



doi 10.5281/zenodo.6866569

Vol. 04 Issue 05 May - 2021

Manuscript ID: #0416

## IMPACT OF CUSTOMER SATISFACTION ON CUSTOMER RETENTION: A STUDY OF CUSTOMERS OF SELECTED RESTAURANTS IN ENUGU METROPOLIS

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### ABSTRACT

The study examined the impact of customer satisfaction on customer retention of some selected fast food restaurants in Enugu metropolis. The research was conducted to provide empirical evidence on the relationship existing between customer satisfaction and customer retention to assist the management of fast food restaurants in Enugu metropolis to initiate policies and programs that will help them to continue to satisfy their customers. The specific objectives of the study was to examine the effects of trust, customer care, better communication, after sales service and promise fulfillment on customer retention in the fast food restaurants in Enugu metropolis. The research design used was the cross-sectional survey research design. The area covered by the study was Enugu metropolis and the instrument used was questionnaire that was confirmed using content validity and test-retest for reliability. The employed analytical techniques comprises of simple tables, percentages, simple regression in statistical package for social sciences (SPSS version 20) to analyze and treat the data collected. The results obtained from the study revealed that trust, customer care, better communication, after sale services and fulfilled promises have positive and significant effects on customer retention of fast food restaurants in Enugu metropolis. Based on the findings, the study recommended that the managements of all the fast food restaurants in Enugu metropolis should deliver consistent, reliable and dependable services to their customers to gain their trust, provide adequate customer care to ensure that customers' needs are met during and after the services are delivered, provide adequate and better communication networks to enable them collect and handle all complaints arising from product use, develop and maintain effective and efficient after sale services to ensure periodic calls and visit to keep customers informed of new offers and benefits and consistently re-evaluate performance against standard to ensure all promises made during the transaction are fulfilled. Customers are assets to every business organization and getting them satisfied after service use makes them to be loyal to the organization.

### KEYWORDS

Customer Satisfaction, Customer retention, Customer trust, Customer care and Promise fulfillment.

## 1. INTRODUCTION

Restaurant businesses are highly competitive in our environment today and to survive and grow demands that the operators should offer quality services to meet or even exceed customer expectations. Customer Satisfaction is an aspect of an organizational objective that should be fulfilled to achieve organizational success. Customers are assets that should not be joked with by the organizational management to remain in business. The satisfaction of customer's needs provides the opportunity for that organization to retain their customers for a long time. The more customers are retained the less such organization will invest less in acquiring new customers as the satisfaction of the customers' needs will attract more patronage. Satisfaction can be seen as the organizational efforts to meet customers' expectations. Anderson et al (1997) defined customer satisfaction as an overall evaluation of firms' products or services. To them, it is the outcome of consumers' perception, evaluation and reaction to a firms' product or service after consuming it. Business activities are changing on daily basis especially in the restaurant business where more and more food houses are gaining entrance into the sector. This demands that for a firm to survive and grow in this highly competitive environment, the customers should be given attention to know their experiences for them have repeat purchase.

Presently, women are becoming more involved in family fronts than their male counterpart; this means that women no longer have enough time to prepare different dishes that will serve the home needs as was the case before. This calls for better management of restaurant services to caution the effect on customer satisfaction. Introduction of varieties of dishes with high quality services will not only continue to attract and retain customers but will make them to be loyal Customers. Such innovative ideas could be achieved through the diversification of good dishes that can spur the customers to make repeat purchase and equally create awareness of the benefits. The diversification could be: Melon Soup, Draw Soup, Rice, Beans, Chicken, Pounded Yam, Abacha, Yam Porage with Vegetable,, Roasted Plantain with Ugba Source, Isiewu and Pepper Soup, Cow Leg, Croaker Fish, Sharwama, Ice Cream, Soft Drinks, Snacks, Beer of different kinds, Wines, Palm wine etc. Though women in our environment can prepare delicacies that are worthy of note but it is not always that one has time to relax at home for meal considering their role in home fronts presently. This brings the challenge of where tasty meals can be found at a good value in a neat and attracted environment.

The importance of customer satisfaction in today's dynamic environment is obvious as it can greatly influence customers repurchase intentions whereas dissatisfaction has been seen as a primary source for customers' intention to switch (Faiza et al: 2011). It is to create and maintain good relationship with their customers to have repeat purchase and as well to create room for customer retention. When good relationship exists between customers who patronize a restaurant management, repeat purchase is assured as one good turn deserves another. But dissatisfied customers will not only stop repatronizing the restaurant but can go further to badmouth the restaurant outside. To achieve customer satisfaction, restaurant operators should try to build and maintain long term relationship with their customers through the satisfaction of their various needs which can motivate and influence them to continue to patronize the restaurant services.

