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**The relationship between customer loyalty and
customer satisfaction among SMEs in the service
sector: The case of a chain of restaurants**

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*To my husband and my son who bared with me all this time.
To my mother who have encouraged me all the way and still is.*

SUMMARY

Our study focuses on the relationship between customer satisfaction and customer loyalty among SMEs in the service sector. We studied a chain of full-service restaurants in the Quebec region.

The respondents were 136. The self-administered questionnaire was placed on the website of the restaurant. It was open for any customer in the Province of Quebec to answer.

We had more women who answered than men. We discovered that the food aspect was so important for the clients in influencing their returning to the same restaurant and recommending the restaurant to others. We had a high number of satisfied customers. We do not know if only the satisfied customers felt like answering the questionnaire.

We advise the restaurant managers to keep up the good work, focusing on the quality, the taste, the temperature, the presentation of the food on the plate and the smile of the employees.

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INTRODUCTION

The constant and rapid evolution of customers urges the restaurant managers to meet their clients' needs in a more adequate way. The ultimate goal of our study is to satisfy each and every client and make sure each one is loyal to the restaurant in question. In order to reach our goal we need to find out what hinders our clients from being satisfied, because a satisfied client has the tendency to come back. In today's highly competitive marketplace, companies can well afford to lose money on one transaction if it helps to cement a profitable long-term customer relationship.

Marketing studies have shown that it is 10 times more expensive to seek a new customer than to establish customer loyalty. "In the long run, the development of customer loyalty will yield 6 to 8 times more than one new customer at the end of 7 years" (Ray, 2001).

It needs more than putting a smile on the face, acting nice and having an office especially for complaints to keep clients satisfied. Companies that do the best job of taking care of customers, set high customer service standards and often make seemingly outlandish efforts to achieve them. No doubt, satisfaction is a difficult concept to measure due to its abstractedness and to the fact that it emerges directly from the clients according to Kotler and Cunningham (2004).

In order to identify and respond appropriately to the research problem, this work will be established in 5 chapters where the reader will constantly monitor the research.

In Chapter 1, we will discuss the research problem which includes 4 sub-titles: Research theme, general problem, problem actors and research pertinence and justification.

In Chapter 2, we will discuss the literature review, where we will discuss the fact that the full-service restaurants are SMEs and then we will define the SME; its origin and percentage of each province of Canada.

In Chapter 3, we will discuss the specific conceptual framework that we found relevant to our work.

In Chapter 4, we will mention the methodology we used, the type of study, the sampling, the measurement and how our data was collected.

In Chapter 5, we will interpret the results, discuss the ethics considered, and mention what our research limits were and our recommendations to the restaurant manager in question.

CHAPTER 1: THE RESEARCH PROBLEM

In this first chapter we invite you to become acquainted with the spirit of our research and issues on which we have addressed. We will present the general problem full-service restaurants face and then we will show you the players who come into relationship in our context. Then we will end by confirming the research pertinence and justification.

1.1 RESEARCH THEME

The theme of this paper is the measuring of customer satisfaction and customer loyalty in the service sector, being applied in the restaurants with full-service. This study thus proposes to enlighten the concept of satisfaction of full-service restaurants (SME) in the province of Quebec that are surrounded by a large population of consumers. The awaited results should make it possible for managers of full-service restaurants (SME) to bring modifications to the service being offered and to the quality of its products.

I have translated from the French version what Filiatrault (2005) mentions about what managers need to do.

Managers need to recognize that the market is changing rapidly and understand that they need to adapt their products and services by striving to offer the best possible quality. They need to do all that in order for the company to achieve its goals of profitability and survival.

Later, the methodology and the results will be supplemented by the approach that was retained as well as the pros and cons of the research.

The service companies are becoming increasingly important in today's market. Therefore, it is necessary to take special attention to the clients of these firms. That is why the managers must rapidly develop marketing action plans to satisfy their customers.

According to the North American Industry Classification System (NAICS), the full-service restaurants classification number is 722110 and describes it as follows:

“This Canadian industry comprises establishments primarily engaged in providing food services to patrons who order and are served while seated and pay after eating. These establishments may sell alcoholic beverages, provide take-out services, operate a bar or present live entertainment, in addition to serving food and beverages. Example activities are: Diner, dining lounge, family restaurant, fine-dining restaurants and full-service restaurants.”

According to MAPAQ, Mr. Félicien Hitayezu an agricultural economist at MAPAQ whom we consider a reliable source explained that the information they have is more accurate than Industry Canada. At Industry Canada, people reply to an optional survey, not everybody replies and sometimes there is information missing. While at MAPAQ, it is obligatory to reply, plus they have the correct address and telephone number of each restaurant. He also mentioned that Industry Canada as of 2010 does not provide the number of establishments anymore, but at MAPAQ they have continued to count the establishments. (MAPAQ *Ministère de l'Agriculture, des Pêcheries et Alimentation au Québec*, were contacted on December 12, 2012).

We will show you the difference of the number of establishments of restaurants between Industry Canada and MAPAQ in Table 1 below.

Table 1: Number of establishments of restaurants in the Quebec Province

2009	Industry Canada	MAPAQ	Difference
Number of establishments of restaurant service (722)	15,333	19,279	3,946
Number of establishments of full-service restaurants (722110)	7,800	10,762	2,962
Percentage	50.87%	55.82%	4.95%

2011	Industry Canada	MAPAQ
Number of establishments of restaurant service (722)	Unknown	19,790
Number of establishments of full-service restaurants (722110)	Unknown	13,390
Percentage	Unknown	67.66%

The table demonstrates that the figures and numbers from MAPAQ are more reliable. So we can deduce that the full-service restaurants are increasing rapidly, as was shown above. Therefore managers need to take action soon to stay ahead of the current trends. In 2011, we have 67.66% of the restaurant industry that is quite a high percentage, we can't neglect the fact that satisfying our clients and making sure they won't go elsewhere is crucial.

It is essential to know the clients' needs, but it is not enough. We need to know how the consumer chose between different possibilities (Maisonnas and Dufour, 2005, p.70).

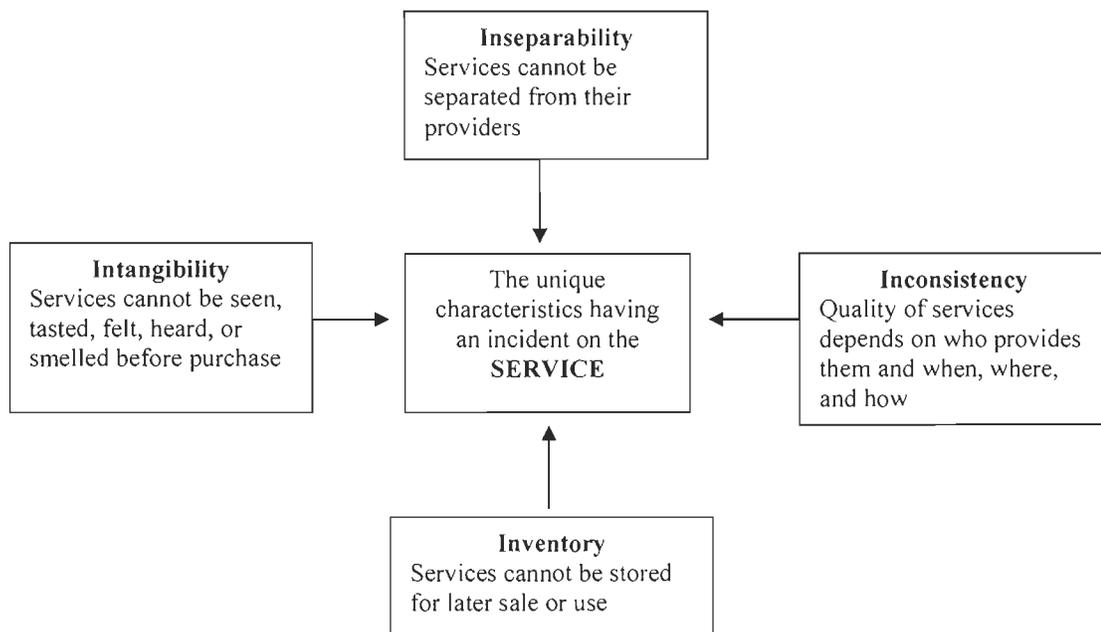
Below we will briefly discuss the difference between products and services and then elaborate on the four characteristics of services since the service sector is what concerns our research.

1.1.1 Marketing approach of products versus services

Filiatrault (2005 p.39) mentions that we no longer sell heating-oil, but we sell home comfort instead. Pre-sales and after-sales are offered with services. When customers evaluate a service, they consider not only the benefits but also the decoration of the office, the staff and periodical reports.

Grewal, Gauvin, Menvielle and Garnier (2011) explain that a company must consider four service characteristics when designing marketing programs: intangibility, inseparability, inconsistency, and inventory. These characteristics are summarized in Figure 1.

Figure 1: Four Service Characteristics



Source: Grewal, Gauvin, Menvielle and Garnier (2011)

Service *intangibility* means that you cannot hold or touch a service unlike a product. The service provider's task is to make the service tangible in one or more ways. Whereas

product marketers try to add intangibles to their tangible offers, service marketers try to add tangibles to their intangible offers.

Service *inseparability* means that physical goods are produced, and then stored, later sold, and still later consumed. In contrast, services are first sold, then produced and consumed at the same time. For example, when visiting a restaurant: you order your meal, then wait for the delivery, and the service provided by the waiter/ress is all a part of the service production process and are inseparable, the staff in a restaurant is part of the process as well as the quality of food provided.

Service *inconsistency*: Service firms can select and carefully train their personnel to give good service. They can provide employee incentives that emphasize quality, such as employee-of-the-month awards or bonuses based on consumer feedback. A firm can check customer satisfaction regularly through suggestion and complaint systems, customer surveys, and comparison shopping. When poor service is found, it can be corrected.

Service *inventory*: The perishability of services is not a problem when demand is ready. However, when demand fluctuates, service firms often have difficult problems. In order not to throw away food, some restaurants lower the price by the end of the day. Complementary services can be offered during peak times to provide alternatives to waiting customers, such as cocktail lounges to sit while waiting for a table. Restaurants call in part-time waiters and waitresses to handle busy shifts.

After stating the characteristics of the service, we can explain the service marketing. Marketing has four aspects that can apply to products as well as service: Price, Product, Promotion and Place. Also we have 3 additional Ps that concern only the service sector, we will explain them below.

1.1.2 Three additional Ps for Service Marketing

The three additional Ps are people, physical evidence, and process (Booms and Bitner 1981).

- 1- **People:** The people are the personal contact with clients. Most services are provided by people. These people need training and motivation in order to give the best service. Ideally, employees should display competence, a caring attitude, responsiveness, initiative, problem-solving ability, and goodwill in order to provide the service.
- 2- **Physical evidence:** Companies try to demonstrate their service quality through physical evidence and presentation. A restaurant will make sure it is clean, well decorated, has comfortable chairs, etc.
- 3- **Process:** Service encounters can choose among different processes to deliver their service. Restaurants have developed such different formats as cafeteria-style, fast-food, buffet, full-service, and candlelight service.

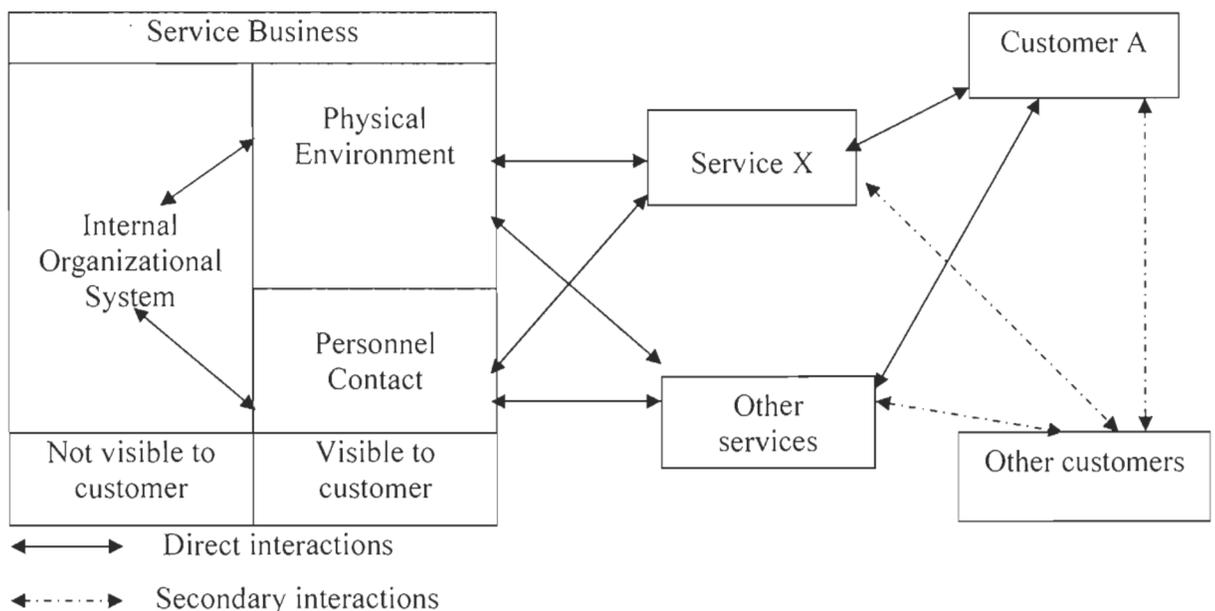
The 3Ps together represent the service and provide the evidence that makes services more tangible.

Now that we have mentioned what the service sector is, its characteristics, its marketing approach, we can discuss how the service sector works and what it is influenced by and then we will give a concrete example. Later we will end with how many types the service sector has.

1.1.3 The Service Business as a System

In order for things to work smoothly, they need to be systematised. Our research deals with a full-service sector which is a service business. For it to be holistic, it needs a system. Within the system we have internal and external factors. We have visible and invisible elements. Kotler and Cunningham (2004) have well placed all these elements in a figure shown below.

Figure 2: The Service Business as a System



Source: Slightly modified from P. Eiglier and E. Langeard (1981), "A conceptual Approach to the Service Offering."

