

MARKETING STRATEGIES OF PHILIPPINE FAST FOOD RESTAURANTS: THEIR INFLUENCE ON CUSTOMER SATISFACTION, CUSTOMER LOYALTY AND ORGANIZATIONAL IMAGE

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ABSTRACT

This study was an attempt to establish the relationship between the marketing mix and the resulting benefits, particularly customer satisfaction, customer loyalty, and organizational image of selected fast food restaurants in Metro Manila, Philippines.

Included in this study are 344 customers of the Jollibee Foods Corporation, Wendy's, and McDonald's from outlets in three cities of Metro Manila.

The dependent variables in this study are indicated by the level of satisfaction and the degree of loyalty of the customers. The independent variables considered in this study are the marketing strategies such as product variation, pricing, location selection, promotional techniques, and quality of services provided.

The questionnaire was the major data-gathering instrument and was supported by interviews and observations. Frequency, percentage, mean, and standard deviation were the descriptive tools in presenting the perceptions with regards to the status of the variables investigated. To determine the predictive influence of the marketing strategies and the selected profile variables on the level of satisfaction and the degree of loyalty of customers, stepwise multiple regression analysis was used.

The result of the statistical treatment revealed that customers are generally satisfied with the services offered by the fast food restaurants. Contributors to this condition are taste and quality of food served, adequacy of product choices, decency of ambiance, and peace and order situation in the area.

Loyalty of customers is at a moderate extent as evidenced by the way they promote the brand through word-of-mouth and the frequency of their visit that averages once a week.

The significant predictors of the level of customer satisfaction are product variation, pricing, promotional techniques, and quality of services offered.

The same variables significantly predict the degree of loyalty of the fast food customers.

The profile variables that significantly influence the relationship between the marketing strategies and the dependent variables – level of satisfaction and the degree of loyalty of customers – are age, gender and family income.

INTRODUCTION

Because of improving incomes and the increasing need for convenience, urban dwellers are dining out more often to enjoy quality food. As a consequence, rapid growth continues in the fast food chains which include many American franchises as well as several purely Filipino chains

The restaurant industry covers fine dining and specialty restaurants, fast food outlets, canteens, and food courts. Fine dining and specialty restaurants offer a wide variety of international cuisines. Eat-all-you-can buffets are very popular and are offered in reasonable prices. Hamburger outlets are still the most popular fast food chains. Most hamburger chains have diversified their menus to include spaghetti, chicken, salad, pasta and various meals for breakfast and lunch.

There are players in the local fast-food industry. As reported by Labita (1999), U.S. firms have a very strong presence in the Philippine food industry. The world's biggest fast food chain, McDonald's Corp., is expected to firm up control of its Philippine operations after it obtained the Department of Trade and Industry permit to engage in local retailing under the retail trade liberalization law. Such a move by McDonald's has bolstered speculation that the American fast-food giant had long wanted to have direct control of the Philippine business and beat Jollibee Food Corp., with more than 400 outlets, for dominance in the industry.

If businesses have learned one thing in the recent economic overturn, they must forge even tighter relationships with their customers to drive customer satisfaction. Along with this emphasis comes a need to develop a business environment at the core of which are customer relationships, rather than just

delivery of products and services (Zencke, 2001). Nowadays, many fast food chains, both foreign and Filipino in origin, give emphasis on quality in almost every facet of their existence. Gachalian (1996) opined that the fast-paced advances made in information technology brought faster and dynamic changes world wide in viewing quality and its practice.

This study is an attempt to establish the relationship between the marketing mix and the resulting benefits, particularly customer satisfaction, customer loyalty, and organizational image. Specifically, this paper presents:

1. Perceptions of customers on product variation, pricing, location selection, promotional techniques and quality of services provided by fast food restaurants.
2. The level of customer satisfaction with the services of the fast food restaurants.
3. The degree of loyalty of customer to the fast food restaurants.
4. Marketing strategies that predict the level of satisfaction and the degree of loyalty and organizational image.
5. Profile variables that moderate the relationship between independent and dependent variables.

Customers of the selected fast food restaurants were tapped to participate in the survey. This study adopts the notion that within the complex interaction in the market environment, there are several factors that are found to influence customer satisfaction, customer loyalty and organizational image. The impact of the company's marketing strategies is derived from the product mix, prices offered, outlet locations, and promotional tools. One key element of marketing is satisfying the customer's needs and wants for high quality products and their superb value over other products, highlighting best product at best price, best profits, best promotional value, and best places where these are made available and visible all the time, anytime. The belief of the consumer on the perceived product mix, quality, price, and where these products are sold becomes the basis for his satisfaction or dissatisfaction, which either induce him to make a repeat patronage or a total disregard of the business enterprise.