Customer retention on the other side can be seen as the continuity of doing business with a particular organisation without having the intention to switch to other rivals. Customer retention is not giving the customer what the customer wants but exceeding customer's expectation to become loyal

advocate of the brand. It is through the knowledge of retained customers that organizational management makes their budget to avoid waste in their operational practices. The research is of interest to determine the budget that would be judiciously utilized in planning strategies of the chosen restaurants in Enugu including Emily, Coal City Garden, Dolphin, De Dome Enugu and Lugard Crescent Restaurant.

## 2. Literature Review

Customer Satisfaction has been the main reason for customer retention. It is important to know that customers perceive service or product in terms of quality, but how satisfied they are with the overall experience, is what defines satisfaction. Whether the customer is satisfied after purchase depends on the offers' performance in relation to the customer expectations. Schiffman and Kanuk (2007) defined Customer Satisfaction as a persons' expression of pleasure or disappointment result from comparing a service outcome in relation to their expectations. A customer is satisfied when the outcome of a service matches or exceeds his expectations. While failure to meet customer's needs result to dissatisfaction from the service usage. Satisfaction can be experienced in different ways depending on what needs the customer had before the service use. This ranges from feelings of fulfillment, relief, contentment, pleasure to delight. Zeithaml et al (2006) stated that satisfaction or dissatisfaction is a measure or evaluation of a product or service ability to meet a customer's needs or expectations. When customers are satisfied, the organization will spend less in acquiring new customers and revise is the case when they are dissatisfied. Customers who are retained will continue to repurchase the firms product which will in turn increase the firms' profit, market share and customer base. Customer Satisfaction can be increased when the management of restaurants understands what the customers need before providing their offerings. The major challenge facing restaurant operators is on how to improve customer satisfaction to retain them for a long period of time. This could be achieved by differentiating the firms' offerings from that of the competitors. Berry et al (1985) Classified customer satisfaction into the following dimensions including;

**Access:** providing easy access to a service without much stress.

**Communication:** addresses how information is to be conveyed and received by customers using simple and understandable language.

**Competence:** deals with the level of skill acquired by the service provider

**Courtesy:** deals with how friendly and polite the service provider is to their customers.

**Credibility:** deals with the trust the customers have for the organization and their staff

**Reliability:** deals with how consistent the organization is in rendering quality services to their customers at the time of need

**Responsiveness:** deals with the willingness and readiness of the firm's staff to provide immediate service.

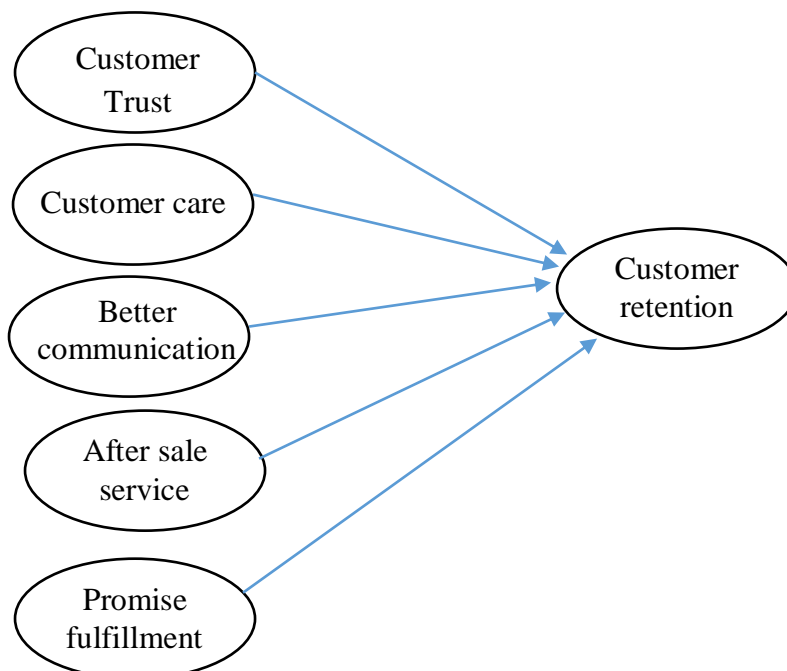
**Security:** deals with absence of danger, doubt and risk. Safety and confidentiality

**Tangibles:** ability to provide evidence that the service of the organization is credible and trustworthy.

**Understanding:** refers to how well the organization understand the expectations of its customers in their feelings about the services being provided

Not all the above listed dimensions must be assumed to be there before a customer will be satisfied. This is because we do not have the same way of perceiving things. Customer Satisfaction is an overall attitude or behavior towards the difference between what the customers expect and what they receive regarding the fulfillment of some desire, need or goal (Hansemark,2004; Kotler, 2000; Hoyer and MacInnis: 2001).