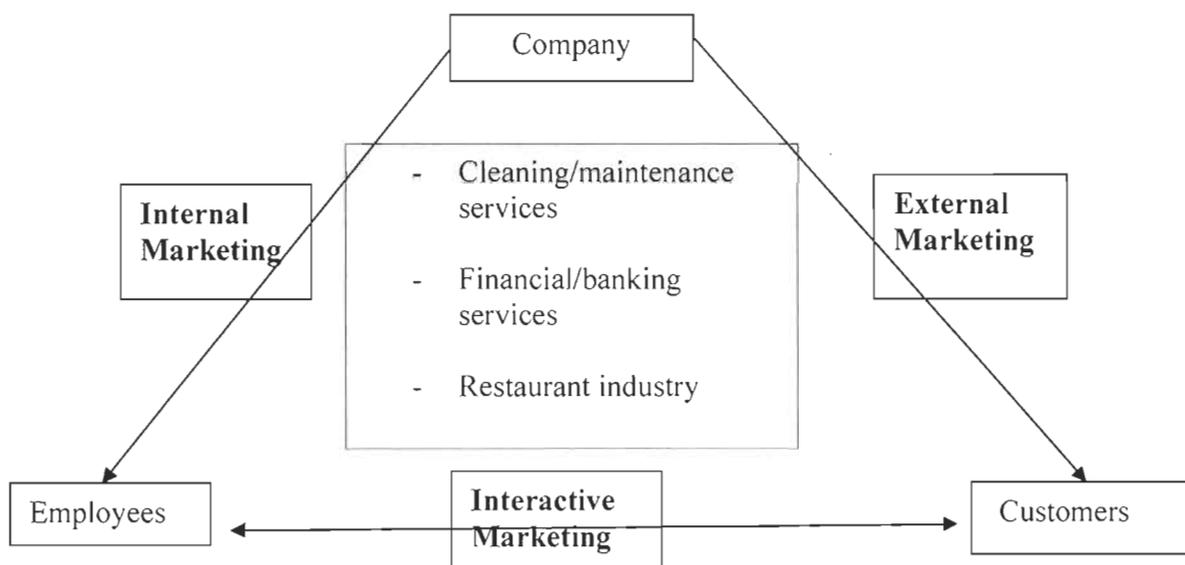
We will explain the figure by a concrete example. Consider a customer entering a full-service restaurant (service X). The customer sees other customers waiting to be seated. The customer also sees a physical environment consisting of a building, interior, equipment, and furniture. He/She also sees waiters/waitresses serving other customers. What can't be seen is the whole kitchen production process and organizational system

that supports the visible business. The service system is influenced by a host of variables. This is the way how the system of the service business runs.

1.1.4 Three Types of Marketing in Service Industries

After having an idea of how the service system works, now we can check the three types of marketing. In Figure 3 you will observe that service marketing requires not only external marketing, but also internal and interactive marketing (Gronroos 1984).

Figure 3: Three Types of Marketing in Service Industries



Source: Gronroos, C. (1984). "A Service Quality Model and its Marketing Implications."

External Marketing describes the normal work to prepare, price, distribute, and promote the service to customers (Gronroos 1984). It is the relationship between the company and the external customers. To determine the external marketing, we ask the following questions. How is the service being promoted to customers? Is it well delivered? Are the supporting systems in place to deliver the promised service?

Internal Marketing describes the work to train and motivate employees to serve customers well (Gronroos 1984). It helps communication between the company (the management) and the employees. It helps overcome any resistance to change. It informs, and involves all employees in new initiatives and strategies. Employees are seen as customers within the corporation.

Interactive Marketing describes the employees' skills in serving the client. The prime relationship in interactive marketing is the physical interaction between the front-end personnel and the customers (Gronroos 1984).

Now that we were able to have a global idea of the service sector, we can state some of the problems that the service sector faces every day.

1.2 THE GENERAL PROBLEM

We are living in an era where finding solutions to problems is a little easier than it was in the past due to internet access, to the globalization and being more open to the world. People have the chance to exchange their ideas more freely and broaden their horizons.

The full-restaurant service sector is facing problems like all other sectors: being product or service. The restaurant sector has increased sharply during the 1990s and then increased at a slightly slower pace thereafter. The difficult working hours: evening, week-ends, seasons, part-time, etc... make it hard to keep employees. There are quite a number of employees who are students that change jobs after graduating.

The economy has a major part in the restaurant industry since dining out is one of the main spending cut that clients consider. What is interesting, is when the economy improves, going to a restaurant is the first luxury that customers start doing. Also economy affects tourism, if tourism is low, so is the restaurant industry. Also the

demographic factor plays a role; usually it is the older aged people who use the full-service restaurant and the younger age prefer fast-food restaurants. The restaurant industry is fiercely competitive, whether in a chain or independently, since a restaurant is one of the easiest businesses to start, but almost the first to close (Bottin statistique de l'alimentation, 2010).

So when managers know what problems they might face and are able to define the problems, they will be able to make better decisions so that they will have more profit and survive in this competitive market.

As we saw in the service business, we need customers in order to have a system, in our case it is the full-service restaurant. So according to Bowden-Everson, Dagger and Elliott (2013), the primary objective of the restaurants should be establishing and maintaining persistent customer relationships. Their study was done in four high-end restaurants. They had 474 participants: 213 responses from first time customers, and 261 from repeat customers. The authors measured customer satisfaction, customer commitment, customer delight, and trust. They used the scales of coefficient alpha and standardized loadings.

An example of the question they asked to measure involvement was: Choosing restaurants is an important decision for me. As for the loyalty aspect, they asked: How willingly would you be to say positive things about this restaurant? The end result indicated that satisfaction, commitment, trust and customer delight produce customer loyalty. They also found that the relationship between satisfaction and commitment, trust and delight was stronger than the relationship between satisfaction and loyalty.

This led to the assumption that satisfaction by itself may not be enough to create an enduring loyalty in the restaurant sector. Finally, their analysis suggested that commitment, trust and delight also have an important influence on the development of customer loyalty with the restaurant sector.

As we can notice, many problems face the restaurant industry. We do not have an exhaustive list, but these are some of the problems the restaurant face. We will identify the actors and elaborate more on each one.

1.3 THE PROBLEM ACTORS

Since our restaurant in question is a franchisor, we will add its component to our problem actors. As problem actors we have: The franchisor, the franchisee, the restaurant manager, the employees behind the scene, the employees in contact with the customers, the clients, the provider (caterer, office supplier, etc.) and the competitor. We will be separating them into two categories: external and internal in relation to the restaurant. The external actors are in contact with the internal ones and vice versa.

External actors includes: Franchisor, the franchisee, the provider and the competitor. **Internal** actors includes: the restaurant manager, the employees behind the scene, the employees in contact with the clients and the clients themselves.

The franchisor and the franchisee both work together to create and expand a successful business concept. Their contribution to the process is unique to each person, but what affects the final result is the consumer's present and future choice.

1. **The Franchisor:** He has already built a successful business and is willing to sell the right to use that business. The goal is to increase the value and maximize profit of the business. It is in the franchisor's best interest to continue to support the franchisee and make sure all is going well.

The Franchisor dictates how the business will be operated by the franchisee including pricing policy, standards of cleanliness, hours of operation, sources of supplies, hiring and employee's training, quality of service and the lists goes on and

on. The Franchisor may also restrict the products, the area of operation, the restaurant's physical appearance and the methods of operation (Filiatrault 2005).

2. **The Franchisee:** When the Franchisee signs the contract with the Franchisor, he/she is signing an ongoing relationship with the Franchisor. This relationship is based on the premise that mutual contribution leads to mutual benefit. The Franchisee pays an initial Franchise fee plus a continuing royalty fee. Also, he/she has to abide strictly by the rules set out by the Franchisor. The Franchisee is buying a successful ready-made trade-name. The initial capital investment required of the franchisee will generally be lower than that required to start up a new business. The rules with which the Franchisee has to abide, might be a stumbling block for a business man who wants to implement innovative ideas as the business develops, or who wants to acquire cheaper equipment from a different provider (Filiatrault 2005).
3. **The Provider:** Is the one who provides the food, the restaurant equipment, office supplies, etc. But since the restaurant is a Franchise, the Franchisee has no control over that even if elsewhere he could have had a lower price and better quality. Sometimes, the provider may not abide by the deadline. This would be frustrating for the restaurant manager, because clients could be waiting for this special product. We could conclude that the provider has an indirect relationship to the restaurant with no control from neither the Franchisee nor the restaurant manager.
4. **Competitors:** It could be any industry that threatens the full-service restaurant from growing or making a higher profit. It could be another Franchisor offering better conditions with lower royalty fees. In order to succeed, every restaurant has to be alert to any new changes or developments in the environment. The Franchisee has to be vigilant of what is going around and where does he/she stand with respect to the new changes. Are they really behind, or not?

Now that we have discussed the indirect elements that relate to the clients, we will discuss the elements that have a direct influence on our clients.

1. **Restaurant manager:** Could be the owner himself, or someone whom the Franchisee has employed for the job. He/She acts primarily on the attributes of meals being served and on the attributes of the service being offered. The restaurant manager works with employees to provide the clients with what they desire.

He/She might be in direct contact or in indirect contact with the clients. When a problem is brought up, the restaurant manager is the first to know about it and to find an immediate solution. He should be very attentive to what takes place. It would be valuable to have training sessions from time to time for problem solving and quick decision making.

The quotation of Brown (1995) for the managers fits our subject: "Do unto your internal customers as you would have them do unto your external customers." What he means by this quotation is for managers to treat their employees very well and take good care of them in order for employees to treat their clients properly.

2. **Employees behind the scene:** These employees work in the kitchen: the chef, the person who does the paper work, any other employee who contributes within the restaurant but is not in direct contact with the clients. They do not have a direct relationship with the clients, but they must be very attentive to the clients' request. They are an important element in giving the maximum so the client is satisfied and comes back.
3. **Employees in contact with the clients:** Hostess, waiters and waitresses. They are the first contact the client receives. It is the first impression that the client builds about the restaurant. They are the image of the restaurant. They are to be well-

dressed, smile all the time even though they had experienced a tough day, even though they have just got out of an argument with the manager, etc...

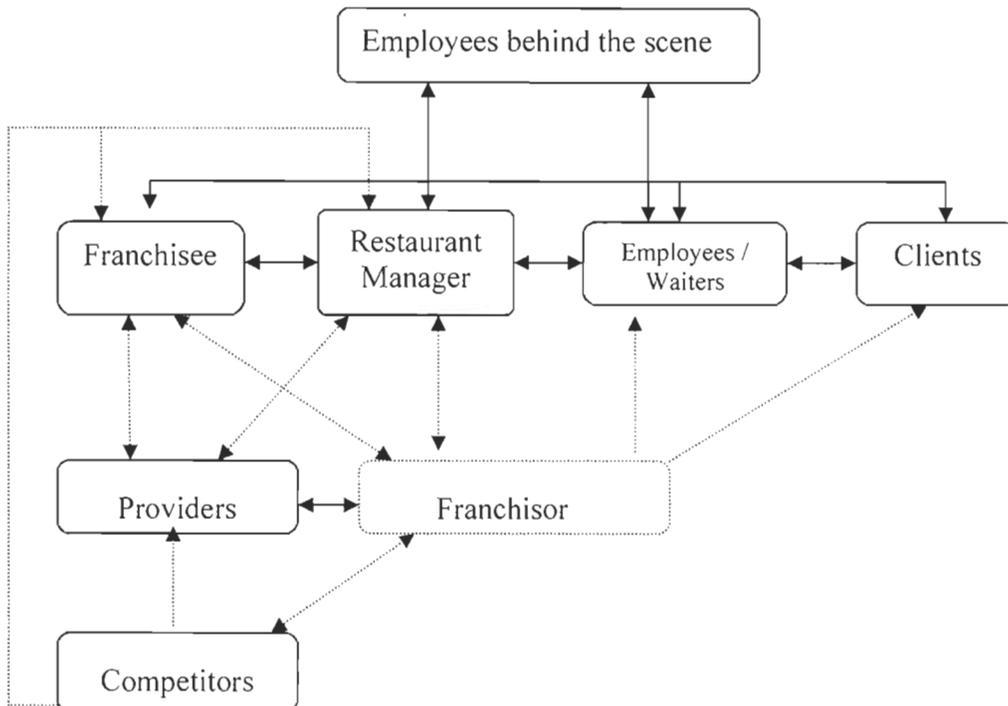
4. **Client:** an individual who enters the restaurants and purchases a meal. The client could be a regular customer or a first time customer.

It could be a brand customer from a different place, passing by a new area, but the minute he finds his favorite chain restaurant, goes in without hesitating expecting to find the same service. There are the same old clients and new clients. We should always be attentive to what clients want, mainly the old ones, since they are our target. Keep them satisfied and keep them coming is our main goal. We should know our clients, call them by name if known, they would feel honored. No doubt that outside, there are competitors trying to take our best clients away. Also ask our usual customers if they have any suggestions on how we could improve our service or meals.

Whatever is presented separately, these players are nonetheless closely intertwined. Indeed, without interrelations among them, everyone can lose the reason to exist. We notice that most are two-way related, except the Franchisor has a one way link with clients and employees. The competitor has a one way link with Providers, Franchisee and Restaurant Manager.

As for our restaurant in question, we face problems with internal and external actors as well. We have placed all the actors in one figure, and we have linked them accordingly. Figure 4 shows us the internal and external actors discussed previously.

Figure 4 – Interaction Between Players



Source: Gervais (2007) modified

After defining our problem actors we can proceed to the managerial question.

1.3.1 The Managerial Question

The general problem that will be discussed in this paper concerns the relationship between customer satisfaction and customer loyalty, which leads to the general question: “How to improve customer satisfaction in order to increase the development of customer loyalty?”

We have seen earlier that 67.66% in 2011 of the food industry is a full-service one, meaning the competition level is very high and risky. So another question we need to deal with is: “What needs to be done that distinguishes one restaurant from another in order to continue earning profit and surviving in this competitive economy?”

After stating the managerial question we can define the specific questions and the managerial and specific objectives of the research.

1.3.2 The Specific Questions

As Statistics Canada (2012) mention that the increased level of working women, the lifespan increase, the decline of the household size and the cultural diversity are some of the factors that influence the restaurant industry. More and more customers are preoccupied by their health; they look for organic and healthy food. So we came up with three specific questions:

- 1- Which dimensions of satisfaction are the most important for the customers?
- 2- Why does customer satisfaction and customer loyalty need to be measured?
- 3- Does a relation exist between the dimensions of satisfaction and the development of customer loyalty?

These questions lead us to find the dimensions that customers are looking for. We have the physical setting, the atmospheric setting, the food quality and the service quality, which includes server attentiveness and rapidity, server greeting and host-staff politeness.