In the Philippine fast food business, the various products and combinations offered to customers constitute the product mix. Different product formats could provide the customers a wider choice to meet different tastes varied preferences, unlimited

impressions, and differentiated perceptions and feelings. In this study, product mix refers to product lines offered, product varieties, and available choices of product combinations.

Pricing decisions are usually influenced by the nature of market demand, product costs, market appeal, market characteristics income distribution pattern and product costs. Price is generally determined by estimating how much people will be willing to pay for them. If people think that the value of the product is high, they will pay higher prices. The price decided to be charged for the products and the reasons for selecting those prices are determined by the expectations of the people chosen as target. However, they are also influenced by the corporate objectives, competition, the cost of the product and external factors such as the economic climate prevailing. This study was an attempt to know perceptions of customers as regards to prices of product combinations offered.

One strategic decision being adopted to meet a distribution strategy is through a franchise agreement, where an enterprise agrees to participate in the distribution process. Perceptions of respondents on outlet locations were based on nearness to place of work, school, alternative choices of restaurants, commercial area frequently visited, accessibility to most public conveyances and safety of community where outlet is located.

Promotion is concerned with telling the target market or others in the channel of distribution about the right product that includes personal selling, mass selling, and sales promotion. Perceptions of respondents with regards to promotional tools used by fast food restaurants focused on customer appeal, packaging designs, trademarks, and differentiation on brand names, price discounts offered on product combinations, free food items given, non-food items added to selected products at same prices, gifts, complements, and prizes offered on some occasions.

METHODOLOGY

Descriptive method was used to describe the nature of a situation as it exists at the time of the study (Keiso, 1996). A questionnaire was adopted to deal with the various issues that are covered in this study. Unstructured interviews were conducted at random among respondents to elicit more information, which supplemented the responses that were gathered by the questionnaire. The researcher conducted daily ocular inspections at all selected outlets in order to get the feel of the business

environment and get a first hand view of the marketing practices in the respective branch.

Percentage was adopted in the presentation of the responses regarding the profile of the respondents. The arithmetic mean describes the nature of responses that were collected from each of the selected customers. Regression was used to measure the relationship between variables.

FINDINGS

In general, the customers of the fast food restaurants are people of all ages. Males dominate the females when it comes to eating at the fast food outlets. The fast food restaurants serve customers from all income groups although 73 percent of the market are people earning from a basic salary to P25,000 a month.

The customers of fast food restaurants agree that the product mix sold is diversified covering hamburgers, fried chicken, soft drinks, salads, and deserts to name a few. They are offered in product varieties and combinations to fill a specific demand. Prices of product combinations are assessed expensive where only a few product mixes rated just right. Outlets are strategically located near place of work, usually in a commercial area that is accessible to most customers. Packaging designs, trademarks, brand names, and price discounts are adopted as promotional tools. Premiums are added to basic product to spice up competition. There is a general belief that other services are adequately provided. They come in wash area, accommodations for special occasions, assistance in food delivery, and parking provision.

There is homogeneity in the findings where the customers are satisfied with the services offered by the fast food restaurants. The taste and quality of products sold, adequacy of product choices, pleasant and decent ambience, hot foods are served hot, and peace and order situation in the area are the services that were given primary consideration. Quick food service, parking provision, prices offered, and availability of play area are services that are given less emphasis by the customers.

Loyalty of customers is to a moderate extent and can be seen in the way they promote the brand through word of mouth, in the frequency of repurchase, or in the frequency of their visits. Reflective of the image of the outlets, they are focused on products that are developed according to customer taste, clean and sanitary facilities,

pleasantness, decency of ambience and adequacy of lighting and ventilation. Emphasis is less on the degree of sanitation and on the adequacy of parking spaces.

Services provided and promotional tools used are top predictors of customer satisfaction taken individually. Similarly, product mix sold and outlet location also serve as predictors of customer satisfaction.

The top two predictors of the extent of customer loyalty are promotion tools used and services provided. Outlet location and product mix are two other predictors of decreasing magnitude.

The age of respondents appears to influence the relationship between the independent variables and the level of customer satisfaction. Gender influences the relationship between the independent variables and the level of customer satisfaction. Family income is another variable exerting influence on the relationship between the two variables concerned and the extent of customer loyalty. It further indicates that the male customers are generally more difficult to satisfy than their female counterpart.

CONCLUSIONS

With the exception of pricing, strategies adopted on product mix, outlet location, promotion tools used, and services provided, singly and/or in combination, are predictors of both the level of customer satisfaction and the extent of customer loyalty. Customers are generally satisfied with the services offered by the fast food restaurants because marketing strategies appear to meet the needs of the customers.

Personal profile variables, such as age, gender, and family income pose significant influences on the relationship between the independent variables (i.e. promotion mix, outlet location, promotion tool, and services provided) and dependent variables (i.e. level of customer satisfaction and extent of customer loyalty).

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