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RELATIONSHIP BETWEEN RESTAURANT MANAGEMENT AND CUSTOMER SATISFACTION

Abstract: Businesses did not always place customers in the center of their operations. On the contrary, the traditional organizational structure had stakeholders in focus and all operations were done in order to please them. With the appearance of globalization and having many countries taking down their market entry barriers, the level of competition has increased tremendously causing changes in every aspect of businesses' operations and managerial decisions. As a result, businesses' looking for sustainability put customers in the center of their operations, following many managerial decisions to shift towards them too. Differently from the product-oriented industries, service-oriented industries are among the biggest in the world, and their growth is not only in terms of volume, but in terms of complexity and sophistication too. Service-oriented businesses by definition are in a direct relation with customers which have immediate influence on the end offer. As such, service-oriented businesses must make meeting customers' needs and wants a priority, and by doing this, they gain customers' satisfaction and loyalty, and hence profit increase.

Hospitality industry is a people-oriented industry which requires person serving other person, so their service offer has become even more challenging regarding its diversity besides its quality. To further help managers understand their businesses and the industries they are in, researchers have established a classification system for services according to which the restaurants are defined as service-oriented businesses with tangible actions and services are aimed at people. As such, restaurants are facing continuous challenges due to their day-to-day operations in changing markets. Looking closely at restaurants' operations it is no secret that there isn't customer who would come back if they had a bad customer service. Although literature review already states the positive relationship between service quality and customer satisfaction in

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restaurant industry, the goal of this research paper is to look further at customers and test two hypotheses. The first hypothesis states that the restaurant management adds value to the dining experience, and to test it a questionnaire on a representative sample was conducted. The questions included all tangible and intangible factors that add value to the customer such as food quality, service quality, location, uniqueness of menu, restaurant interior and ambient, value for money, service time, customer privacy and entertainment, word-of-mouth recommendation etc. The second hypothesis states that the restaurant management has a positive influence on the customers' perception, for which also a questionnaire on a representative sample was conducted. To test this hypothesis, more questions of the intangible factors were included such as good value, restaurant cleanness, tasty food, employees' knowledge of the menu, new or seasonal changes to the menu etc. Clearly there is a combination of factors, both tangible and intangible, that affect customer's perception on restaurant management and their dining experience. Not all factors have to be satisfied for a customer to return to the restaurant. There are factors that add more value to their experience and perception than others, but more of them are related to it. As a result, the findings of this research are presented in the paper pointing out what factors have great influence on customers. Furthermore, there are recommendations pointed out that the restaurant management can rely on in order to offer a better customer service, add value to them, and hence gain their loyalty and satisfaction. All this results with business and sales growth, and sustainability on the market.

Keywords: *customer service, restaurant management, service-oriented, customer satisfaction*

JEL Classification: L83

Introduction

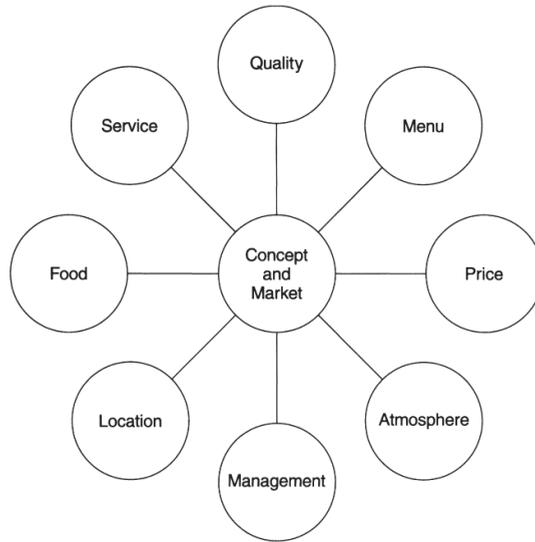
Customers are considered as a driving force for each business nature, both product, and service oriented. When it comes to succeeding at the market, organizations put customers in the center of their operations and decision-making processes. By doing this, organizations focus on satisfying customers' needs, and make them loyal to their businesses. This focus is especially expressed in the service industry, such as the restaurant industry. There is not even one customer who would come back in a restaurant if he/she had a bad experience. Therefore, particularly in the restaurant industry, it is important to have the right people in the right places, gaining customers' satisfaction and making them loyal.