A study was done by Mattila and Hanks (2012) demonstrating if waiting-time had a negative or positive impact on customer satisfaction in a crowded or non-crowded environment. The responses were 233 by the cut-off date. Their results indicated that waiting time in a crowded environment resulted in negative emotions, including frustration, anger, irritation and annoyance. They divided the respondents into 2 groups: those who score high on economic time style and those who scored low on economic time style. Those who scored high on economic time style were less satisfied while they

were waiting in a crowded area. On the other hand, the respondents who scored low on economic time style, the waiting time did not affect their level of satisfaction.

So if we go back to our research, it is done for “slow food restaurants”, meaning customers who chose the full-service should not be in a hurry and waiting time should not have a great impact on their level of satisfaction. Therefore, customers may not mind waiting for a table if they think the meal is worth the wait. Customers care more about the host being consistently polite and attentive than waiting in line to be seated.

Some of the factors that influence customer satisfaction do not affect the repeat-patronage decision. This is not surprising, since no one really decides to go back to a restaurant again and again just because the seating process is fair or the dining area has an acceptable decoration or because the last time he/she visited the restaurant no waiting in line was needed. Only food, prepared the way customers enjoy it, can attract the customer back for many return visits. In contrast, unfair treatment during the seating process can diminish a customer’s overall perception of a single dining experience, but it will not prevent a customer from ever returning.

1.3.3 The Managerial Objectives

Due to the fierce competitive world we are living in, from time to time the restaurant needs to evaluate its current position and suggest future plans accordingly. Check if possible market opportunities are available. By measuring customer satisfaction and loyalty, the restaurant will be able to understand the customer, understand his/her needs, expectations and what hinders him/her from coming back. By that, restaurants will be able to find what they need to correct in managing their company. It is by satisfying customers that the SME achieves its objectives.

1.3.4 The Specific Objectives

An objective is what the company is looking forward to achieve. Some examples are being a profitable company, having a higher volume of sales, having a high satisfaction rate with customers and employees as well and where does the company stand with respect to other companies offering the same service. This is what Filiatrault (2005) mentions. Then he adds that there are quantitative and qualitative objectives as well. By quantitative he means: sales, rate of satisfaction and by qualitative he means: enhance the service quality, ensure customer loyalty and position the company as one that offers the highest quality of customer service.

After defining our problem actors, specifying our objectives and finding the dimensions to answer our specific questions, we need to know if it is worthwhile continuing our research or not.

1.4 THE RESEARCH PERTINENCE AND JUSTIFICATION

As was mentioned earlier, the competition is high in the restaurant industry mainly in the full-service one. Since around 67.66% of restaurants in 2011 were full or complete service restaurants, clients had more choice. Therefore, satisfying our clients and providing everything possible for them to come back is a very important aspect. So will the full-service restaurant survive the current competitive market? Customers' intention of going out to a restaurant is also changing, not just for socializing, it also includes eating food that is more healthy and of a superior quality to promote better health. In the past, women used to stay home to take care of children and prepare the meals for the whole family. This has changed because more and more women are working full-time and lack time to prepare the meals, so they look for healthy food to be served for the family.

We can conclude from the above mentioned reasons that it is worthwhile to continue our research. It is not to be forgotten that dissatisfied customers complain to a minimum ten other people. Later on, we will provide recommendations for the restaurant managers to satisfy their clients and make sure they will come back.

In order to answer the questions raised and find solutions to the problems facing the full-service restaurant, we suggest a literature review. From our literature review we will define the conceptual framework that will serve as the foundation of our specific framework that will be used.

CHAPTER 2: LITERATURE REVIEW

To understand the environment of restaurants with full-service, we will define the term in question; explain the relation between the franchisor and franchisee and introduce the concept of SMEs (Small and medium enterprises) since we consider the full-service restaurant a SME. Therefore, we should be dealing with the SMEs in order to enable the reader to understand the reason for our association. We will also treat the restaurant industry, so that the reader can appreciate the importance of this business.

2.1 FULL-SERVICE RESTAURANTS AS SME

The restaurant is regarded as small SMEs, with the exception of corporate entities headed directly by the parent company. The decision-making power is not the same for all restaurants with service. However, whether independent or linked to a franchisor, the manager-restaurateur can always act on the fifth variable marketing mix: Personal contact with customers (Filiatrault, 2005). The price and the menu are often dictated by the franchisor and the distribution (the location of the restaurant) is granted by the franchisor.

To better understand the restaurant in our research paper, we will define only three aspects although the restaurant includes more than that. The three aspects of the restaurant are: physical setting, atmosphere and food quality.

The **physical setting** of the full-service restaurant includes waiting period, seating arrangements, fairness of waiting period, fairness of seating and number of places available. If the area of waiting period is crowded and tiny, it will affect the customers' satisfaction level and increases tension. If chairs are not comfortable or too close to the other tables and conversations can be heard, this also affects the level of satisfaction and the customer loses his/her privacy. Clients expect to be seated fairly. A study done in

2011 by Robson, Kimes, Becker and Evans found out that having adequate personal space is an important aspect. Seating dissatisfaction may lead to early departure or a disinclination to spend. However, clients were less likely to return to a restaurant with uncomfortable table spacing. Close table spacing made respondents feel less private, more crowded, less likely to have a positive meal experience, and more dissatisfied with the table to which they were assigned. The study was a web-based survey with more than 1,000 Americans who responded.

The **atmospheric setting** of the full-service restaurant includes decoration, noise level, temperature, cleanliness, odour, lighting, music and color. The customer will start to create an idea of his/her expectation before even being served, just by observing the atmospheric setting is enough. For example, if the restaurant was not tidy, the customer will remember this aspect more than if the service was excellent. The atmospheric setting has an impact on the decision making of the next visit.

The **food quality** is the third aspect that is found in the full-service restaurant. Food quality judges on food safety, appeal and dietary acceptability as Sulek and Hensley (2004) mention. In food safety we find undercooked meal, a meal with an off-taste or a foreign material inside. Appeal includes plate presentation, freshness of the food, taste, texture, temperature, quality, quantity and quality/price. As for dietary aspect, it includes meals with low in fat, low in carbohydrates, cholesterol free or vegetarian. We have already mentioned earlier that nowadays customers are more health conscious.

We have been frequently mentioning the word SME, but what is it? Below we will define it, discuss its origin. We will mention how much we have in Canada and specifically in Quebec.

2.2 THE SME

There are several definitions for SME, but the most used is the European Commission one. It defines the SME as follows in the Enterprise and Industry Publications:

‘Micro, small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment. The new SME definition, which entered into force on 1 January 2005, represents a major step towards an improved business environment for SMEs and aims at promoting entrepreneurship, investments and growth. This definition has been elaborated after broad consultations with the stakeholders involved which proves that listening to SMEs is a key towards the successful implementation of its goals. The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.’

The article in the Enterprise and Industry Publications continue to mention that SMEs are the major source of entrepreneurial skills, innovation and employment. Often in the early start-up, they have difficulty in obtaining capital or credit. These restricted resources have an impact on the reduced access to new technologies and innovation.

2.2.1 Origin of SME

We will discuss the origin of the SME according to the European Commission (EC) Brussels 2009. They mention that it is essential to have a common definition of an SME to improve their consistency and effectiveness, and to limit distortions of competition. In 1996, a recommendation establishing a first common SME definition was adopted by the Commission. This definition has been widely applied throughout the European Union. On the 6th of May 2003, the Commission adopted a new recommendation in order to take account of economic developments since 1996. It entered into force on the 1st of

January 2005 and will apply to all the policies, programs and measures that the Commission operates for SMEs (Key Small Business Financing Statistics 2012).

2.2.2 SME in Canada

According to Key Small Business Statistics (2012), Statistics Canada's Business Register maintains a count of business locations and publishes results twice a year. Business locations can belong to the same company; each company owns at least one business location. For an individual business location to be included in the Business Register, the company to which it belongs must meet at least one of the following minimum criteria: it must have at least one paid employee, it must have annual sales revenues of \$30,000, or it must be incorporated and have filed a federal corporate income tax return at least once in the previous three years. As of December 2011, there were about 1.1 million business locations in Canada, as shown in Table 2.

Table 2: Total number of Business Locations

Province	Employer Businesses	Percentage of total SMEs
Quebec	244,940	22 %
Ontario	392,320	35 %
Manitoba, Saskatchewan, Alberta	228,402	21 %
British Columbia	173,589	15 %
Newfoundland, Labrador Prince Edward Island, Nova Scotia, New Brunswick	79,723	7 %
Yukon, Northwest Territories, Nunavut	3,782	0,30%
Canada –Total	1,122,306	100 %

Source: Statistics Canada, Business Register, December 2011

Note: Figures may not add up to 100 due to rounding

Approximately 57 percent of all business locations in Canada are located in Ontario and Quebec. Virtually all the rest are divided between the western provinces (37 percent)

and the Atlantic Provinces (7 percent). The Northwest Territories, Yukon and Nunavut represent only 0.3 percent of Canada's businesses.

The SMEs have been distributed by region; we can see the regions in Figure 5 below.

Figure 5: The distribution of SMEs by region



Table 3: SME Good sector versus SME Service sector in Canada

Employer Businesses	Goods-Producing Sector	Service-Producing Sector
1,122,306	239,057	883,249
100 %	21 %	79 %

Source: Statistics Canada, Business Register, December 2011

As table 3 shows us that in Canada we have 79 % SMEs in the service sector and the remaining 21 % are in the goods sector.

Canadian SMEs are found to have greater reliance on loans from individuals (family, friends and others) and less reliance on loans from financial institutions. “This result can be interpreted either as indicative of lower availability or lower need of formal credit in Canada” (Leung, Meh and Terajima, October 2008).

Klyuev (2008) found that the results of interviews with Canadian bank representatives show that there is a uniform pricing policy; clients receive a loan on the same conditions, regardless of location, nature and history of their business. He also speculates that this approach leaves high risk borrowers without access to credit. If this is true, then the lower effective interest rates differentials in Canada could be due to the absence of higher risk loans.

2.2.3 SME versus Franchise in Quebec region

According to the Conseil Québécois de la franchise of January 2012, we have 11,366 business franchises in Quebec. They estimate that 65.6 % of these businesses (7,455) are owned and operated by Franchisees. While the remaining 3,911, are managed by the franchisors themselves. They continue to mention that there are 315 franchisors in Quebec.

The Business Register of Statistics Canada mentioned earlier that we have 244,940 SMEs in Quebec region. So after finding how many Franchises we have, we can deduce that we have 11,366 Franchises out of the 244,940 SMEs, giving us 4.65 %.

2.3 THE FRANCHISE, AN SME?

Presently, we would like to define the Franchisor according to Murray (2006):

“Franchising today is a business format franchising, it is a tried and tested system of doing business — of selling goods or services — is in

place and can be replicated by others. The term 'franchise package' is often used, and it is a helpful one. For what the franchisee gets in return for his or her money — paid in the shape of an initial fee plus continuing royalties or 'management fees' — is a bundle of items, which, taken together, form all that he or she needs to operate a clone of the original pilot project.”

He continues to mention that the franchise must have four characteristics, if one is missing, the franchise will have difficulty in developing and maturing. We will briefly explain the four characteristics: Standardization, unique selling proposition, ease of operation and gross margin on sales.

1. *Standardization*: The Franchise business must allow itself to be re-copied. Yes it should offer the same services and products but it can't have the same employees. So what differentiates a Franchise from another is the way the service is delivered, some try harder, smile more and focus on giving a higher customer satisfaction. In addition, some employees have the ability, strength and the gift of making themselves enjoyable.
2. *Unique selling proposition (USP)*: It is when the product or service has a special quality when no other can compete with. So if the Franchisor wants to succeed, he needs to have this kind of monopoly (USP).
3. *Ease of operation*: It is when the Franchisor chooses employees with many skills, many abilities and a vast range of experience. The Franchisor offers the new employees training so they will be able to work in any department.
4. *Gross margin on sales*: Opening another Franchise is about making money and whatever comes next is secondary.

If we consider all the Franchise's as one company, then it is no more an SME, but the reality is that each Franchise is a unique entity. Each Franchise has its own manager,

own market, own clients' preferences, own competitors, etc... so then yes we can consider the Franchise as an SME.

After defining the SME, its origin and its impact in the Quebec region, we can now define the core terms of our research: customer satisfaction and customer loyalty and their impacts on the full-service restaurant.

2.4 NOTION OF SATISFACTION

2.4.1 Definition

The simplest way to define a term is to refer to it by the dictionary. **WordNet** is an online dictionary used by Princeton University. It defines satisfaction by five levels, but one level corresponds to our study.

- 1- The contentment one feels when one has fulfilled a desire, need, or expectation; "The chef tasted the sauce with great satisfaction."

The definition establishes our problem since it introduces psychological dimensions such as "fulfill a desire or an appetite".

We have also checked the **English Collins Dictionary** online and it gave us seven definitions:

- 1- The act of satisfying or state of being satisfied
- 2- The fulfilment of a desire
- 3- The pleasure obtained from such fulfilment
- 4- A source of fulfilment
- 5- Reparation or compensation for a wrong done or received
- 6- The performance by a repentant sinner of a penance (Church of England)
- 7- The atonement for sin by the death of Christ (Christianity)

For our research we will use the first four definitions, since they comply with our subject.

Afterwards, we looked up the **Merriam-Webster dictionary** online and found four definitions for the concept of satisfaction:

- 1- a : the payment through penance of the temporal punishment incurred by sin
b : reparation for sin that meets the demands of divine justice
- 2- a : fulfillment of a need or want
b : the quality or state of being satisfied: contentment
c : a source or means of enjoyment: gratification
- 3- a : compensation for a loss or injury: atonement, restitution
b : the discharge of a legal obligation or claim
- 4- Convinced assurance or certainty

The second definition concords better with our research.

The Merriam-Webster dictionary states the origin of satisfaction: Middle English, from Anglo-French, from Late Latin *satisfactio*-, *satisfactio*, from Latin, reparation, amends, from *satisfacere* to satisfy. The first known use took place in the 14th century.

The different aspects of satisfaction make definition difficult, mainly because it is related to the complete consumption experience (Oliver, 1997):

- Satisfaction with events that happen during consumption.
- Satisfaction with final outcome.
- Satisfaction with level of satisfaction received.

In this context, satisfaction is viewed in terms of singular events leading to up to a consumption outcome (collective impression of these events), and finally to the entire

experience judgment. A comprehensive definition of customer satisfaction in terms of pleasurable fulfillment is given by Oliver (1997):

“...Satisfaction is the consumer’s fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over fulfillment...”

2.4.2 Types of Consumers

By knowing our customers and understanding what they are looking for, helps in responding to their service in a better way. According to Clow and Baack (2010), we have at least four types of consumers: Promotion-prone consumers; price-sensitive consumers; brand-loyal consumers and preferred-brand consumers. We will briefly explain one by one.