Customer retention on the other hand was defined by Gerpott, Rams, Schindler (2001) as the continuity of business relations between the customer and the organization. They are of the view that it is more than giving customers what they expect but should try to exceed customers' expectations to become loyal to their brand. Retaining customers increases the market share and profit base of the restaurants. Post sales services can be used by restaurant operators to determine customer's feelings towards their services. A customer is assumed to be retained when the customer buys a product or service repeatedly. Customers have measurement attributes that influences their purchase action which may be interpreted in terms of price, quality, size, color etc. Customer retention has economic benefits including growth or increase on purchased product as well as customer referrals. Day (1994) stated that the identification and satisfaction of customer needs can lead to customer retention. Satisfaction is then the intervening variable that leads a customer to continue to patronize a firms' product or service. Customer retention is a strategic planning tool used by firms to gain competitive advantage in this era of high competition in the restaurant business.



*Theoretical framework for the study*

### 3. METHODOLOGY

#### Research design

The study examined the impact of Customer Satisfaction on Customer Retention of some Customers of selected Restaurants in Enugu Metropolis including Emily, Coal City Garden, Dolphin, De Dome Enugu, and Lugard Crescent Restaurants. The study is both survey and descriptive research designs aimed at eliciting information from the respondents on their personal characteristics.

#### Population/Sample

The Customers of the selected restaurants constitute the population of the study. Convenient Sampling method was used to draw the sample size of the study. 40 respondents were randomly selected from the five restaurants chosen for the study which gives a total of 200 respondents. Out of the 200 questionnaires distributed 165 was properly filled and returned. The respondents were asked to appraise their ratings with the services of the restaurants in Enugu Metropolis.

#### Hypotheses of the study

The hypotheses for the study were formulated in alternative form;

H1 There is significant and positive relationship existing between customer satisfaction and customer retention of the selected restaurants in Enugu Metropolis.

H2 There is significant and positive relationship existing between customer satisfaction and customer retention of the selected restaurants in Enugu Metropolis.

### 4. ANALYSIS AND INTERPRETATIONS

Table -1 below provided the demographic distribution of the respondents with regard to the various variables. The table revealed that the sampled respondents had 107(64.9%) males and 58 (35.1%) females respectively that patronize the chosen restaurants in Enugu Metropolis. The age bracket of the respondents revealed that 50(30.3%) of the respondents were between the age bracket of 15-24, 80 (48.5%) were between the age bracket 24-39, and 35 (21.2%) were between the age bracket 39-60 years. Further investigation was carried to determine the marital status of the respondents. 40 (24.2%) of the respondents were married, 108 (65.5%) were single and 17 (10.3%) were neither married nor single. On occupation variables, 40 (24.2%) were teachers, 10 (6.1%) were labourers, 80 (48.5%) were students, 20 (12.2%) were Bankers, and 15 (9.0%) were Bricklayers. Again, on Qualification variable, 20 (12.2%) of the respondents had FSLC, 30 (18.2%) had OND Certificate, 70 (42.4%) had WASC, 25 (15 0%) had Bsc degree and 20 (12.3%) had Msc degree.

**Table 1; Demographic Profile of Customers**

No	Demographic	Frequency	Percentages
1	<b>Gender</b>		
	Male	107	64.9
	Female	58	35.1
2	<b>Age</b>		
	15-24	50	30.3
	24-39	80	48.5
	39-60	35	21.2
3	<b>Marital status</b>		
	Married	40	24.2
	Single	108	65.5

	others	17	10.3
4	<b>Occupation</b>		
	Teacher	40	24.2
	Students	80	48.5
	Bankers	20	12.2
	Labourers	25	15.1
5	<b>Qualification</b>		
	FSLC	20	12.2
	WASC	70	42.4
	OND	30	18.2
	BSc	25	15.0
	MSc.	20	12.2

Source: Field survey research, 2021

### Overall Satisfaction of the Customers

Majority of the Customers have indicated that they were satisfied with the services of the selected restaurants as shown in Table 2 below. The satisfied customers were approximately 78% while 22% was fairly dissatisfied. From the total responses of the respondents 97 (59%) revealed that they were fairly satisfied with the restaurants, 31 (19%) of the respondents stated that they were very satisfied with the restaurant services in the metropolis. Conversely, it can as well be seen that only 13% of the respondents reported low levels of satisfaction. In concluding the opinion of majority of the respondents, they stated that positive attitudes and satisfaction existed with the services of the restaurants.