The aim of this paper is to show the strong connection between restaurant management and customers' satisfaction. Furthermore, defining and implementing the elements of the restaurant concept are important part of the process. After a short description of the restaurant concept and its elements, the methodology used to test the hypothesis is presented, followed by the results and a recommendation and conclusion.

Restaurant concept

The restaurant concept is at the core of its existence. It is consisted of several elements, all working towards better restaurant operations and greater customers' satisfaction and loyalty. For that reason, it is important to define each element precisely in the contest of the market that will be served. (Abernethy 2010) Figure 1 presents the restaurant concept elements:

Figure 1. The restaurant concept elements



Source: (Walker 2011)

Location is the first element of the restaurant concept, and it has to be in consistency with the entire concept. More importantly, it has to be consistent with the target market. The analysis of the location as an element includes looking at the conveniences for fitting the building in the environment, such as environmental, technological etc. Also, the accessibility, noticeability, and attractiveness are an important factor for the location choice. The analysis also include looking at the surroundings, possibility for parking and so on.

Ambient and atmosphere are key stakeholders of the concept. The restaurant ambient such as the environment, mood, and situation, necessarily arise from the role of the subjective factor as well as the material factor. The factors affecting these elements are architecture, decoration, correctness of technical appliances, service quality etc. The importance of this concept elements arouses from the fact that it creates immediate conscious and subconscious influences on the guests. As a result, the ambient and the atmosphere are usually referred as mood creators.

Ecological environment as an element receives greater attention the last several years. The need for ecologically clean environment and the contribution to it, has been at the focus of every business on the market. The ecological

pollution of the natural and social tourist resources is one of the factors and motives for a place to be attractive for a tourist visit. Furthermore, restaurants implement this concept element by making more sustainable choices, such as focusing on recycle, minimizing food wastage, water consumption, energy consumption, package, supply chain etc. By doing so, restaurants include customers in the process of building an ecological environment, and thus build brand loyalty, grow their customer-base, increase profits, engage employees, improve awareness, improve their supply chain, and offer a better menu. ²

Quality is key concern for both customers and restaurant management. This concept element focuses on the food and beverages production and offer, as well as the services and environment of the restaurant. The key is to satisfy and exceed customers' expectations with their characteristics. As a result, it offers surpassing the competition, long term customer loyalty, and better operational success overall followed with profit increase. Usually the higher quality level leads to greater customer satisfaction.

Food and beverages are the main components of the restaurant operations. Furthermore they are at the core of the restaurant existence. They stand as a separate concept element because it is of great importance to decide about the type of food and beverage the restaurant will offer since they depend on the customers' wants and preferences. When analyzing this element, the restaurant management must decide about the choice that the menu will offer, the product quality, the product quantity, normative, consistency, diversity, and the food and beverage presentation.

Menu in restaurant concept is important element that dictates the type of food and beverage that will be served. The menu construction is based on several elements. The first element that affects the menu is the price that customers are willing to pay for the menu components. Another element is the time that the customers have for products usage. The type of the customers is also crucial element for the menu construction.

Service is another essential element of the restaurant concept, the one that is tightly connected to the customer satisfaction. When looking at the service offered, it can go from none at all to a maximum. The successful restaurant concept takes customers perception into consideration when deciding on the service offer and aims at satisfying their need. For that reason, there is a

direct and indirect service offered in the restaurants. The direct service offer, or the basic one, includes the food and beverages. By offering phone service, phone charging, luggage care, car parking, e-transactions, free Wi-Fi, and so on, restaurants include the indirect service offer in their concept. This differentiates them from the competition and gives them competitive advantage.