A promotion-prone consumer regularly responds to coupons, discounts or price-off. These customers are not brand loyal, they switches brands easily due to the price.

Price-sensitive consumers are what their name says. They focus on the price only. Brands are not important for them. They look for cheap products.

Brand-loyal consumers purchase only one particular brand no matter what the price is. It is hard for them to try a different brand.

Preferred-brand consumers have more than one brand that they prefer. If one of their brands was on sale, they will choice it. If a brand not from their preferred list was on sale, it needs to be an exceptional promotion deal for them to choose or else they will stick to their brand list.

We just want to draw the attention that we have to keep in mind that not all consumers are alike. Therefore, when we are trying to find ways of satisfying our clients so they continue coming, we have to find different approaches in order to meet all types of consumers.

Now by knowing that different types of customers exist, we need to find what goals need to be set in order to satisfy them.

2.4.3 The Restaurant Facility

Clow and Baack (2010) state that the restaurant facility needs to focus on at least three goals in order to be able to make decisions and meet their objectives: Customization, cost efficiency and quality.

Customization approach focuses mainly on customers. In a full-service restaurant it would implicate comfortable chairs, exclusive decoration, greater space between tables for customers' privacy, etc. The restaurant would be extremely unique from other restaurants to attract customers.

Cost efficiency doesn't concern our full-restaurant industry too much, so we will go right away to the quality approach.

Quality: Service quality focuses on consumers' needs. Clow and Baack (2010) give us some guidelines for employee behaviors in order to satisfy our clients and build customer loyalty. Employees are to greet customers like guests. For example, remove their coats then hang them up and take them to their seats. Another would be to call customers by name: this will boost customers' esteem. Employees can use body

language as eye contact and keep a smile on their face no matter what they are going through. The list goes on and on.

After stating the three goals, we need to understand customer satisfaction and what steps we need to take to keep customers satisfied.

2.4.4 Customer satisfaction

Daghfous and Filiatrault (2011) demonstrate that customer satisfaction is interacting with customers and building relationships with them. It also includes face-to-face communication, being that employees need to listen carefully to what the customer is asking, stay polite and reassure the client that they have made the right decision in choosing this particular restaurant today. This strengthens and builds positive relationship.

Face-to-face communication is a powerful one. It is the first impression a client can make about the restaurant. Methods of face-to-face vary with culture. In some countries standing close to someone is a sign of trust, in other countries, it is intimidating. The same goes for eye contact and physical contact. Nowadays, we are seeing more and more clients from different countries are settling in Quebec, so we are to be careful how to deal with each culture, the best thing would be to study the differences in people before reacting with them.

In order for employees to give the best service, they need to greet customers with a smile, be attentive to what the client wants; he/she has to be satisfied with the work being accomplished. The way we see it, all is inter-related. If the Franchisor and Franchisee are in good terms, then the Franchisee or the restaurant manager and the employees have a good relationship. Then the atmosphere in the restaurant is pleasant, so the service delivered is well done. Then the outcome would be satisfied clients, and

when they are satisfied they will return. The ultimate goal will be achieved, the restaurant's sales will go higher and higher.

“Customer satisfaction is considered today as a baseline standard of performance and a possible standard of excellence for any business organization” (Grigoroudis and Siskos, 2010).

When discussing customer satisfaction we cannot ignore the notion of service quality. There is no customer satisfaction without service quality. We agree with Kotler and Armstrong (1996) that service quality begins with customer needs and ends with customer satisfaction. We will demonstrate the service quality model formulated by Parasuraman, Zeithaml, and Berry (1985).

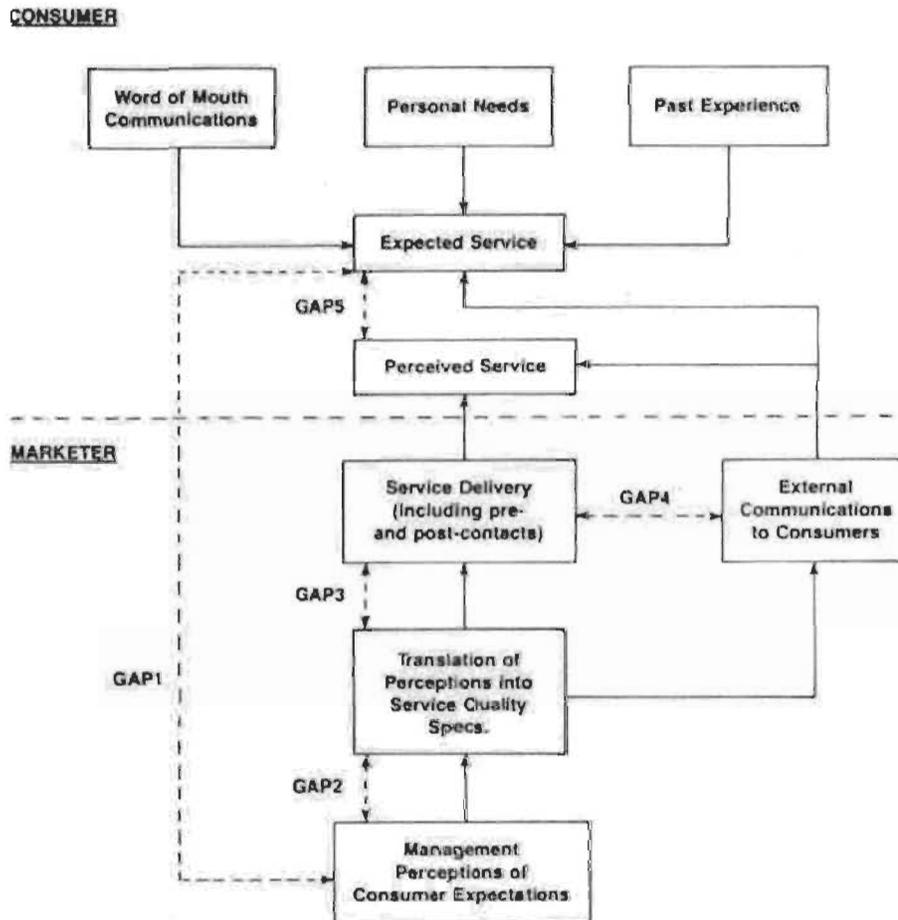
2.4.5 Service Quality

The service quality plays a very important role in the customer satisfaction and customer loyalty aspect. If a waiter/waitress seems bored, no smile on the face, cannot answer simple questions, or talking with other waitresses while customers are waiting in line, customers will think twice about coming back to the same restaurant.

Parasuraman, Zeithaml, and Berry (1985) formulated a service-quality model shown in Figure 6 below. The expected service is a function of word of mouth communication, personal need and past experience. The perceived service is a product of service delivery and external communications to customers. We would like to draw the attention to our readers that the conceptual cadre that we used was not inspired from the SERVQUAL model. The model identifies five gaps that cause unsuccessful delivery:

- 1- Gap 1: *The promotional gap*: It is the gap between management perceptions and expected service. Management does not always correctly perceive what consumers want.
- 2- Gap 2: *The understanding gap*: The gap is between management perception and service-quality specification. Management might correctly perceive customers' wants but not set a performance standard.
- 3- Gap 3: *The procedural gap*: It is the gap between service-quality specifications and service delivery. Personnel might be poorly trained, or incapable or unwilling to meet the standard.
- 4- Gap 4: *The behavioral gap*: It is the gap between service delivery and external communications. Consumer expectations are affected by statements made by company representatives and ads.
- 5- Gap 5: *The perception gap*: It is the gap between perceived service and expected service. This gap occurs when the consumer received a different service than expected.

Figure 6: A GAP Model of Service Quality



Source: Parasuraman, Zeithaml and Berry (Fall 1985).

We could conclude from this model how important it is for communication between all members involved to flow within the industry. The same message should be consistently delivered.

The gap that is researched in this thesis is the gap between expectations and perceptions (Gap 1). According to Roy (2010), an important step in closing Gap 1 is to keep in touch with what customers want by doing research or complaint analysis or customer panels on customer needs and customer satisfaction. Service quality improves and a perfect

synchronization will take place between perceptions of customers' expectations and expected service when the gap shrinks or disappears.

After mentioning the definition, the types, the approaches of satisfaction, then we can proceed to the second important concept in our research paper: Loyalty.

2.5 NOTION OF LOYALTY

2.5.1 Definition of Loyalty

As for the customer loyalty or fidelity, **WordNet** mentions four levels that all are relevant to our topic:

- 1- The state or quality of being loyal; faithfulness to commitments or obligations.
- 2- Faithful adherence to a sovereign, government, leader, cause.
- 3- A feeling or attitude of devoted attachment and affection.
- 4- The act of binding yourself (intellectually or emotionally) to a course of action.

These four definitions support the problem concretely. They explain the behaviour on behalf of the customer wanting to remain faithful and committed to his/her obligations by their repetitive actions of purchasing a service or a product.

Clow and Baack (2010) mention that there are three pillars of customer loyalty: Developing customer loyalty, maintaining quality relationships with loyal customers and customer recovery. What concerns our research is the first pillar.

Customer loyalty evolves from an AIDA (Awareness, Interest, Desire and Action) process. First, customers are aware of the service provided, either by a friend, or advertising or passing by the restaurant. Then they are getting interested in the service, it

may take a few days to be nurtured. Then the feeling of desire to acquire the service has arrived, and nothing can stop it. So, the first action takes place. The customer enters and tries to fulfill the desire that has been dwelling inside for some time now. This first action has a large impact if the client returns or not (Clow and Baack 2010).

So now it is the employees' part of motivating the client to like the service and make further purchases in the future which leads to brand loyalty. The client may change to another brand, no problem with that. But the restaurant manager has to make sure that even if the client went elsewhere, he/she will remember that the best quality was achieved in the first place.

This leads us to the fact that there are several types of customer loyalty: No loyalty, latent loyalty, inertia loyalty and brand loyalty (Clow and Baack 2010). Not all customers are the same. Loyalty consists of emotional attachment and behaviour.

No loyalty is when the customers have no emotional attachment and rarely buys. *Latent loyalty* includes high level of emotional attachment but doesn't purchase much due to other reasons. For example, a particular restaurant is the wife's favourite but since the restaurant doesn't offer what the husband likes; she is obliged to switch to another restaurant that they both like. *Inertia Loyalty* includes almost no emotional attachment acquired while high level of purchases due to convenience or no other restaurant in the area. *Brand loyalty* customers have both high scores in emotional attachment and purchase behaviour. No matter what it takes they will continue going to the same restaurant. These clients do not worry us, because they will keep coming but a reward action is needed.

The two types of customer loyalty that concerns us are the *latent* and *inertia*. As for the latent, we can search closely to see what the other partner likes so we can provide it in our restaurant. For the inertia customers, it may be a little harder to satisfy them, but we

have to find ways to strengthen the relationship with them, since they have a very high risk of drifting away.

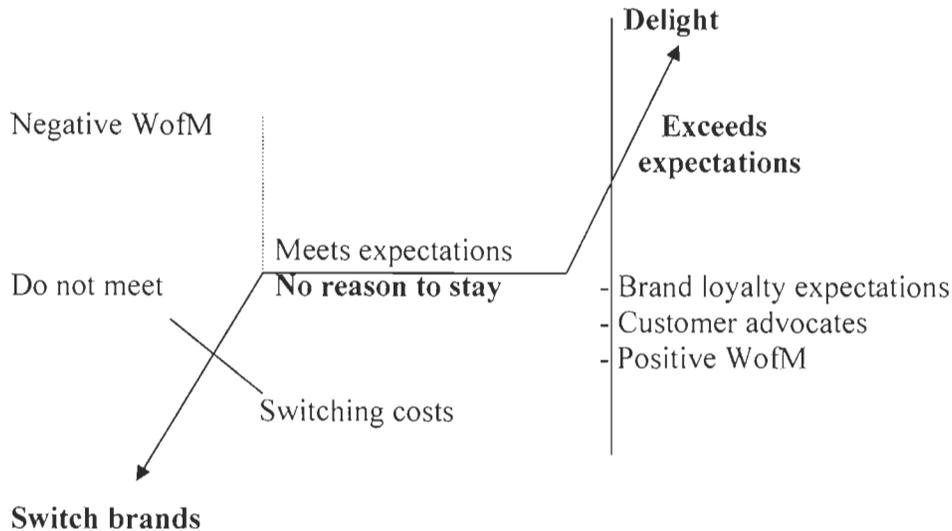
According to Clow and Baack (2010), there are three factors that generate greater loyalty: Customer relationships, exceeding expectations and improving quality. We will discuss just the first two.

When a client starts to feel that the restaurant sees him/her as a person and does care what he/she is seeking, that's a big step and the client starts to establish an emotional attachment that leads to brand loyalty.

When a client asks for a service but the restaurant gives him/her more than was expected, it could be because it is the first visit to the restaurant or it could be a reward after several visits. Here the client also establishes an emotional attachment and as a result starts telling others how good the service was and even more than expected. And who doesn't like MORE!!!! A positive word of mouth starts spreading.

Let us look at the figure 7 that was proposed for exceeding expectations.

Figure 7: Exceeding Expectations



Switch brands
 Source: Clow and Baack (2010)

From the figure above we could conclude that if the service didn't meet the client's expectations, two things would happen: negative word of mouth and the client would go try another restaurant. When the service just meets the expectations, the client has no reason to stay, if the client were able to exceed his/her expectations elsewhere, nothing would keep the client, but also the COST of switching to another restaurant plays a role in the client's decision. The third aspect which concerns us the most, is when the service exceeds the client's expectation, the restaurant industry will generate brand loyalty, create customer advocates and positive word of mouth.

We have found four studies that were recently done that could help us in our research. The first was done by Taylor and Long-Tolbert (2002); they suggested that coupon promotion is a powerful marketing tool in developing relationships with existing customers. They found out that coupons are less expensive than attracting new customers.

Note: WofM, word of mouth

The second study was done by Kim, Lee and Yoo (2006) on luxury restaurants in Korea. It showed that food quality ranked first and employees' relationship with customers ranked second.

The third study was done by Noone, Kimes, Mattila and Wirtz (2007) in a full-service restaurant. It showed that rapidity in the service affected negatively the customer satisfaction. If customers were asking for rapidity, they would have gone to a fast food instead. This explains that customers choose a full-restaurant, because they need to take the time in enjoying their meal, need to relax and loosen up.

