

Marketing in casual dining restaurants marketing essay



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In a cost conscious society, financially and strategically effective measures to promote a product or service determine the success or failure of an establishment. Generally for restaurants an approach that bears little cost such as ambush or buzz marketing is a popular choice but as demographic profiles diversify and evolve, it is easy to notice that these measures bear an unforeseeable result and can be deemed risky even though very cost effective.

Relationship Marketing (RM) is the proposed solution to counter this. There have been many terms coined for this genre of marketing, such as micromarketing, interactive-marketing or database marketing (Chattananon and Trimetsoontorn, 2009). It is the concept of creating a bond with the customer that comprise of trust, commitment, co-operation, and communication with the objective of achieving customer satisfaction and retention (Lindgreen, 2001). In this research, it is important to note that RM is often associated with the interaction between employee and customer before they make a purchase at the establishment, which may include once they have already or not already seated in the restaurant, and before or after they have purchased an item. A contrast to this is the application of RM in the industrial sector, where it is a marketing tactic deployed to potential clients that are decision makers for firms. In the service industry, RM can be an ongoing practice even when the guests are not in the restaurant, for example by calling or greeting cards personalized for each loyal customer to the establishment.

Due to the fact that RM creates long term bonds in a Business-To-Customer (BTC) perspective, it is sometimes practiced in an implied manner in upscale

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restaurants especially in capital or urban cities. It creates loyalty towards a business and at the same time management can forecast the demand consistently as RM can develop a targeted customer profile (i. e. customers who are relationship oriented whom may come from similar demographic profiles).

The research will position itself to investigate the customer perception on the usage of RM in casual dining restaurants, a practice rarely engaged in Kuala Lumpur today. The ultimate research question is whether or not RM is important to a customer in this service environment. A qualitative research tool will be developed from the conceptual framework and tested in verbal interviews with pre-selected candidates within the target range of youths within the age of 21 - 25 and adults above the age of 25 and below 40. The qualitative method is chosen because RM is a communication and interaction form of marketing that does not have consistent effect on respondents from a similar background as it highly depends on personality and the social abilities of a customer. An insight to opinions and emotions that trigger the importance of a certain RM feature is required and this cannot be pinpointed with a quantitative tool.

A snowball sampling method with sample size of 15 is chosen to represent the majority of urban customers because in snowball sampling, the first 5 respondents are picked based on convenience, and the following 10 are by recommendation of the first 5 (Koerber and McMichael, 2008). The snowball method is chosen over the convenience sampling method because with the convenience sampling method, respondents are likely to be overly familiar.

With the snowball method, a criteria of recommendation such as age,
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education or ethnic background can be set to ensure the controlled demographic is involved as the target sample.

Specifically, the research specifies the example restaurants to be casual dining family restaurants where RM is practiced in minimal quantities or absent such as T. G. I. Fridays, Italiannies, Chili's and Swensens. Typically the research can be applied to medium or high end cafés and coffee bars such as Starbucks and Oldtown Kopitiam, however for this research it is narrowed down due to the possible wide gap in reaction. This can however be a possible future implication for research opportunities in RM for the hospitality industry. The hypotheses will investigate mainly perceptions of value added services and if RM can improve this.

HYPOTHESES DEVELOPMENT

Relationship Between RM and Customer Satisfaction

The casual dining sector is a newly developed cross breed between full service and fast food type of food operation. The appeal of better food, facilities, cleanliness, style, interior design, grooming of staff and ambience developed casual dining into a popular choice for many young adults whom wish to have a better dining experience that consumes less time and most importantly is affordable. The average check for a typical casual dining restaurant is within the RM20.00 range, slightly lower than independent full service restaurants yet slightly higher than fast food restaurants which provide a less thematic dining experience. This view is mutual with Ryu and Han's (2007) definition of a casual dining outlet. However in order to

establish that RM can add even more value to what is already offered over other forms of establishments, it is hypothesized that:

H1: RM adds value to the dining experience.