**Table -2 Overall level of satisfaction**

Satisfaction level	Frequency	Percentage
Very dissatisfied	9	5
Fairly dissatisfied	13	8
Neither satisfied nor dissatisfied	15	9
Fairly satisfied	97	59
Very satisfied	31	19

Source: Field survey research, 2021

### Descriptive Statistics

Table 3 below provided the descriptive statistics of the independent variables (Customer Satisfaction) and the dependent variable\_(Customer retention). The mean value of Customer satisfaction is 4.17 with standard deviation of .778 revealing that customers are adequately satisfied with the services of the fast food restaurants in Enugu Metropolis. Also, the mean value of the dependent variable (customer retention) is 3.86 which is above the threshold of 3. Again, the standard deviations for this variable are .623 revealing that the customers do not have the intention to switch as they are loyal to their respective restaurants. Again, disparity in their services would not cause them to switch to other restaurants as this can be resolved.

**Table -3: Summary Means and Standard Deviation**

Variables	Mean	Standard Deviation
Customer Satisfaction	4.17	0.778
Customer retention	3.86	0.623

Source: Field survey research, 2021

Table 4 below revealed the correlations existing between the dependent and the independent variables used in this study (Customer Satisfaction and Customer retention) at 1% level of significance. The correlation coefficient of customer retention for customer satisfaction is .128. This has significant relationship with customer satisfaction, thus we accept both 1 and 2 hypotheses which states that customer satisfaction has positive and significant relationship with customer retention of the selected fast food restaurants in Enugu Metropolis. The findings indicated that respondents in this study are loyal to the services of their respective restaurants as far as their needs are met. All the customers have no intention to switch.

**Table-4: Correlations**

		Customer Loyalty
Customer Satisfaction	Pearson Correlation	.128
	Sig. (2-tailed)	.003
	N	165

Note: \*\*sig at level 0.01

Source: Field Survey research, 2021

## 5. FINDINGS OF THE STUDY

After subjecting the data collected to series of statistical tests, the following key findings were obtained in the study.

- 1 That Customer trust can influence customers to patronize the services of the selected restaurants in Enugu Metropolis. The quality of services received by the customers after service use makes the customers to have trust in the firms' services.
- 2 That Customer care influences customer to have passion for the firms' products. When customer needs are satisfactorily offered, the customers will be happy with the firms' services and remain committed to the firms.
- 3 Having better communication with customers makes the firm to understand when there is need to carryout innovation in their services to increase customer patronage.
- 4 The firm should time without number continue to find how the customers are feeling with their services to enable them serve them better through their objection.
- 5 That ensuring promise fulfillment or standard performance will encourage the customers to continue to be loyal to the firms' services.

## 6. CONCLUSION

The study examined the impact of customer satisfaction on customer retention of some selected restaurants in Enugu Metropolis. Hoyer and MacInnis (2001) earlier stated that the satisfaction of customers' needs will lead to repeat purchase, brand loyalty, and positive word of mouth. Though, Bowen and Chen (2001) went on to state that having satisfied customers may not be enough, and that the customers should be extremely satisfied to become loyal to the firms services. Building customer loyalty is no longer seen as a choice but a way of building sustainable competitive advantage (Bansal and Gupta: 2001). It is good for restaurant operators to try to offer satisfactory services that will not only retain the customers but will make them to be loyal to the firms' services. The study concluded that significant relationship exists between customer satisfaction and customer retention of the restaurant business in Enugu Metropolis. Customer Satisfaction contributes to restaurants market share, growth and profitability. Consequently, the implication of the study is that restaurant operators should increase their satisfaction strategies so as to enhance their business viability and to review customer attraction and the retention policies to avoid switching.

## 7. RECOMMENDATIONS

Based on the findings of the study the management of restaurants in Enugu Metropolis should provide satisfactory packages those will help customers to:

- 1 Have trust in their services to continue patronizing the firm.
- 2 Ensure that customer's needs are properly taking care of to satisfy their needs to become loyal customers.
- 3 Use simple and understandable language that will help customer's understand the use and benefits to be derived from using the firms' services.
- 4 Provide after sale services that will help the firm to gain competitive advantage among the competitors as it boost the morale of the customers in having the firm and its services in mind.
- 5 Ensure that all claims are fulfilled to avoid disappointment after product use. Fulfillment of these promises will lead to customer satisfaction, repeat purchase, brand loyalty, and positive word of mouth. The level of satisfaction received by a customer determines whether that customer will be loyal to. Customers of restaurant business should monitor satisfactory packages of the competitors to know which of the packages that will provide them with the best services.

## ACKNOWLEDGEMENTS

I wish to acknowledge all those whose works were cited in this research knowing the fact that no single work has what it takes to give the needed result. Also to be remembered are the managements of the selected restaurants and the research assistants who assisted in administering questionnaire meant for this work.



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