The fourth study was done by Njite, Dunn and Kim (2008) in a fine-dining restaurant. The researchers wanted to know more about the non-food attributes that consumers attach to fine dining and how these attributes are prioritized during decision making and selection of fine dining restaurants. They used a two-method study. In the first study, they used a qualitative approach that aimed at answering the following question: What attributes of fine dining restaurants are identified by consumers? In the second study, they used a quantitative approach and the previous first study served as their exploratory study. In the second study, they aimed at examining how the identified non-food attributes of fine dining restaurants are prioritized during selection. They used in-depth interviews and the end result was that customer relations was the most important aspect while price was the least important one.

Now that we have a global image of the research aspect and the literature review, we can explore our specific framework.

CHAPTER 3: CONCEPTUAL FRAMEWORK

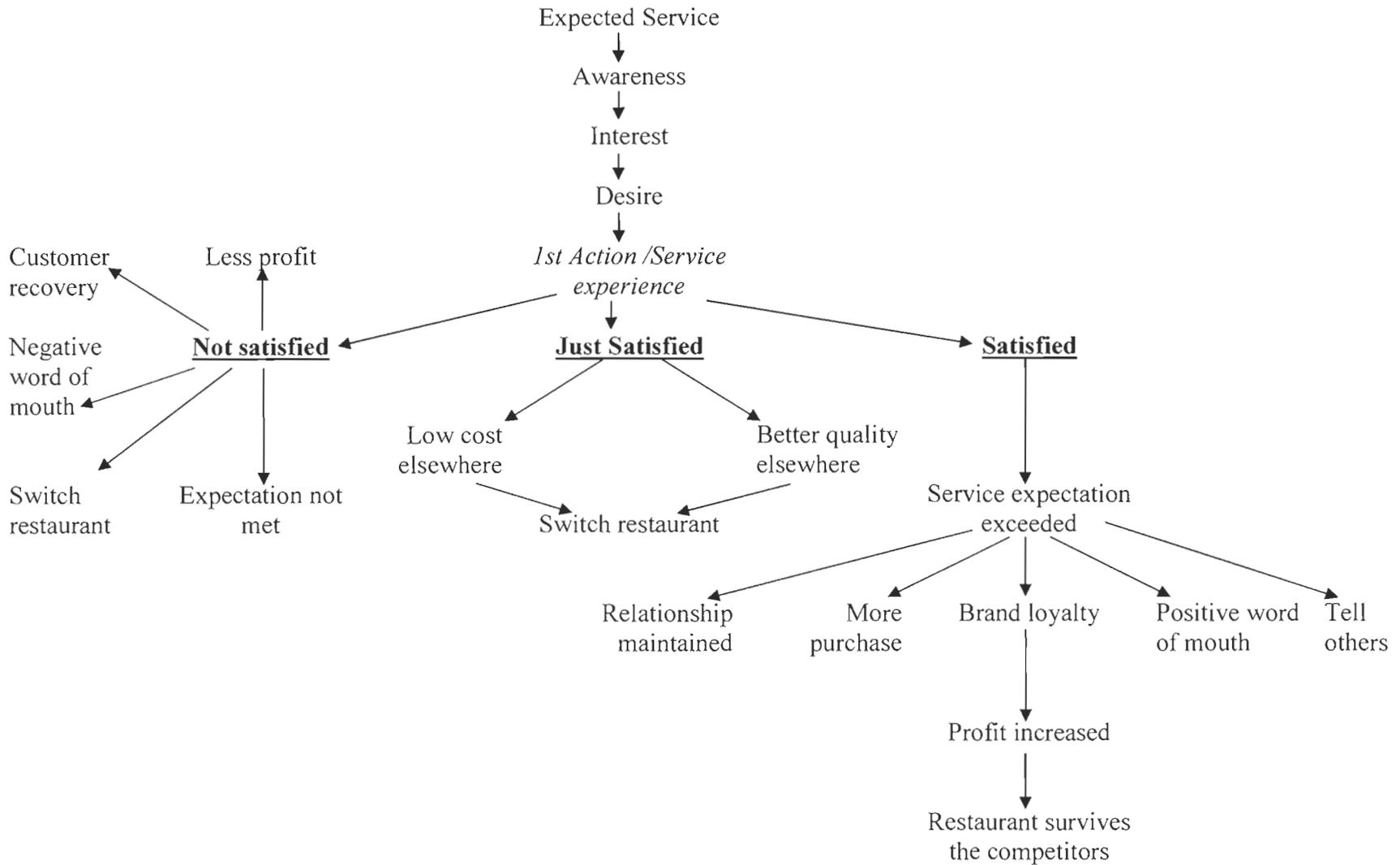
From the literature review that was explored above, we will use the concept of Clow and Baack (2010) in figure 8 of exceeding expectations and elaborate on it in three scenarios to fit our research.

The minute the service is delivered, speculation starts evolving about the service, the meal, etc. We have three options, if the client had to wait too long in line before being seated, the hostess was not very polite, the tables were so crowded and the music was so loud that you could not understand what the waitress was asking. The temperature of the air conditioning was set too low and the smell of the kitchen was strong. It was almost Christmas time and the Halloween decorations were still on display. The food was not warm enough. The client called the waitress several times before she answered. So what do you expect: A small amount of tip was given and it was an unsatisfied service. The next day the client started telling his colleagues at work about his bad experience of last night, and he advised them not to go there. The decision was made, no going back to that restaurant.

Second scenario, the client also had to wait, all in all, everything was just right but not perfect. The next morning, the colleagues asked him about his experience at the restaurant, he was hesitant in replying. Then he just said he would be happy to find a better one next time.

Third scenario, the waiting time wasn't bad, the waiters were polite, smiling, comprehensive, coming every now and then asking if all is well. The seats were so comfortable. Tables were far away. Christmas decoration was very classy. The meal was perfect. At the end, the waiter gave him a coupon for next visit. It was an exceedingly satisfying service. The same evening, he called his friends telling them about the splendid experience he had. The next morning, he shared his story with many colleagues. As a result, they decided to reserve New Year's Party at this particular restaurant.

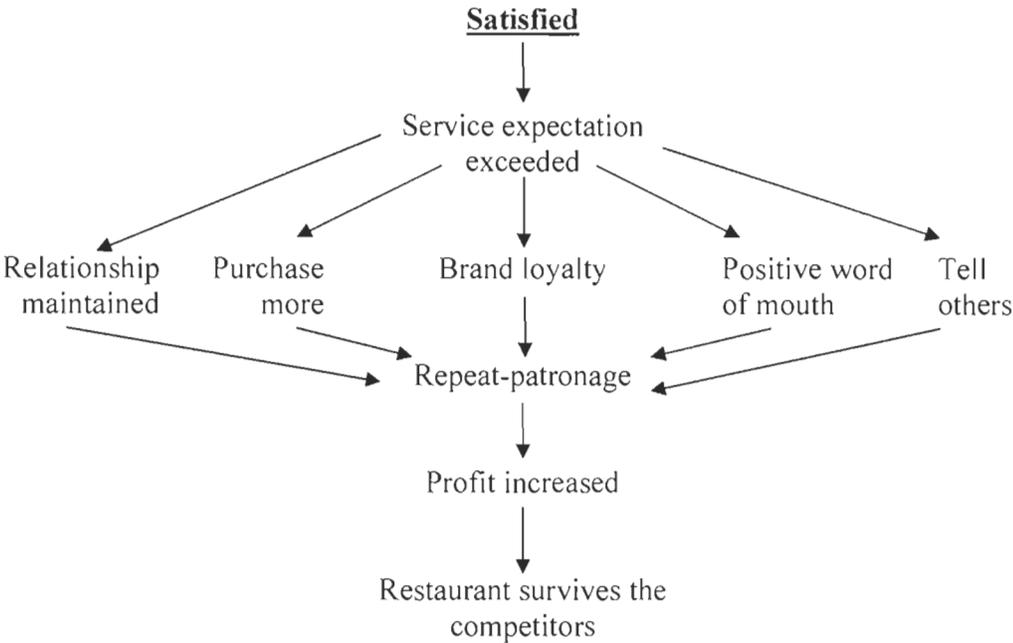
Figure 8: Satisfaction tree



Source: Cook and Baack (2010) modified

So from all that, we can conclude that experiencing an above average service in each aspect of the evening produces large dividends for the owner. We will consider the part of the satisfied client as our specific framework, since it fits our research.

Figure 9 Satisfaction outcome



Source: Cook and Baack (2010) modified

We can see from the extremely satisfied tree that the branches are growing. Our advertising costs are decreasing and sales are increasing, positive word of mouth is spreading and the company’s image is brighter.

As we can also see from the above tree that customers compare the perceived service (received service) with the expected service (initial service they had in mind before entering the restaurant). If the perceived service falls below the expected service, customers are disappointed, not satisfied and drift away. If the perceived service meets or exceeds their expectations, they are ready to invest in the service provider again.

Given the fact that now we know more and more about the importance of clients in the success of business, then we can agree with Filiatrault (2005) when he mentions that we have to favour a relational approach with customers. It is a personalized approach that aims to establish long-term relationships between both parties. So we try to focus not only on locating new customers, but also on the retention of existing customers.

We approve with Kotler and Cunningham (2004) when they mention that smart companies aim to delight customers by promising only what they can deliver, then delivering more than they promise.

Also we would like to mention that the self-administered questionnaire that was used in this paper was based on a previous research measuring the social satisfaction. Geyskens and Steenkamp (2000) measured satisfaction by using two scales: economic and social satisfaction. In each scale they had five items: Social interaction, product, financial, cooperative advertising support and other assistance. In our study we have used the social satisfaction. By social satisfaction they mean that the interactions with the exchange partner are fulfilling and gratifying.

We asked questions about the restaurant, the product (food) and the employees. Some examples of the questions relating to the social satisfaction: The helpfulness of the staff, the smile of the staff and the presence of the staff. Some examples of the product: The quality of the food, the amount of food served on the plate, the temperature of the food, the presentation of the plate and the taste of food. As for the restaurant questions: The cleanliness of the restaurant, the decoration of the restaurant, the number of seats, the background music, the cooking odors, the temperature of the restaurant and the lighting in different areas.

3.1 RESEARCH OBJECTIVES

Our general objective of this research is to find the right elements to improve customer satisfaction in order to increase the development of customer loyalty.

To achieve this goal, specific questions have been developed.

- 1- Which dimensions of satisfaction are the most important for the customers?
- 2- How can we measure customer satisfaction and customer loyalty?
- 3- Does a relationship exist between the dimensions of satisfaction and the development of customer loyalty?

After determining our specific framework we can proceed by measuring our customer satisfaction phenomena. In the following chapter we will explain the method we used to measure customer satisfaction and customer loyalty and then we will explain what the end result was.

CHAPTER 4: METHODOLOGY CONSIDERED

The methodology used will be described in the present study in order to answer the research question by using the research model. The objective of this study is to better understand the factors that influence satisfaction and its relation with customer loyalty. In other words, the goal is to define the problem, detect its source and find recommendations.

4.1 TYPE OF STUDY

According to Cooper and Schindler (2011) we have four types of study.

- 1- A *reporting study* provides a summary of data either to accomplish a deeper understanding or to generate statistics for comparison. Usually the data is available.
- 2- A *descriptive study* answers the questions of who, what, when, where and how. Data needs to be collected since it is not available.
- 3- An *explanatory study* answers the questions of why and how. It studies the relationships among two or more variables. The researcher uses theories or hypothesis to test the correlation. This study is used when better understanding of the problem is needed since very few studies might have been considered in that area. Our study fits in this category.
- 4- A *predictive study* is used to predict when and in what situations the event will occur, more like forecasting.

4.2 SAMPLING

Sampling is when we select a sample of the population to give us an idea about the entire population. According to Cooper and Schindler (2011) there are several reasons for sampling: cheaper than census, greater accuracy of results, greater speed of data collection and availability of population elements.

We have probability and non-probability sampling. A *probability sampling* is based on the concept of random selection. While a *non-probability sampling* is subjective and not every individual have the chance of being selected.

As for our study we will be choosing the non-probabilistic sampling, since only clients of a specific full-service restaurant will be selected and only interested respondents will answer our questionnaire. The questionnaire will be divided in three sections. The first aims at determining the pattern of the customers frequenting the restaurant. Section 2 corresponds to customers' satisfaction and their loyalty showing the conceptual framework previously presented. As for section 3, it aims at defining the socio-demographic profile of the respondents.

4.3 MEASUREMENT

We have four types of measuring scales according to Cooper and Schindler (2011): nominal, ordinal, interval and ratio scale. We have used nominal, ordinal and interval scales in our research. A Likert scale, multiple choice questions, and ranking scale were used to measure customers' satisfaction for every dimension.

Concerning the measuring instruments, factorial analysis was used in order to determine the principal variables that explain satisfaction. In addition, multivariate analysis such as correlation and regression was used to verify if there is a relation between the socio-demographic profile and satisfaction.

4.4 DATA COLLECTION

We have three methods of instrument design: self-administered survey, phone interview or personal interview. In the self-administered survey, we have the self-administered questionnaire and that is what we chose for our research. Our self-administered questionnaire was delivered via internet and was completed by interested participants without any human contact. We have chosen it due to its cost efficiency, easily accessible, no time constraint, anonymity and large topic coverage.

The questions in our self-administered questionnaire are clear and precise so that respondents have no difficulty in responding. It has already been pre-tested in the research done by Menvielle (2006).

The questionnaire has been placed on the restaurant in question's website, meaning anyone can respond through the whole province of Quebec. We have collected 136 during the 2 month period that we had and 9 respondents did not complete the questionnaire. We were hoping to get 300 respondents, but due to the summer period-time, time restriction and people on vacation we were not successful.

After explaining our type of study, sampling, measurement and data collection used, we can continue to interpret our results.

CHAPTER 5 RESULTS INTERPRETATION

We used SPSS version 19.0 to interpret our results and we used correlation and factor analysis.

❖ The respondent profile

It is more than important for any business to determine the profile of the surveyed population. In effect, this allows the people in charge of the restaurants to know to whom it is addressed to better target the needs of its customers in order to respond more effectively. The primary data collected is sex, age, education and income.

Table 4: Gender Respondents

Gender	<i>Frequency</i>	<i>Percentage</i>
Male	42	31%
Female	94	69%
Total	136	100%

As Table 4 shows us, we have 31 % male respondents and 69 % female respondents. Out of which 32 % fall in the age group range of 25-34 as shown in Table 5.

We have also included in the tables below the percentage of the Province of Québec that was extracted from the Institut de la Statistique Québec website on April 6, 2013. This was done so it will give us a relative idea of the respondents we had and the population of the province that the respondents reside in.