H2: RM has a positive influence on customer perception

In comparison, there has been mixed findings about how customers perceive price on various types of restaurants. H3 will test if increasing costs to provide more communicative wait staff can be received positively, and also investigate how the respondents appreciate RM as a skill that cannot be honed naturally very easily.

H3: Customers are willing to pay a higher price for better service, which may include RM.

RM may have a psychologically different impact on different types of guests, as emotional intelligence (EQ) is one of the contributing factors to language-speech ability of a person (Robertson, 2007). Hence, whether or not the added interactivity and communication will be welcomed by the guest depends high only their cultural and personality background.

H4: The presence of RM makes the dining experience pleasurable.

The theoretical framework of RM (Lindgreen 2001) states that loyalty is one of the results of implementing RM. The components that lead to RM then consist of Satisfaction, Trust and Commitment. Testing if satisfaction can be obtained from an interactive dining experience then would be necessary for H5. As a conclusion to this component, H6 will test if the result of satisfaction

can evoke trust and commitment towards the restaurant to create loyalty or brand loyalty.

H5: RM can increase loyalty towards a restaurant

H6: RM can increase satisfaction towards a restaurant

RM is studied by researchers and authors globally to be an effective solution in Business-To-Business (BTB) environments but a gap exists for BTC. H7 will test as an overall if RM is required by customers in a casual dining environment or not, and will give an indication to if RM should be introduced aggressively to the local hospitality industry or not.

H7: RM is required in a casual dining environment.

Finally, maintaining the relationship is part of RM planning. H8 questions whether constant contact is required as a part of the RM plan at a restaurant. This includes sending personalized greeting cards, promotional offers that match customer preference or other materials of information such as a newsletter.

H8: RM is required even when guests are not at the restaurant itself.

This topic is important for the benefit of restaurateurs whom aspire to own a chain of family restaurants or is already managing one that is relying heavily on traffic and not brand recognition. If RM is discovered to be an effective solution it will take a considerable amount of time, planning and financial resources to implement. However the benefits and sustainability is prolonged

hence it is equivalent to a long term investment that yields positive impact for a longer period of time compared to other marketing tactics.

LITERATURE REVIEW

For many European countries, RM has been a practice conducted since the early 1990s (Lindgreen, 2001). However as an Asian country, RM in Malaysia has yet to mature in most types of restaurants. A preliminary form of RM can be seen practiced with large hotel groups and upscale fine dining restaurants but not casual dining restaurants such as Chili's and T. G. I. Friday's. It is possible that a management decision has limited the use of RM in these restaurants as based on Gummesson's (1997) observation that measuring returns of RM is still in a newfound stage for the restaurant industry. It is implied that if a business doesn't see the potential in RM, they wouldn't know how to enforce it.

However if the proposed hypotheses can prove that RM is a desirable trait in restaurants, the potential of this concept to be advanced is great. It is a marketing tactic that helps boost traffic and sales as loyal customers who receive social benefits and special treatments gain confidence in an establishment (Gwinner et al, 1998) tend to promote it to potential (Zeithalm and Bitner, 1996) and/or existing customers. It is an effective practice to achieve optimal customer retention in business to business environments, and it is equally effective in business to consumer markets (Little and Marandi, 2003).

DEFINING THE CASUAL DINING RESTAURANT

A relatively new segment in the restaurant industry surfaced in the late 80s due to an increasing number of consumers who ate out, rather than at home - the casual dining restaurant. However as this group progressed together with the economy, spending powers were lowered and the casual diner, being a restaurant that served moderately priced foods paired with enhanced ambience to give the perception of quality, gained tremendous market shares over other types of restaurants in the 21st century to overtake fast food restaurants in the United States (Madanoglu et al. 2008).

The casual dining restaurant rarely appears in recent research papers indicating a wide literature gap, however it is commonly known that the pioneer of casual dining restaurants - Norman E. Brinker began his career co-owning and operating chains of fast food restaurants, the most famous being Burger King. Brinker acquired Chili's, during which was a small burger shop which in turn would be his biggest success story. Chili's became the largest casual dining chain in the world, with an annually increasing sales figure exceeding US\$4 billion and more than 1, 400 outlets worldwide.

