. Findings from this study agree with previous research that service quality directly affects customer loyalty. Other reports had claimed that service quality has an indirect effect on loyalty, mainly via customer satisfaction as a mediating variable. It was also argued that service quality leads to enhanced customer satisfaction and loyalty [41]. This perspective on loyalty can then be derived from the perceived service quality which the client experienced from the service provider, according to their standards or preferences.

5. CONCLUSION

Several restaurants should invest in careful analysis and apply exceptional services to upscale the current and future trends in restaurant sustainability.

After a careful review of the findings of the study and the pertinent conclusions were drawn, the following recommendations are offered:

1. For the Service quality, among the indicators, employee performance obtained the lowest mean score. Although its descriptive value is very high, the mean score can be raised to the maximum level of employees will be able to perform their jobs and tasks properly. The performance of the employee can be enhanced through employing seminars and training. The researcher recommends that the restaurant may use the training program formulated by the researcher.
2. For customer satisfaction, among the indicators, delivery efficiency obtained the lowest mean score. Although it's described as very high, the mean score can be raised higher if restaurant employees can deliver their services more efficiently. Delivery of the service must be according to the prescribed standards of the restaurant to ensure customer satisfaction as the result. It must be maintained throughout the duration of the restaurant's operation. The researcher recommends that the restaurant's management may use the training program provided by the

researcher to further enhance and maintain their services, for them to have business patronage with their customers and guests.

3. For customer loyalty, among the indicators, relationship strength obtained the lowest mean score. Although it has a descriptive value of very high, the mean score can be increased if restaurant employees would be more dedicated and would display a friendly atmosphere towards their customers and guests. The employees may also extend the functions as they truly value the lifeblood of their business which is their customers and guests. The researchers recommend that the restaurant management may use the training program provided to further enhance their building relationship skills for relationship strength. In this sense, the restaurant staff may be able to truly serve what is best for their customers and guests, and eventually, customers and guests will become repeat patrons as they already have loyalty to the business.
4. Since the overall result in this study is very high, the management should continue to do their best practices in the operation, such as receiving and entertaining their customers immediately, doing suggestive selling, serving food on time, and acknowledging customers' feedback and suggestions to continuously provide high service quality to their customers.
5. The Management of each restaurant should check the quality of service during unguarded moments of the service procedure by the service personnel.
6. Further research should be conducted to monitor and identify the future service quality of the selected restaurants as a basis for further development and enhancement of the service quality in the years to come.

6. Limitations of this study and suggestions for future studies

The study aimed to determine the service quality elements among the 5 selected food establishments in Tagum City which influence customer satisfaction and loyalty. It also examined the relationship between service quality on customer satisfaction and customer loyalty in the restaurant context. The researcher identified the following restaurants as the venue where the study was conducted. The identified restaurants are the following: Penong's Restaurant, Papa Pin's Restaurant, Chicken Ati-tihan Restaurant, Annette's Restaurant, and Punong Restaurant. These selected restaurants cater to a range of 120-150 seats. In addition, they all offer almost identical services which range from food selection, food preparation, ala carte and table d' hote choices, family service style, and physical ambiance. There were 200 respondents as sampled in this study, on the other hand, the study used the three (3) indicators cited in the theoretical and conceptual framework for service quality; employee attitude, employee performance, and employee behavior. These indicators greatly affect the service quality as mentioned in the theoretical and conceptual part of the study.

For customer satisfaction, the indicators are; delivery efficiency, customer-friendly attitude, and work environment. These indicators affect customer satisfaction through the restaurant front-liners. It is manifested through the delivery and execution of their responsibilities, how they act and handle different situations and complaints from customers, and their workplace. For customer loyalty, the indicators are relationship strength, perceived alternatives, and critical episodes. This is how the restaurant staff strengthens and maintains their relationship with the customers. It may also include how they offer and suggest alternatives in the ordering process, and how they act and handle in the most difficult situations while executing their responsibilities.

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