Table 5: Age Group

Age Group	<i>Frequency</i>	<i>Percentage</i>	<i>Percentage Quebec</i>
18-24	26	19%	8.30%
25-34	44	32%	17.30%
35-44	27	20%	16.61%
45-54	27	20%	19.85%
55-64	10	7%	17.36%
65 and more	2	1%	20.57%
Total	136	100%	100%

Table 6: Level of Education

Level of education	<i>Frequency</i>	<i>Percentage</i>	<i>Percentage Quebec</i>
Primary	1	1%	25.03%
Secondary	65	48%	37.57%
College	39	29%	20.92%
University level, B.A., B.Sc.	21	15%	12.21%
University level, Master's or Ph.D.	7	5%	4.27%
No response	3	2%	-
Total	136	100%	100%

Table 6 shows us that 48% have secondary level while only 1 % has primary level. We have to mention that the 25.03% that we got from the Institute de la Statistique also includes those that have no education at all.

Table 7: Annual Income

Annual Income	<i>Frequency</i>	<i>Percentage</i>
Less than \$19,999	44	33%
Between \$20,000 and \$39,999	51	38%
Between \$40,000 and \$59,999	23	17%
Between \$60,000 and \$79,999	13	10%
Between \$80,000 and \$99,999	2	1%
More than \$100,000	1	1%
Total	134	100%

Table 7 tells us that 38 % fall into the annual income category between \$20,000 and \$39,999. While only 1% earn more than \$100,000. Two respondents sustained from answering.

As for annual income the Institut de la Statistique has separated differently the averages. They have 3.6% who earn less than 10,000\$. 23.9% who earn between 10,000\$ and 29,999\$. 38.4% who earn between 30,000\$ and 59,999\$. 23.4% who earn between 60,000\$ and 99,999\$. Finally there are 10.6% who earn more than 100,000\$ in the Quebec province.

In summary, we have more female respondents than male respondents, who are between the ages of 25 and 34, they have secondary level of education and earn between \$20,000 and \$39,999.

❖ The respondent frequency of going to the restaurant versus the expenses

Table 8: Frequency of Going to the Restaurant

Going to the restaurant	<i>Frequency</i>	<i>Percentage</i>
Never	0	0%
Once a year	5	4%
Many times a year	14	10%
Once a month	8	6%
2-3 times a month	40	29%
Once a week	39	29%
2-3 times a week	27	20%
Every day	3	2%
Total	136	100%

Table 8 shows us that 29% go 2 to 3 times a month to the restaurant and only 2% go every day.

Before we present the statistics of the expenses table, we would like to draw the attention to our readers that while our respondents were answering the questionnaire on the internet about the expenses, they would only see one option on the screen: either annual expenses or monthly expenses or weekly expenses and not all three. All depended on the prior question that they answered. For example, if they choose annually then the following question would only ask them about their annual expenses and no mention of the other 2 options.

Table 9: Annual Expenses at the Restaurant

Annual expenses at the restaurant	<i>Number</i>	<i>Percentage</i>
Less than \$49.99	5	26%
Between \$50.00 and \$74.99	0	0%
Between \$75.00 and \$99.99	1	5%
Between \$100.00 and \$149.99	2	11%
More than \$150.00	10	53%
Other	1	5%
Total	19	100%

The annual expenses table shows us that 53% spend more than \$150.00 annually and none spend between \$50.00 and \$74.99. The respondent who answered other, he/she specified that they go 52 weeks x \$45.00 = \$2,340 per year.

Table 10: Monthly Expenses at the Restaurant

Monthly expenses at the restaurant	<i>Number</i>	<i>Percentage</i>
Less than \$49.99	17	35%
Between \$50.00 and \$74.99	18	38%
Between \$75.00 and \$99.99	5	10%
Between \$100.00 and \$149.99	6	13%
More than \$150.00	1	2%
Other	1	2%
Total	48	100%

The monthly expenses table shows us that 38% spend monthly between \$50.00 and \$74.99 and 2% spends more than \$150.00. The respondent who answered other, he/she specified that they spend less than \$20.00 a month.

Table 11: Weekly Expenses at the Restaurant

Weekly expenses at the restaurant	<i>Number</i>	<i>Percentage</i>
Less than \$49.99	40	58%
Between \$50.00 and \$74.99	21	30%
Between \$75.00 and \$99.99	4	6%
Between \$100.00 and \$149.99	3	4%
More than \$150.00	1	1%
Other	0	0%
Total	69	100%

The weekly expenses table shows us that 58% spend less than \$49.99 weekly and 1% spends more than \$150.00.

❖ **The respondents' influence of choice**

Table 12: Type of Restaurant frequented by the respondents

Type of restaurant	<i>Choice</i>	<i>Percentage</i>
Fast Food	34	25%
Bistro / Brewery	6	4%
Family-style	44	32%
Buffet-style	5	4%
Fine dining	11	8%
Casual dining	28	21%
Other choice	8	6%
Total	136	100%

Table 12 shows that 32% chose Family-style restaurant and 4% chose Bistro/Brewery and Buffet-style restaurant.

We have extracted from Service Canada People Serving People's website a table about the main areas of employment that was updated on September 2011. A table that relates to our previous table: Type of Restaurant.

Table 13: Main Areas of Employment

Main Areas of Employment	Percentage
Food Services and Drinking Places	93.2%
Full-Service Restaurants	49.7%
Limited-Service Eating Places	27.1%
Drinking Places (Alcoholic Beverages)	9.8%
Special Food Services	6.5%

Source: Service Canada website

Table 13 demonstrates that the highest percentage of areas of employment is 93.2%, and the second highest is the full-service restaurants 49.7% that concerns our project.

Nevertheless, another table from Statistics Canada's website shows us a monthly survey of food services and drinking places in the Quebec province.

Table 14: Relative share of food services in sales

(NAICS)	2012				2013
	Sept	Oct	Nov	Dec	Jan
722511- Full-Service Restaurants	447,655	430,877	429,637	460,208	392,176
722512- Limited-service eating places	310,076	309,285	295,170	289,809	270,250
7223-Special Food Services	73,067	73,607	70,745	72,029	54,193
7224-Drinking places (alcoholic beverages)	55,568	55,102	53,827	54,202	48,186

Source: Statistics Canada, NAICS, Table 355-0006

In table 14 we can notice the highest sales have always been in the full-service restaurants although it has declined a little in January 2013 mainly due to the Christmas shopping.

Table 15: Reason of Choice

Reason of choice	<i>Number</i>	<i>Percentage</i>
Near work	9	7%
Choice of menu	61	45%
Near home	22	16%
Wine list	0	-
Atmosphere	15	11%
Promotions	11	8%
Other	18	13%
Total	136	100%

Table 15 shows that 45% mentioned that it is the choice of menu that motivates the respondents to go to the Restaurant in question and none chose the wine list. We have to understand that the restaurant that the respondents responded to didn't serve wine. This could explain that the fact that none chose the wine list. The restaurant in question had three types of menu: breakfast, lunch & brunch menu.

Table 16: Type of Ordering

Type of ordering	<i>Number</i>	<i>Percentage</i>
At the restaurant	67	49%
By phone, delivery	23	17%
Take out	37	27%
Other	9	7%
Total	136	100%

Table 16 shows 49% would like to eat at the restaurant and 7% chose other methods of ordering. The 9 respondents that chose other types of ordering were separated as such: 3 answered, at the restaurant and delivery. 2 answered, at the restaurant and take out. 4 answered, they use all 3 methods; they like to eat at the restaurant or order by phone or take out.

❖ **The respondents' importance of choice**

In this section we wanted to know what influences the clients' decision of choosing a restaurant, was it the waiting time, cleanliness or cooking odors and the list goes on.

Table 17: Importance of Choice

	Very unimportant	Unimportant	Neutral	Important	Extremely important	Total	Mean
Waiting time	5	0	7	76	48	136	4.19
Cleanliness	3	1	12	56	64	136	4.3
Decoration	4	4	26	64	38	136	3.94
Number of seats	3	2	14	62	55	136	4.21
Background music	4	5	35	59	33	136	3.82
Cooking odors	3	4	10	56	63	136	4.26
Temperature of restaurant	3	3	11	61	58	136	4.24
Lighting in different areas	5	1	6	67	57	136	4.25

Statistic	Waiting time	Cleanliness	Decoration	Number of seats	Background music	Cooking odors	Temperature	Lighting
Min Value	1	1	1	1	1	1	1	1
Max Value	5	5	5	5	5	5	5	5
Mean	4.19	4.3	3.94	4.21	3.82	4.26	4.24	4.25
Variance	0.7	0.7	0.86	0.73	0.89	0.79	0.74	0.77
Standard Deviation	0.84	0.84	0.93	0.85	0.94	0.89	0.86	0.88
Total	136	136	136	136	136	136	136	136

We can conclude from Table 17 that 76 respondents mentioned that waiting time is important to them. 64 respondents mentioned that cleanliness is extremely important to them. 64 respondents mentioned that decoration is important. 62 respondents mentioned

that number of seats is important. 59 respondents mentioned that background music is important. 63 respondents mentioned that cooking odors is extremely important. 61 respondents mentioned that temperature of restaurant is important. 67 respondents mentioned that lighting in different areas is important.

We can conclude that cleanliness and cooking odors are extremely important elements for clients before choosing their restaurant. We can also conclude that the highest number of respondents (76) was in the waiting time which they found very important. We would like to explain the reasoning behind this question. We have formed the question in a way to reveal what is important for them, or when they are choosing a restaurant what comes to their minds. In other words, on what basis do they decide to eat at a particular restaurant and not the other?

❖ **The respondents' satisfaction within the restaurant**

Table 18: Customer's Satisfaction

	Very dissatisfied	Dissatisfied	Neutral	Satisfied	Extremely satisfied	Total	Mean
Helpfulness of the staff	1	1	3	61	69	135	4.45
Smile of the staff	2	1	7	57	68	135	4.39
Presence of the staff	1	0	10	64	59	134	4.34
Speed of the service	1	2	8	58	66	135	4.38
Variety of the menu	2	2	7	60	64	135	4.35
Quality of the food	2	3	10	51	70	136	4.35
Amount of food served on the plate	2	2	8	50	72	134	4.4
Temperature of the food	2	0	9	45	80	136	4.48
Presentation of the plate	2	1	11	60	61	135	4.31
Taste of food	2	1	3	52	75	133	4.48
Quality / Price of food	3	6	26	47	53	135	4.04
Promotions offered	2	6	23	59	44	134	4.02
Waiting time before being served	1	1	10	59	64	135	4.36

Statistic	Helpfulness – staff	Smile - staff	Presence - staff	Speed - service	Variety - menu	Quality - food	Amount of food served
Min Value	1	1	1	1	1	1	1
Max Value	5	5	5	5	5	5	5
Mean	4.45	4.39	4.34	4.38	4.35	4.35	4.40
Variance	0.43	0.57	0.47	0.54	0.60	0.69	0.63
Standard Deviation	0.65	0.75	0.68	0.73	0.78	0.83	0.80
Total Responses	135	135	134	135	135	136	134

Statistic	Temperature – food	Presentation - plate	Taste - food	Quality / Price - food	Promotions offered	Waiting time before - served
Min Value	1	1	1	1	1	1
Max Value	5	5	5	5	5	5
Mean	4.48	4.31	4.48	4.04	4.02	4.36
Variance	0.56	0.6	0.52	0.97	0.82	0.52
Standard Deviation	0.75	0.78	0.72	0.98	0.91	0.72
Total Responses	136	135	133	135	134	135

Table 18 shows us that 69 respondents answered that they were extremely satisfied with the helpfulness of the staff. 68 respondents answered that they were extremely satisfied with the smile of the staff. 64 respondents answered that they were satisfied with the presence of the staff. These three categories concern mainly the behavioral aspect of the staff.

Then we have 80 respondents answered that they were extremely satisfied with the temperature of the food. 75 respondents answered that they were extremely satisfied with the taste of food. 72 respondents answered that they were extremely satisfied with the amount of food served on the plate. 70 respondents answered that they were extremely satisfied with the quality of the food. 66 respondents who answered that they were extremely satisfied with the speed of the service. 64 respondents answered that they were extremely satisfied with the variety of the menu. 61 respondents answered that they were extremely satisfied with the presentation of the plate. These seven elements concern many of the food aspects.

We can extract from these results that the respondents' main interest is in the temperature of the food, the taste and the amount of food on the plate.

Then 64 respondents answered extremely satisfied with the waiting time before being served. 59 respondents answered satisfied with promotions offered. 53 respondents answered that they were extremely satisfied with Quality/Price of food.

We can conclude from Table 18 that most of the elements were extremely satisfactory and only 2 elements: Presence of the staff and promotions offered, clients answered that they were satisfied.

This question comes after their decision has been made in which restaurant they will be dining today. The minute they enter the restaurant, we would like to know what their level of satisfaction is.

❖ **The Respondents' fidelity to the restaurant**

We chose 3 questions to be asked in our self-administered questionnaire to determine the loyalty level of customers. In the first question we used the behavioral fidelity, in the second question we used the attitudinal fidelity and the third question we asked about the overall satisfaction.

Table 19: Returning to the restaurant – Behavioral fidelity

Possibility of returning to the restaurant	Number	Percentage
Very unlikely	2	1.5%
Unlikely	1	0.71%
Neutral	8	5.9%
Likely	17	12.5%
Very likely	108	79.4%
Total	136	100

Very Unlikely = 0 & Very Likely = 10

Statistic	Value
Min Value	1
Max Value	5
Mean	4.68
Variance	0.56
Standard Deviation	0.75
Total Responses	136

Table 19 shows that 79.4% answered very likely that they would return to the restaurant.

Table 20: Recommending the restaurant – Attitudinal fidelity

Recommending the restaurant to others	Number	Percentage
Very unlikely	5	3.7%
Unlikely	4	2.9%
Neutral	9	6.6%
Likely	16	11.8%
Very likely	102	75.0%
Total	136	100

Statistic	Value
Min Value	1
Max Value	5
Mean	4.53
Variance	0.96
Standard Deviation	0.98
Total Responses	136

Table 21: Overall satisfaction with respect to the restaurant experience

Overall satisfaction to the restaurant	Number	Percentage
Very unlikely	2	1.5%
Unlikely	4	2.9%
Neutral	5	3.7%
Likely	16	11.8%
Very likely	109	80.1%
Total	136	100

Statistic	Value
Min Value	1
Max Value	5
Mean	4.66
Variance	0.65
Standard Deviation	0.81
Total Responses	136

Table 20 and 21 show that we have 75.0% and 80.01% customers answering very likely satisfied.

5.1 FACTOR ANALYSIS

Factor analysis is used to examine patterns of relationships amongst selected variables. The objective of this technique begins with the task of reducing the number of variables in order to simplify subsequent analyses. The data reduction process is based on the relationships or inter-correlations among the variables within the correlation matrix.