Tangible Components - Food and Physical Facilities

Pricing is often the competitive edge to a casual diner, as it aims to capture market share from fast food consumers that are in search of something with better quality, and convert home cooks that believe in full service restaurants. The hybrid concept presents adequate portions of familiar or "comfort" food to diners at prices just moderately higher than complete fast food meals. The reason for this desire to undergo a more premium dining

experience is suggested by Madanoglu et al. (2008) is because occasionally, consumers tend to show a preference for fresh, quality, and healthy food. The ingredients used are often less mass produced than that of fast food restaurants, and the menu incorporates healthy foods like salads and vegetarian products.

The internal decoration and outlook of a casual dining restaurant is also highly flexible, allowing space for heavy theme accommodation. In contrast, a fast food restaurant usually has a limited number of decorations, this is due to space restrictions and as well the concept of a fast food outlet naturally to maximize turnover. In casual dining restaurants however, décor is sometimes more accentuated than full service restaurants due to a prominent theme. A good example of this is Chili's and the Tex-Mex or Texan Mexican decorations. The restaurant's appearance from outside to the dining area is decorated with influences of the respective culture like the road signage, old photographs of chili competitions and margarita bar.

Intangible Components - Employee to Customer Interaction

Spreng & Mackoy in Ryu and Han (2010) outlines that the core concept of marketing theories & practice lies in service quality and customer satisfaction. Casual dining restaurants are often found with above average service quality as a result of standard operating procedures. A good example of this is the T. G. I. Friday's "In here, it's always Friday" culture. It shapes employees to exhibit a joyful and happy image which will in turn attract guests to feel the same way. The Hard Rock Café gastrobar chain has waiters sit down together with customers while taking orders, to allow a more

friendly interaction and establish brief relationships with the guest. These examples define what casual dining restaurants portray in their marketing strategy, and inarguably it is mutual with the practices of RM. The positive effects of having these specific cultures indicate that the pathways to RM application in casual dining restaurants are indeed viable.

In casual dining restaurants, the strategy is usually customer-oriented.

Hartline et al. (2000) suggests four key mechanisms must be present in a business model of a restaurant for them to be customer oriented, and they are:

- i) a less formal organizational structure
- ii) employee empowerment
- iii) behaviour based employee evaluations
- iv) work-group socialization

Verdugo and Veerapermal (2008) found that restaurant managers who developed customer oriented strategies recruit new staff that imply customer-friendly characteristics and often reward employees based on customer oriented behaviour, this supports Hartline et al.'s key mechanisms and point to the fact that this is usually the culture in a casual dining restaurant.

Most casual dining restaurants are chains such as the Chaswood group of restaurants and bars, and Brinker's Chili's chain. In a risk-return analysis conducted by Madanoglu et al. (2008), findings showed that the casual

dining segment had a higher market share than the fast food segment, exceeding double in sales figures. This can be attributed to numerous small casual dining operations that are surfacing in urban cities, when put together outnumber the total number of fast food outlets. Madanoglu et al. also stated that casual dining restaurants had a lower risk-ratio, this makes casual dining restaurants very favourable by restaurateurs.

MARKETING FACTORS THAT AFFECT DECISION MAKING

The concept of marketing is dynamic and constantly changing from time to time and industry to industry. In the case of restaurants, the purchasing decision model has most often revolved around location, food quality, service, price, previous experience, and brand name (Jiang, Dev, & Rao, 2002). However, as demand patterns evolve and concepts of marketing shift, changes from a typical marketing mix revolving around the 4Ps to a more interactive and communicative relationship with the customer is called for (Gummesson, 1994). The situation calls for a more dynamic solution and as suggested via this paper, it is RM. The goal of any marketing tactic or campaign is to influence the perception of a customer towards the offered product in order to encourage purchase or patronization.