Prices also are part of the restaurant concept. The price strategy varies depending on the type of the restaurant, its target market, and the characteristics of the target market too. The price of every menu component has to be acceptable both for the restaurant and the market. There are several key factors affecting the pricing strategy in the restaurant operations: competition, direct costs, labor costs, expected profit, margin range, and other costs. One thought must be kept in mind when deciding on the pricing strategy. The feeling that for the price customers pay they get the right value and quality, leads to loyal customers.

Managers are the creators of the restaurant concept, but they are an important element of it too. This is due to the three phases that occur between the restaurant and the customer. The first phase is the expectations and happens before the customer even comes at the restaurant. The second phase is the actual experience. The third phase is the impression with which the customers leave, and it can be either positive or negative. In every phase there is a significant level of management involvement, but the greatest concentration happens in the second phase.

Each of the above-mentioned elements are important for the restaurant operation and management, and they are interrelated. Furthermore, the restaurant concept must have a market to support it, and they must fit in.

Methods

The stated hypotheses of this research paper are:

H1: The restaurant management adds value to the dining experience

H2: The restaurant management has a positive influence on the customers' perception

To test the two hypotheses, the restaurant concept was used for the questionnaire creation. The research was conducted online with a distribution

of questionnaire, done with Google Forms, on a representative sample. There are 155 totally analyzed questionnaires. The overall restaurant management was measured through twenty-three questions divided into 6 elements: Location, Ambient and Atmosphere, Food and Beverages, Service staff, Price, and Management. The service users' satisfaction was measured by asking 3 questions related to the received service, the overall access of the employees and the overall impression for choosing the restaurant. The questions included all tangible and intangible factors that add value to the customer such as food quality, service quality, location, uniqueness of menu, restaurant interior and ambient, value for money, service time, customer privacy and entertainment, word-of-mouth recommendation etc. For the evaluation of the questions, the Likert scale of five values is used, in the interval from 1 to 5 ("strongly disagree = 1" to "strongly agree = 5"). The reliability of the questionnaire was confirmed by the Cronbach alfa coefficient. The relationship between the elements of restaurant management and the satisfaction of service users and the confirmation of the specified hypotheses set out in this paper has been tested by applying structural equation modeling. The data was statistically processed with software package SPSS version 19 and SPSS Amos version 22.

Results

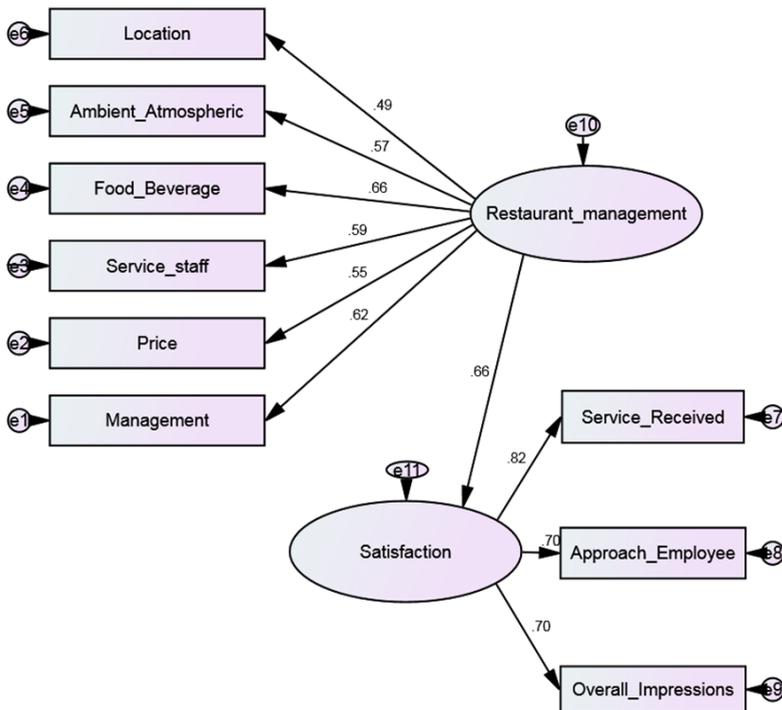
Based on the obtained value for Cronbach alfa coefficient for internal consistency of data grouping of 0.87, the reliability of the questionnaire was proven. Structural equation modeling was used to determine the impact of the relationship between restaurant management and customer service satisfaction in restaurants. Table 1 shows the fit statistics results. According to the results, the small value of X^2/df (<2) and the acceptable values for GFI, NFI, TLI ($\geq 0,9$), AGFI (≥ 0.85) and SRMR, RMSEA ($\leq 0,08$) it can be concluded that the model of structural equations shown in Table 1 is appropriate and can be approached to test the set hypotheses. (Karin and Helfried, 2003; Bentler, 1990; Browne and Cudeck, 1992; Hair et al., 2009; Noruzy et al., 2013).