Factor analysis has several approaches; we used two of them for our analysis. First we tried the Varimax approach and then we chose the Principle Component Analysis (PCA)

approach. The PCA method transforms a set of variables into smaller number of variables that represents those in the original set. The linear combinations of variables, called factors, account for the variance in the data as a whole. The first principle component, or first factor, is composed of the best linear function of the original variables as to maximize the amount of the total variance that can be explained. The second factor is defined as the best linear combination of variables for explaining the variance not accounted for by the first factor. There might be third, fourth, or z factors, each being the best linear combination of variables not accounted for by the previous factors.

We have 21 variables that concern satisfaction, 9 of them are in the category that has an impact on the reason choice and the other 13 variables are under the questions that deal with satisfaction during the experience at the restaurant. We used factor analysis with orthogonal rotation, Varimax algorithm and Maximum Likelihood extraction to extract factors from a correlation matrix and observe correlations among our 21 variables. We were able to deduce some correlations, but since our variables were ordinals, we were not able to use this analysis. Also the factor matrix was not clear enough; table 22 is an example before the rotation.

Table 22 : Factor Matrix^a

	Factor		
	1	2	3
The helpfulness of the staff	0.832	-0.423	0.107
The taste of food	0.796	0.022	-0.370
The speed of the service	0.793	-0.197	-0.048
The temperature of the food	0.788	0.177	-0.227
The presence of the staff	0.788	-0.129	0.130
The quality of the food	0.787	0.114	-0.436
The waiting time before being served	0.786	-0.116	-0.012
The presentation of the plate	0.761	0.169	-0.078
The smile of the staff	0.759	-0.441	0.190
The variety of the menu	0.755	0.132	-0.163
The cleanliness of the restaurant	0.706	0.312	0.163
The temperature of the restaurant	0.679	0.306	0.329
The waiting time at the restaurant	0.670	0.068	0.072
The amount of food served on the plate	0.657	0.160	-0.211
The quality / price of food	0.644	0.128	-0.303
The decoration of the restaurant	0.627	0.237	0.231
The number of seats	0.615	0.133	0.433
The cooking odors	0.612	0.423	0.301
The promotions offered	0.610	0.237	-0.289
The lighting in different Areas	0.610	0.324	0.413
The background music	0.571	0.283	0.376

Extraction Method: Maximum Likelihood.
a. 3 factors extracted. 5 iterations required.

Table 23 is after rotation, both methods were not clear to find our factors.

Table 23 : Rotated Factor Matrix^a

	Factor		
	1	2	3
The quality of the food	0.849	0.170	0.271
The taste of food	0.782	0.168	0.363
The temperature of the food	0.717	0.344	0.268
The quality / price of food	0.665	0.194	0.206
The promotions offered	0.663	0.247	0.104
The variety of the menu	0.638	0.345	0.298
The amount of food served on the plate	0.617	0.280	0.209
The presentation of the plate	0.591	0.425	0.291
The lighting in different Areas	0.184	0.760	0.189
The cooking odors	0.292	0.742	0.088
The temperature of the restaurant	0.284	0.730	0.225
The background music	0.175	0.693	0.191
The number of seats	0.120	0.670	0.347
The cleanliness of the restaurant	0.422	0.637	0.200
The decoration of the restaurant	0.301	0.600	0.228
The waiting time at the restaurant	0.397	0.423	0.350
The helpfulness of the staff	0.342	0.254	0.837
The smile of the staff	0.231	0.262	0.827
The speed of the service	0.490	0.258	0.603
The presence of the staff	0.377	0.410	0.585
The waiting time before being served	0.482	0.323	0.544

Extraction Method: Maximum Likelihood

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Afterwards, we tried Principle Component (PC) Analysis, with oblique rotation. We tried both algorithms: Direct Oblimin algorithm with delta = 0 and with Promax algorithm with Kappa = 4. We had a higher correlation between factors with the Promax algorithm. The PC analysis extracted 3 components.

Table 24 : Descriptive Statistics

	Mean	Std. Deviation	N
The waiting time at the restaurant	4.19	0.839	136
The cleanliness of the restaurant	4.30	0.837	136
The decoration of the restaurant	3.94	0.925	136
The number of seats	4.21	0.853	136
The background music	3.82	0.942	136
The cooking odors	4.26	0.888	136
The temperature of the restaurant	4.24	0.863	136
The lighting in different Areas	4.25	0.876	136
The helpfulness of the staff	4.45	0.655	135
The smile of the staff	4.39	0.754	135
The presence of the staff	4.34	0.684	134
The speed of the service	4.38	0.732	135
The variety of the menu	4.35	0.776	135
The quality of the food	4.35	0.830	136
The amount of food served on the plate	4.40	0.796	134
The temperature of the food	4.48	0.750	136
The presentation of the plate	4.31	0.777	135
The taste of food	4.48	0.724	133
The quality / price of food	4.04	0.984	135
The promotions offered	4.02	0.905	134
The waiting time before being served	4.36	0.719	135

We could conclude from table 24 that the standard deviation of the 21 variables is low; which indicates that the data points tend to be very close to the mean.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.921
Bartlett's Test of Sphericity	Approx. Chi-Square	2149.125
	df	210
	Sig.	0.000

Since KMO measure is in the 90's, this declares that the measures are marvelous and the variables linearly related. Since our KMO is 0.921 we can then proceed with our factor analysis. As in the Barlett's Test of Sphericity, we can reject the null hypothesis since all the correlation coefficients are less than 0.5. Here we can say it is okay since signification is 0.000.

Table 25 : Pattern Matrix^a

	Component		
	1	2	3
The quality of the food	0.929		
The promotions offered	0.923		
The quality / price of food	0.867		
The taste of food	0.777		
The temperature of the food	0.744		
The amount of food served on the plate	0.695		
The variety of the menu	0.654		
The presentation of the plate	0.542		
The lighting in different Areas		0.877	
The cooking odors		0.868	
The background music		0.844	
The number of seats		0.784	
The temperature of the restaurant		0.766	
The decoration of the restaurant		0.679	
The cleanliness of the restaurant		0.650	
The smile of the staff			1.003
The helpfulness of the staff			0.961
The speed of the service			0.808
The presence of the staff			0.728
The waiting time before being served			0.655
The waiting time at the restaurant		0.329	0.356

Extraction Method: Principal Component Analysis.

Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

In table 25 we could see that only *the waiting time at the restaurant* was hard to be identified to which component it belongs.

Table 26 : Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	11.117	52.939	52.939	11.117	52.939	52.939	9.170
2	1.933	9.206	62.145	1.933	9.206	62.145	8.431
3	1.338	6.373	68.518	1.338	6.373	68.518	8.614
4	0.797	3.796	72.314				
5	0.740	3.522	75.836				
6	0.661	3.147	78.983				
7	0.623	2.968	81.950				
8	0.531	2.531	84.481				
9	0.439	2.091	86.572				
10	0.383	1.825	88.397				
11	0.341	1.624	90.021				
12	0.327	1.559	91.580				
13	0.302	1.440	93.020				
14	0.267	1.273	94.293				
15	0.236	1.125	95.418				
16	0.213	1.017	96.434				
17	0.197	0.939	97.374				
18	0.166	0.791	98.165				
19	0.157	0.749	98.914				
20	0.151	0.718	99.631				
21	0.077	0.369	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Several sensible solutions were evaluated and in whatever extraction method we experimented, always the system came up with 3 factors/components and the

cumulative % was **68.518**. We can only conserve the initial Eigenvalues above 1 and here we have 3. We have determined 3 factors to adequately represent our data; that is, to reproduce the observed correlations. Nevertheless, the goal is to explain as much variance as possible using as few factors as possible.

Table 27 : Component Correlation Matrix

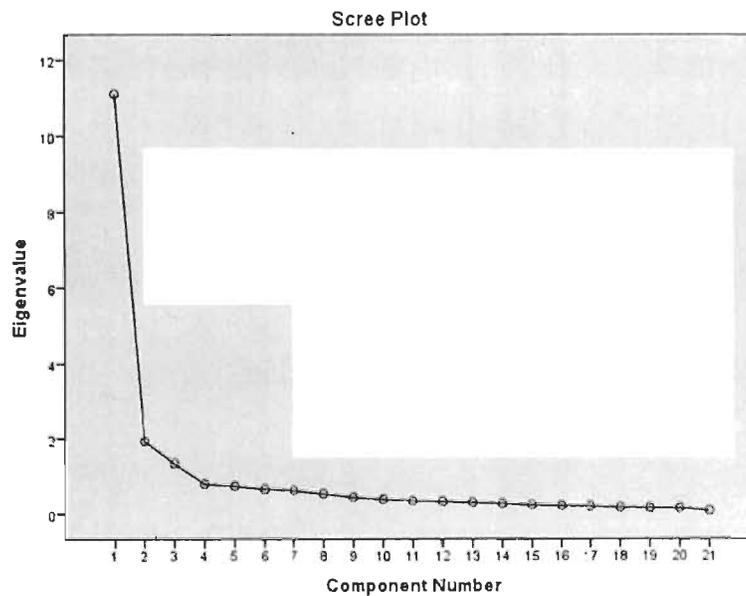
Component	1	2	3
1	1.000	0.594	0.674
2	0.594	1.000	0.603
3	0.674	0.603	1.000

Extraction Method: Principal Component Analysis.

Rotation Method: Promax with Kaiser Normalization.

Table 27 tells us how much the factors are correlated. Here we could conclude that the 3 factors are highly correlated.

Figure 10 : Scree Plot



By looking at the Scree Plot in figure 10, we were able to confirm our decision on how many factors to keep. We should use only the factors before the scree begins and here we have 3 adequate factors.

Then the last experiment was another Principle Component (PC) Analysis, with oblique rotation, Promax algorithm with Kappa = 4 but without the confusing variable *the waiting time at the restaurant*. The results were as follows:

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.920
	Approx. Chi-Square	2041.860
Bartlett's Test of Sphericity	df	190
	Sig.	0.000

KMO still in the 90's and the measures are still marvelous and the variables are still linearly related. As for the Barlett's Test of Sphericity, we can still reject the null hypothesis since all the correlation coefficients are still less than 0.5.

Table 28 : Total Variance Explained

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a	
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	10.665	53.324	53.324	10.665	53.324	53.324	8.854
2	1.928	9.639	62.964	1.928	9.639	62.964	8.010
3	1.332	6.660	69.624	1.332	6.660	69.624	8.118
4	0.771	3.854	73.478				
5	0.666	3.330	76.808				
6	0.625	3.123	79.931				
7	0.536	2.679	82.610				
8	0.496	2.482	85.093				
9	0.439	2.195	87.288				
10	0.358	1.790	89.078				
11	0.328	1.639	90.716				
12	0.325	1.623	92.339				
13	0.279	1.395	93.734				
14	0.254	1.268	95.002				
15	0.236	1.179	96.181				
16	0.197	0.986	97.167				
17	0.168	0.841	98.008				
18	0.166	0.830	98.839				
19	0.152	0.761	99.600				
20	0.080	0.400	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

By taking out the unclear variable we have a cumulative % of **69.624** instead of **68.518** and 3 components that adequately represent our data.

Table 29 : Pattern Matrix^a Without Waiting Time at the restaurant

	Component		
	1	2	3
The quality of the food	0.938		
The promotions offered	0.913		
The quality / price of food	0.864		
The taste of food	0.788		
The temperature of the food	0.740		
The amount of food served on the plate	0.684		
The variety of the menu	0.647		
The presentation of the plate	0.531		
The lighting in different Areas		0.874	
The cooking odors		0.859	
The background music		0.843	
The number of seats		0.781	
The temperature of the restaurant		0.761	
The decoration of the restaurant		0.674	
The cleanliness of the restaurant		0.638	
The smile of the staff			0.989
The helpfulness of the staff			0.948
The speed of the service			0.792
The presence of the staff			0.733
The waiting time before being served			0.647

Extraction Method: Principal Component Analysis.
 Rotation Method: Promax with Kaiser Normalization.
 a. Rotation converged in 6 iterations.

Table 29 contains higher correlations of the individual variables and the factors. The correlation coefficients are called loadings. The higher the loading, the greater is the contribution of the variable in defining the particular factor.

Table 30 : Component Correlation Matrix 2

Component	1	2	3
1	1.000	0.586	0.664
2	0.586	1.000	0.588
3	0.664	0.588	1.000

Extraction Method: Principal Component Analysis.
Rotation Method: Promax with Kaiser Normalization.

Table 30 shows how much the factors are still correlated. But in the previous matrix the correlation was higher between the 3 factors.

Table 29 is the summary of the analysis that was done for customer satisfaction. The system grouped them in three factors. We have named them as follows: food, physical appearance of the restaurant and staff respectively. The variable *waiting time at the restaurant* was excluded from this table because it was unclear where to place it whether in the second factor or the third factor.

Table 31: Factor analysis of Satisfaction

Factors and Variables	Variable coefficients	Variance	
		Real	Interne
Factor 1: Food	%		
The quality of the food	0.938	53.324	76.59%
The promotions offered	0.913		
The quality / price of food	0.864		
The taste of food	0.788		
The temperature of the food	0.740		
The amount of food served on the plate	0.684		
The variety of the menu	0.647		
The presentation of the plate	0.531		
Factor 2: Physical Appearance of the Restaurant			
The lighting in different Areas	0.874	9.639	13.85%
The cooking odors	0.859		
The background music	0.843		
The number of seats	0.781		
The temperature of the restaurant	0.761		
The decoration of the restaurant	0.674		
The cleanliness of the restaurant	0.638		
Factor 3: Staff			
The smile of the staff	0.989	6.660	9.56%
The helpfulness of the staff	0.948		
The speed of the service	0.792		
The presence of the staff	0.733		
The waiting time before being served	0.647		

After we have established our three factors we can now measure the strength of the relationship between the three factors and fidelity. We would like to know which variables had a strong influence on customers to determine if they would return to the restaurant or recommend the restaurant to others. We have the behavioral loyalty and the question was about the ability of returning to the restaurant. The second was an attitudinal loyalty and the question was about the possibility of recommending the restaurant to others. The last question was concerning the global satisfaction and it asked about the overall satisfaction with respect to the restaurant experience.

We used the three methods of the bivariate correlation analysis: Pearson correlation coefficient, Kendall's tau_b and Spearman's rho. We got the best results with Spearman's rho correlation coefficient. When doing the factor analysis, we did exclude the *waiting time at the restaurant* because it was unclear to where to place. But it doesn't mean that the variable was not important in the research, therefore, we did add it separately in the correlation analysis. The results are shown in table 32 below.