As depicted by Perner (2006), it is important to consider what the customer's individual motivations for purchasing a product are. In his studies, he states that the information base for a customer to make a decision is divided into two searches - internal and external

Internal - Memory and Thinking

This intrinsic method of decision making relies on the consumer's ability to relate to the product either by self possessed knowledge which involves weighing the benefits and disadvantages of the product as a decision is being made, or by memory of the characteristics of a product's offerings which may have appeared in another product. For example, before deciding between a western or Japanese casual dining restaurant, the consumer will enable the use of memory to decide by recalling a recent past experience with any other western or Japanese dining experience, be it at the same or different chain. If the memory for the Japanese restaurant recalled is positive and outweighs the western restaurant, the consumer will most likely choose the Japanese restaurant. The use of knowledge is when the consumer thinks of the type of food offered at both restaurants, and simulates the experience depending on taste, price and ambience to make a decision. Typically low involvement - or simple types of restaurants like the hawker stall or fast food restaurant are recalled in this manner as the average consumer is able to recall it using this method.

External - Media and Word of Mouth

Using advertising on billboards, magazines or newspapers, offering discounts and special promotions is the extrinsic method on influencing purchase decision. It involves the customer being directly informed by a friend or publication of the benefits and creating a desire to patronize the restaurant. High involvement products - or sophisticated product offerings or restaurant genres like fine dining will cause the consumer to refer to online reviews or testimonies from peers for assistance on decision making as intrinsic

methods are not informative enough to determine a choice. The amount of <https://assignbuster.com/marketing-in-casual-dining-restaurants-marketing-essay/>

effort consumers put into finding out the benefits though depends on the complexity of the product and amount of competitors. This could be because decision making for restaurants occurs on a daily basis and while consumers are in search of the “ bang for buck” choice, they do not have the time to invest in research of good restaurants constantly.

The research of applying interactive service in casual dining restaurants is very scarce, as there has been little research of RM being used in the hospitality industry. Hence finding how RM plays a part in the decision making process between the two methods will one of the challenges in this research. Internally, price is the main benchmark for decision making, and externally brand and service qualities are co-relaters to the factor, thus finding out how RM impacts service qualities is also an objective of this research.

RM is an intervening feature that involves costs. It requires training and even loss of opportunity costs due to the extra time taken to establish a relationship with customers, which may result to lower turnover. However as mentioned it is a long term benefit for restaurants and customers alike. With the loyalty and customer retention potentials, it can increase the awareness of a restaurant chain and give a highly positive image to the brand. The study will then position itself to investigate the effect to satisfaction that price of the dining experience, how RM can improve the service qualities of a restaurant and impact on the brand equity of the chain can bring.

Relationship Between Price, Service Qualities, Brand and Satisfaction

In the past, Relationship Marketing (RM) is widely practiced in industrial and business-business environments (Sheth and Parvatiyar, 1995), however today it can be seen in upscale fine dining restaurants and private clubs in the capital Kuala Lumpur. Crainer, Heffernan et al, Sin et al in Chattananon and Trimetsoontorn (2009) said that RM proposes (that) closer attention is paid to long-term financial growth and other benefits of retained customers, hence application in the above said establishments are feasible. However the challenge now is to port the concept over to casual dining chain restaurants such as the Chasswood Resources network of casual dining family restaurants, or the Chili's chain where little RM communication is practiced and guests receive service dictated majorly by standard operating procedures. This is mainly due to the fact that practicing RM requires trained personnel that can communicate with confidence and belief in what they practice.

i) Perceived Price

The perception of every customer isn't the same whether it is towards service or product quality, or satisfaction. In a study conducted by Ryu and Han (2007), findings showed that the general perception of price is guided primarily by quality of food, followed by quality of physical environment and quality of service. However, given the same experience in the same restaurant to two different customers, chances are high that both will perceive it similarly. Thus, it is important to understand the general perception and how it affects the way customers react to different service

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qualities. A present factor to consider is the economic conditions. As the nations achieve globalization, spending powers are reduced and it leads to stricter budgets, which lead to lower expectations of service standards. This affects the political growth of the hospitality industry as well, as current conditions creates a mould for a new genre of restaurant trends. Therefore, in order to succeed between competitors, understanding customer satisfaction and their perception on value is an essential first step.