Table 1. Fit Statistic Results of the quality model

	X^2	X^2/df	GFI	AGFI	SRMR	RMSEA	NFI	TLI
Obtained values	51,058	1,96	0.93	0.89	0.03	0.08	0.90	0.91
Recommended values	$p > .05$	≤ 3.00	≥ 0.90	≥ 0.85	≤ 0.08	≤ 0.08	≥ 0.90	≥ 0.90

Note: Chi-square test (X^2), Goodness-of-fit Index (GFI), Adjusted Goodness-of-fit Index (AGFI), Standardized Root Mean Square Residual (SRMR), Root Mean Square Error of Approximation (RMSEA), Comparative Fit Index (CFI), Normed Fit Index (NFI), Tucker-Lewis Index (TLI).

Figure 2. Model of the connection and influence of restaurant management with the satisfaction of service users in the restaurants.



The results shown in Table 2 indicate that the hypotheses set: H1 (Location → Restaurant_management), H2 (Ambient_Atmospheric → Restaurant_management), H3 (Food_Beverage → Restaurant_management), H4 (Service_staff → Restaurant_management), H5 (Price → Restaurant_management), H6 (Management → Restaurant_management) and (Satisfaction → Restaurant_management), are strongly supported by statistically significant regression coefficients, β at the significance level $p < 0.001$. Restaurant management significantly affects the satisfaction ($\beta - 0.66$ ***) of the customers' service in the restaurants. "Location", "Ambience and Atmosphere", "Food and Drink", "Staff Service", "Price" and "Management" have a significant impact on restaurant management ($\beta - 0.49$ ***, 0.57 ***, 0.66 ***, 0.59 ***, 0.55 ***, 0.62 ***)).

Table 2. Standardized regression coefficients (β) for restaurant management dependence and satisfaction

			β	P	Results
H1: Location	<---	R e s t a u r a n t _ management	0.49	***	Supported
H2: Ambient_ Atmospheric	<---		0.57	***	Supported
H3: Food_Beverage	<---		0.66	***	Supported
H4: Service_staff	<---		0.59	***	Supported
H5: Price	<---		0.55	***	Supported
H6: Management	<---		0.62	***	Supported
H7: Satisfaction	<---		0.66	***	Supported

Note: Level of significance *** $p < 0,001$ (Karin 2003)

Our analysis shows that all elements have great impact on the customers' satisfaction. However, the strongest ones are noted by the elements: *food and beverages*, *management*, and *staff*. Analyzing the questionnaires' answers regarding the element *food and beverages* 72.6% of the respondents stated that they are strongly affected by the quantity of the food and beverage when choosing the restaurant. Also, 42.9% and 42.3% rated as 4 and 5 on the Likert scale the impact that consistency and diversity of menu offer has on their restaurant choice. The temperature on which the food and beverages are served is another important component, and 31.6% and 54.8% of the respondents agree and strongly agree about it. The external appearance of the food, such as freshness,

appearance, consistency etc., is another important component for which 60.5% of the respondents strongly agree and almost 30% of them agree that it affects their choice of restaurant.