Table 32: Spearman's rho correlation coefficient

			Behavioral	Attitudinal	Overall
Spearman's rho	The waiting time at the restaurant	Correlation Coefficient	0.359**	0.406**	0.471**
		Sig. (2-tailed)	0.000	0.000	0.000
		N	136	135	136
	REGR Factor of Food	Correlation Coefficient	0.381**	0.364**	0.427**
		Sig. (2-tailed)	0.000	0.000	0.000
		N	129	128	129
	REGR Factor of Physical Appearance	Correlation Coefficient	<u>0.134</u>	0.247**	0.260**
		Sig. (2-tailed)	<u>0.130</u>	0.005	0.003
		N	129	128	129
	REGR Factor of Staff	Correlation Coefficient	0.365**	0.397**	0.400**
		Sig. (2-tailed)	0.000	0.000	0.000
		N	129	128	129

** . Correlation is significant at the 0.01 level (2-tailed).

Table 32 shows that there is a correlation between *the waiting time at the restaurant* and the ability to return, recommending the restaurant to others and the overall satisfaction and the variable was significant.

The Food factor and the Staff factor also are correlated with the 3 fidelity questions.

As for the Physical Atmosphere of the restaurant, it has a correlation with the attitudinal loyalty and the overall satisfaction but not with the behavioral aspect and it is not significant. The Physical Appearance of the restaurant did not have a direct impact on whether to return or not.

Then we did a correlation with each variable alone of the Physical Appearance with the behavioral loyalty and we found out that *the Temperature of the Restaurant and The Number of Seats* did not have a correlation and were not significant. This could tell us that these two variables did not have an influence on the customers' decision of returning to the restaurant or not.

After examining the factors, we can see if the variables were reliable.

5.2 RELIABILITY

The index most often used to quantify reliability is Cronbach's Alpha, which was used on the three factors. A good scale would have a Cronbach's alpha larger than 0.8.

For the **Food Factor**:

1. The quality of the food
2. The promotions offered
3. The quality / price of food
4. The taste of food
5. The temperature of the food
6. The amount of food served on the plate
7. The variety of the menu
8. The presentation of the plate

Cronbach's Alpha was 0.922 for 8 variables, which is excellent.

Reliability Statistics

Cronbach's Alpha	N of Items
0.922	8

For the **Physical Appearance Factor**:

1. The lighting in different Areas
2. The cooking odors
3. The background music
4. The number of seats
5. The temperature of the restaurant
6. The decoration of the restaurant
7. The cleanliness of the restaurant

Cronbach's Alpha was 0.913 for 7 variables, which is excellent.

Reliability Statistics

Cronbach's Alpha	N of Items
0.913	7

For the **Staff Factor**:

1. The smile of the staff
2. The helpfulness of the staff
3. The speed of the service
4. The presence of the staff
5. The waiting time before being served

Cronbach's Alpha was 0.922 for 5 variables, which is excellent.

Reliability Statistics

Cronbach's Alpha	N of Items
0.922	5

As a result of the analysis that was done, we would like to recommend few suggestions for the restaurant managers, such as: they need to maintain a healthy relationship with their employees if they need to stay successful in their restaurant business, because the smile of the employee mattered a lot to the customers. Therefore, in order for an

employee to project the smile, he or she should be satisfied in their job. Also, managers need to find ways of eliminating the waiting time or making it pleasant. Not to forget the fact that the quality of food was also important to customers. Herein, the managers need to maintain the excellent food quality they are serving, and keep reminding their employees about that. We came up with all these suggestions due to the questionnaire responses of the clients.

5.3 RESEARCH DESIGN

McNeil (2005) mentions that research design provides the glue that holds the research project together. A design is used to structure the research, to show how all of the major parts of the research project; the samples or groups, measures, treatments or programs, and methods of assignment work together to try to address the central research questions. Survey-based research is usually quicker to carry out. It is important not to rush it, but once the questionnaire has been finalized, data collection can proceed quite quickly and if the questionnaire has been well designed, data analysis presents less of a problem since statistics can be processed with the help of a software computer program. The writing of the report still has to be done, but taken all in all; surveys can usually be completed in a shorter time than any other research.

5.4 ETHICS CONSIDERATION

Since human beings are part of the study, then ethical consideration should not be neglected. It is important to take certain measures to reassure the people concerned of the confidentiality of the data collection. Thus, it is ensured by the fact that the name of the respondent does not need to be mentioned on the questionnaire; the only means of identification will be their number of entry.

In addition, it will be made clear that the respondent who wishes to withdraw from answering can do that without any problems. Also, he has the right not to answer

delicate questions such as (age, sex, income, level of study). That is why it is so important to mention at the beginning, the reason behind the questionnaire (for statistical reasons only). Courtesy is required for both, for those who accept to answer and for those who refuse the invitation. Finally, questionnaires will be kept for a period of one year, for statistical processing and analyzing, after that they will be shredded.

Research can have a very powerful impact on people's lives. The researcher must always think very carefully about the impact of the research and how he/she ought to act, so that no harm comes to the subject of the research or to society in general. McNeil (2005) mentions that the British sociologists came up with six broad ethical rules that researchers should support.

First, researchers believe that all research participants have a right to know what the research is about, to refuse to take part in it or to answer any particular questions. They also have the right to know how the results will be used so that they can make an intelligent choice as to whether they want to take part or not.

Second, information must not be kept hidden from those taking part in the research and researchers must not lie about the purpose of the research.

Third, researchers must agree that the privacy of research subjects should be safeguarded as much as possible.

Fourth, the problem of maintaining privacy can be countered by keeping the identity of research participants secret. Confidentiality means that the information an individual gives to the researcher cannot be traced back to that individual. Ethical researchers are careful to disguise the identity of individual participants when they write up their research. If people know they cannot be identified, they may be more willing to reveal all sorts of personal and private matters. In other words, confidentiality and anonymity may increase the validity of the data collected.

Fifth, researchers would agree that research participants should be protected from any sort of physical or emotional harm. For example, surveys of crime victims may trigger memories people would prefer to forget or create fear of crime.

Finally, researchers need to think about legality and immorality. In particular, researchers need to avoid being drawn into situations where they may commit crimes or possibly help in or witness similar acts.

All the above ethical problems are important because if people do not trust researchers, the validity of the data collected will not reflect what respondents are truly thinking or doing.

5.5 LIMITS TO THE PRESENT RESEARCH

Obviously, several limits need to be underlined in our study. The results cannot apply to all the chains of full-service restaurants due to the insignificant sample size (250-300 respondents) and the different types of restaurants. It would be interesting to extend the study to other restaurant sectors and have a larger sampling. Moreover, other service sectors will be worth studying (hotels, banking services, etc.)

Our research knows many limitations that have a significant impact in the results presented. Indeed, access to the restaurants, the sampling, the data collection, the time, the human and financial resources are so many things that we could not control. We have gathered the data in the summer time that had an effect; some were on vacation outside the province of Quebec so they didn't have the chance to reply. It also depends on the mood of the person the day he/she took the survey. The climate has an impact on the result, if too hot outside or cloudy, etc... The location of the restaurant has another impact. The results would vary if the restaurant were located in a popular area, in a poor area or in a high society area.

5.6 RECOMMENDATIONS FOR RESTAURANT-MANAGERS

Nowadays, customers' needs are changing and the service lifecycle is getting shorter and shorter. Also due to the fluctuation of consumers, employers need to answer rapidly to challenges they are facing, need to find new ideas to improve customer service in order to respond to the challenges that the service sector is facing. Internet is a giant Word-of-Mouth example for spreading innovation. Innovation is an important factor in competitiveness which delivers resources for a better investment in research and development. Therefore, we have suggested introducing the self-service technology (SST) in the full-service restaurants. Implementing self-service technology is not considered to decrease the use of employees, but instead to increase speed, reliability, ease of use, enjoyment and customer satisfaction.

An interesting result found by Fishman (2004) of the utilization of self-service kiosks for one McDonald's operator has been the need to add two additional employees due to the increase in business. This will prove to us that the aim is not to replace humans with technology.

SSTs exist across all industries today. Examples include telephone based information lines, banking by telephone and computer, ATMs, pay-at-the-pump gas terminals, movie ticket kiosks, purchases via the internet, and automated hotel check-out.

Bitner, Ostrom and Meuter (2002) claim that the increase of SSTs has come about for a variety of reasons including cost reduction, customer demand, and a desire to increase customer satisfaction.

The SST we are suggesting to implement is the etab International shown in figure 10. It is a touch-screen computer. It could be placed at the entrance of the restaurant, customers can check if tables are free and they can choose which table they prefer. This will decrease the waiting time. Then it could be placed on each table, customers can

choose what they want to eat and children could play on it their favorite games in the meantime. Also this application could be provided on the intelligent phones. Customers can reserve their preferred table and choose their menu, so when they arrive all will be ready. We would like to emphasise that this SST technology is not mandatory to all customers, if customers are not comfortable with this technology, they will still be able to access the regular method. Our aim by the SST technology is to increase customer satisfaction, and the restaurant manager will be able to compile statistics about customers for future plans, for example sending birthday cards to customers.

Figure 11: Screen shot of etab



Source: Kincaid & Baloglu 2005

CONCLUSION

As a conclusion, the previous study that was done by Menvielle (2006) for fast-food restaurants at the commercial center Place Ste-Foy, showed that the food quality was one of the important dimensions when customers evaluated the satisfaction of the fast-food type restaurants. We have to draw to your attention that the previous study was for fast-food and our study concerns full-service restaurant. In fact, it seems that only food quality can be a dimension explaining the principle that one does not decide to return to the restaurant or recommend it if the decoration was not appealing or the hostess forgot to smile. As was mentioned earlier, there are so many independent variables that affect customer satisfaction and its relation with customer loyalty; such as food portions, food quality, waiting time to be served, decoration, temperature and many others.

Throughout this research, it was a question of determining factors of satisfaction in the context of full-service restaurants. For this, we introduced the industry of restaurants and identified its stakeholders; we have identified the relevant literature about full-service restaurants, and clients' satisfaction. We then conceptualized our study by specifying the variables that we want to measure. We collected our data using a self-administered questionnaire. Finally, we analyzed and presented the results.

Companies today must work to develop stronger bonds and loyalty with their ultimate customers. In the past, many companies took their customers for granted. Customers often did not have many alternative suppliers, or the other suppliers were just as poor in quality and service, or the market was growing so fast that the company did not worry about fully satisfying its customers (Kotler and Armstrong 1996).

Kotler and Cunningham (2004) mention in their book that various studies have shown that a minimum of three people know about the good service experience the customer had when he was satisfied. While around eleven people know when the customer was not satisfied. So we can deduct how a bad experience spreads quickly. When a

customer's complaint is resolved this customer becomes loyal to the company. Every complaint is a gift if handled well.

They mentioned how we need to satisfy our customers but they also emphasized that we need to satisfy our employees. Because when employees are satisfied in their jobs they can easily foster customer loyalty. Kotler and Cunningham (2004) added that unhappy employees can be *terrorists*.

Managers need to make sure that their employees have the appropriate skills, knowledge, attitude, authority and access to the necessary information in order to provide a high-quality customer service. Managers need to promote and to be ready for change. The changes of today define tomorrow's environment. They need to respond quickly to customer complaints, share information with their employees since they are the source of information.

The SME must strive to establish its future. It is not enough to be effective and reactive; it must be proactive, constantly creating new developing opportunities and ideas for the restaurant and learn to make the necessary and right decisions.

Since the importance of clients in the SMEs success plays a major role, a relational approach with the customer's needs to take place. By that, we mean a personalized approach that aims at long-term relationships between both parties. So managers need to focus not only on new customers but mainly on the retention of existing ones.

From our study we conclude that managers need to focus on the food aspect and the staff if they need to stay alive in this competitive market.

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APPENDIX A

The relationship between customer loyalty and customer satisfaction among SMEs in the services sector: the case of a restaurant chain

Madame, Sir, hello,

The Laboratory for Research and Intervention in Hotel Management and Catering at the University of Quebec at Trois-Rivières in cooperation with the restaurant is currently conducting a study on your satisfaction with this restaurant chain in Quebec. By agreeing to this survey, you will be helping in the advance of our research. You only need a few minutes to complete this questionnaire. In most cases, simply check the appropriate boxes. Rest assured that your responses will be treated confidentially.

Thank you for your cooperation.

The team of the Laboratory of Research and Intervention in Hotel Management and Catering

On average, how many times do you go to a restaurant?

Never

Once a Year or Less

Several Times a Year

Once a Month

2-3 Times a Month

Once a Week

2-3 Times a Week

Daily

On average, what are your yearly expenses in restaurants?

less than \$49,99

between \$50,00 and \$74,99

between \$75,00 and \$99,99

between \$100,00 and \$149,99

more than \$150,00

Other, please specify

On average, what are your monthly expenses in restaurants?

less than \$49,99

between \$50,00 and \$74,99

between \$75,00 and \$99,99

between \$100,00 and \$149,99

more than \$150,00

Other, please specify

On average, what are your weekly expenses in restaurants?

less than \$49,99

between \$50,00 and \$74,99

between \$75,00 and \$99,99

between \$100,00 and \$149,99

more than \$150,00

Other, please specify

In general, when you go to a restaurant, what type of restaurants do you choose?

- Fast food (ex : Mc Donald's)
- Bistro / Brewery
- Family-style restaurant
- Buffet-style restaurant
- Fine dining / Lounge-style restaurant
- Casual dining restaurant
- Other, please specify

What restaurants from the list below do you attend the most?

- Stratos
- Casa Grecque
- Cage aux Sports
- Bâton Rouge
- Steakhouse
- Vieux Duluth
- None
- Other , please specify

For what reasons do you visit one restaurant over another?

- Near work
- The choice of menu
- Near home
- The wine list
- The atmosphere
- The promotions
- Other, please specify

How do you order?

- In the restaurant
- By phone, delivery
- Take out
- Other, please specify

Your satisfaction with the restaurant

For each of the following, please indicate your level of satisfaction for the elements mentioned. A single response is required.

Before making your choice of restaurant

Very Dissatisfied Dissatisfied Neutral Satisfied Very Satisfied

- The waiting time at the restaurant
- The cleanliness of the restaurant
- The decoration of the restaurant
- The number of seats
- The background music
- The cooking odors
- The temperature of the restaurant
- The lighting in different Areas

What portion is your personal annual income?

Less than \$19,999

Between \$20,000 and \$39,999

Between \$40,000 and \$59,999

Between \$60,000 and \$79,999

Between \$80,000 and \$99,999

More than \$100,000

What is your city of residence?

For additional information, please contact us at:

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