To gauge the variability of this, Cullen (2004) in a separate research stated that aspects influencing customers on choosing a restaurant are the quality and variety of food, strategic location, cleanliness, ambience, good reputation, quality of service, and price. The gap between the two researches can be seen and while the research is widely conducted, it cannot necessarily justify the price perception of one demographic. While these aspects are main determined by the management of a restaurant chain, effectively it is in the hands of a restaurant manager to control and administer.

Aside from maintaining standards to increase return patronage, a restaurant will always want to attract new customers. A customer will mainly evaluate the price range of a menu first (Han & Kim, 2009) before entering a restaurant for the first time, thus allocating an ideal pricing to match the impression given by the restaurant is the first step to attracting awareness. A customer can be willing to pay a higher amount even when the food cost is low; given food quality, service and ambience achieves their satisfaction - a balance between received benefit and effort output by the customer. For example, a customer can be given an assigned wait staff or butler to better <https://assignbuster.com/marketing-in-casual-dining-restaurants-marketing-essay/>

the perception of service quality. While augmented products like valet parking and live entertainment can give a positive impression, the customer's perception of value can be achieved greatly when personalized service is provided.

ii) Service Qualities

A customer's assessment of how much effort an employee puts in for them to enhance the service performance has been found to have a strong effect on satisfaction and ability on porting customers over from other brands (Keaveney 1995; Mohr and Bitner 1995). Though casual dining restaurants attract a clientele with simple expectations, it is important to be one step ahead of demand in the industry as more and more casual diners are surfacing due to its popularity and large market volume.

In a research on the effects of employee behaviour and physical environment on customer perception of restaurant service quality, Wall and Berry (2007) discovered that humanic clues - the characteristics of an employee at a restaurant which includes attitude and grooming, exhibited a greater importance to customers than mechanic clues - the characteristics of the restaurant, ambience, décor, facilities and amenities provided. In the research respondents indicated that optimally both clues should be positive, but a situation where humanic clues were positive and mechanic clues were negative still lead to acceptable perceived service quality ratings. In the situation where humanic clues were negative but mechanic clues were positive however, the perceived service quality was the lowest. This gives an indication that application of RM in restaurants has great potential to

improve service qualities and have guests expectations achieved and even topped.

iii) Brand Recognition

According to previous researches on brand equity, brand image is an effective repeat purchase recommendation from current customers (Beatty, Sharon & Smith, 1987) as unique facilities offered by the brand to specific social groups (Moutinho, 1987) may affect the customer's options on choosing to dine in a restaurant. For instance, teenagers generally admire spending their free time in a high end coffee bar or in a fast food restaurant because of the brand reward image that it portrays. It is also caused by their respective social groups that follow the newest trends, and their socio-psychological perception towards their public status (Allport, 1936). As justification, fast food restaurants and coffee shops do normally set reasonable prices for their product and give good facilities for the customer; such as Starbucks where they put sofas to give comfort to the customer in an effort to encourage them to stay in for longer periods of time and increasing the frequency of purchase.

Occasionally to avoid from getting too used to a familiar concept, customers will look for a themed restaurant where they will experience a new concept and novelty (Weiss, Feinstein, Dalbor, 2004). A good example is upscale gastrobar Hard Rock Cafe where patrons specifically enjoy the bonafide rock music era themed setting in the restaurant while dining. All these elements put together will determine the perception of customer and affect the intention to return a restaurant.

Finally, Perner (2006) also states that family size affect the purchase decision of a consumer. For example, a customer with children will personally choose a restaurant that provides amenities for kids like kid's meals, a playground, baby chairs, etc. This will give the parents their own time without being disrupted by their children as they have their food. Hence, most families will go to either a casual dining restaurant or a fast-food restaurant like McDonald's where it provides kids meal and children would like it.