The next most dependent element is the management. The management as an element includes many components that vary depending on the type of the restaurant and the time of managing. In order to test the element, the components included in the questionnaire were online presence, customer recognition, overall service received, and overall approach of the employees. For almost 62% of the respondents in total, it is important the restaurant to be present online, including social media, website, online order service, smart phone app etc. Almost 90% of the respondents in total agree that the overall service received during their visit of the restaurant affects their choice, 59.1% strongly agree and 30.5% agree. Looking at the overall approach of the employees, 85% of the respondents in total agree that it is important for a repeated visit, 47.7% strongly agree and 37.4% agree. The overall impression for the choice of restaurant is important for 88.5% of the respondents, from which 59% strongly agree and 29.5% agree with it.

The restaurant staff is an important element for gaining customer's satisfaction and hence loyalty. Almost 37% of the respondents strongly agree that the readiness and education of the employees affect the restaurant choice, followed by 32.3% that agree with it too. For total of 83.4% the mood of the employees affect their choice of restaurant visit, 24.4% agreed and 59% strongly agreed. From the respondents, 71.6% strongly agree that the kindness of the staff affects their restaurant choice of visit, almost 22% of them agree to it too, 5.2% neither agree nor disagree, and only 1,3% strongly disagree. The highest percentage of answers was given to the importance of employee commitment, where total of 90% of the respondents agree that this element affects their choice of restaurant, 61.3% strongly agree and 29% agree.

Even though in-depth analysis of those three elements is provided all other elements of the restaurant concept were proven to be dependent with the customer satisfaction too.

Conclusion

Today's competitive business market pressures businesses to focus on customer satisfaction as a key to success and sustainability. This is especially important for the service-oriented businesses such as restaurants. The customers are the ones that directly influence the post purchase behavior, and their

Satisfaction is deemed to be critical for each and every business on the market. This comes as a result from the influence on repeated purchases and word-of-mouth recommendations on which customers, notably in the restaurant industry, rely on. Research shows that there is a close link between service quality and the customers' satisfaction. Furthermore, the management involvement is vital for the success of the restaurant, and that was proven by our research stated in this paper too.

Restaurant concept is a useful guideline for establishing a sustainable and successful business. The elements included in the concept are location, ambient and atmosphere, ecologically clean environment, quality, food and beverage, menu, service, price, and management. It is of great importance the restaurant concept to be in fit with the market on which it will operate. Furthermore, all elements of the restaurant concept are interrelated, so when constructing one element, all others must be taken into consideration. The importance of the concept has been proven by the time it takes from the construction of it to actual opening of the business, which is usually two or more years. After the development, the concept has to adapt, change, or modify if needed. Of course, there is prove of coping and improving an existent concept in the restaurant industry too. Moreover, when placing the concept on the market it can fail too. Instead of closing the restaurant, the concept can be analyzed, and the needed elements changed so that it can fit the market. All these processes depend on the market fit. For that reason, the restaurant concept elements were used to test the two hypotheses: H1: restaurant management adds value to the dining experience, and H2: restaurant management has a positive influence on customer perception. The research was conducted online with the distribution of questionnaires, from which 155 were analyzed. The results showed that restaurant management significantly affects the customers' satisfaction. Furthermore, the elements: *location, ambience and atmosphere, food and drink, staff service, price, and management* have a significant impact on the restaurant management. Their standardized regression coefficients β are 0.49 ***, 0.57 ***, 0.66 ***, 0.59 ***, 0.55 ***, 0.62 *** accordingly. All elements of the restaurant concept have strong influence on the customer satisfaction, and among the top three are: food and beverages, management, and staff. Once again, the research showed that putting the customer in the center of the operations and focusing on the market fit, enables businesses to successfully compete on the market, succeed and sustain.

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