RELATIONSHIP MARKETING AS A SOLUTION

Reichfield et al (2000) argues that by relying on employees that offer good service, profitability can be enhanced. The same can be assumed for RM in restaurants where service is an indicator of satisfaction. It is also suggested that high product (or service) value originates from satisfied and motivated employees that perform their task competently. Employee satisfaction then is a result of benefits received by the employees such as salary, status and promotion prospects. These elements will be required when developing RM oriented service personnel in every type of dining environment, with the unfixed variable being the value of the benefits weighed against the work load or size of the establishment - but it is important to note that through this literature, it is indirectly stated that where ever RM is to be practiced, employees must receive better benefits as compared to other employees from similar competing restaurants.

Key drivers of RM are divided into 3 (Little and Marandi, 2003); Customer's perception of value, Relationship quality and Loyalty. These factors slightly link to each other through a sub-driver; satisfaction, as it is required in all <https://assignbuster.com/marketing-in-casual-dining-restaurants-marketing-essay/>

three drivers to achieve success. Satisfaction is dictated by the cost to benefits ratio where if from a dining experience, a guest derives more benefits and that the quality outweighs the cost, value is achieved. In this context, the writer also co-relates value to satisfaction. Hence, should benefits outweigh cost, customer satisfaction is met. Benefits refer to any part of the experience that involves the guest receiving a product or service, and Costs may refer to any part of the experience which involves effort or incentive to be invested by the guest to obtain the product or service.

However, as perceived satisfaction vary from one guest to another especially in casual dining restaurants where general expectations are not high, it is not sufficient to be a standalone benchmark for RM. Abbott (1955) states that when price tags are attached to products or services, it is the best bargain that wins. How good a bargain anything is depends upon both quality and price (of the item). This statement is very compatible to explain the perception of quality in a casual dining restaurant presently, where the price and quality of a product is a main dictator of satisfaction.

Relationship quality can be streamlined with guestology (otherwise known as managing guest experience), a theory supported by this research paper that is defined as knowing more about the guests than simple demographics (Laval, 1972). Guestology seeks to understand and plan the expectations of guests before they even enter the establishment. It is also the parent principle of Disneyland and in the late 70s, application greatly improved service which gave the organization its recognition for world class guest satisfaction standards. A lot of elements in RM for the restaurant industry

can be adopted from guestology, as it is a marketing study revolving and often includes communicating with guests.

Relationship quality as an independent variable is defined as Reliability; capability of delivering a service or item dependably and accurately, Assurance; service personnel that have belief and confidence in what they do and serve, Tangibles; actual physical characteristics of the restaurant or service staff grooming, Empathy; reliance provided by the restaurant and its employees towards the guest and finally Responsiveness; the ability to provide prompt service at all times (Parasuraman et al, 1998). B. D. Foster and Cadogan (2000) states that strong relationship quality between a company and its customer leads to loyalty, which is also a key driver of RM.

Oliver (1999) defines loyalty as “ a deeply held commitment to buy or patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.” According to Little and Marandi (2003) Satisfaction, Trust and Commitment put together generates loyalty in a customer. It is clear that loyalty in this context requires a form of diligent participation from the guest’s behalf. How it is to be provoked for casual dining restaurants through an RM-like plan is a matter very little scholars have researched other than Lee, Back and Kim (2009). However, in the research it is proven that a big part of loyalty lies in branding more than relationship quality, hence the literature gap is visible for RM in this context.

Trust is defined as ' a willingness to rely on an exchange partner in whom one has confidence' (Moorman, Deshpande and Zaltman, 1993 in Little and Marandi, 2003). Its role carries attributes necessary for successful RM as Morgan and Hunt (1994) identified in their model, agreeing that trust and commitment encourage marketers to preserve relationships with clients, resist short term benefits in favour of long term benefits from staying with current partners and to presume potentially high risk actions as normal with a belief that partners will not react opportunistically (when a good relationship is established). This can be applied to the restaurant setting where staff can use RM to benefit from a long term relationship with customers, and at the same time the organization succeeds in retaining customers.

Commitment closely follows trust and loyalty in definition as Morgan and Hunt (1994) narrows it as ' an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it'. This discipline appears to apply to the customer in restaurant RM perspective, as the