Predicting Customer Loyalty of Ethnic Restaurants through Satisfaction with Marketing Mix

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ABSTRACT

Ethnic restaurant is the most popular type of restaurant in Indonesia. This study aims to analyze the effect of satisfaction with the marketing mix (consisting of satisfaction with the product, satisfaction with the price, satisfaction with the location, satisfaction with the promotion, satisfaction with the employee, satisfaction with the process, and satisfaction with the physical evidence) on customer loyalty toward ethnic restaurants. This study employed 200 respondents. Data was analyzed using the path analysis technique. The results prove that satisfaction with the product, satisfaction with the price, satisfaction with the location, and satisfaction with the employee affect customer loyalty. Meanwhile, satisfaction with the promotion, satisfaction with the process, and satisfaction with the physical evidence do not. This study, therefore, provides an understanding that customer satisfaction with the marketing mix offered by ethnic restaurants is able to create loyalty.

Introduction

Customer loyalty is the absolute goal of every company. Loyalty is a sense of attachment to service providers that can influence customers to choose certain services in the future (Zameer et al., 2019). This study was conducted to investigate the loyalty of ethnic restaurant customers in Indonesia because this country is rich in cultural diversity, and this diversity leads to, one of which, the variety of local food (Handoyo et al., 2018; Rafdinal & Suhartanto, 2020). Unfortunately, in the context of restaurant marketing, little effort has been made to examine various aspects of customer loyalty toward Indonesian restaurants, particularly in ethnic restaurants. Whereas, a large number of ethnic restaurants are scattered all over Indonesia. Therefore, it is necessary to analyze consumer behavior toward ethnic restaurants in this country, especially seen from customer satisfaction and loyalty.

One of the factors affecting customer loyalty is customer satisfaction. Improving customer satisfaction is one way to get loyal customers (Boonlertvanich, 2019). Customer satisfaction contributes to a number of important aspects, such as creating customer loyalty, improving company reputation, reducing price elasticity, reducing
future transaction costs, and increasing employee efficiency as well as productivity (Tjiptono, 2008). In the context of restaurant marketing, however, little attention is paid to examining various aspects of customer loyalty toward ethnic restaurants. Previous research seems to set aside the unique characteristics of ethnic restaurants; in fact, certain categories are heavily visited by the local community and tourists. Thus, this research attempts to provide an understanding of how satisfaction affects consumer loyalty toward this kind of restaurant.

Satisfaction in general creates a bias in measuring loyalty. Thus, it is necessary to focus on certain satisfaction coming from what a company provides to its customers using the marketing mix measurement. Marketing mix refers to the combination of products, prices, locations, and promotions designed by a company (Rafdinal, 2019) in order to raise the demand for its products (Kotler & Keller, 2012). Customers who are satisfied with the marketing mix offered by a company will show loyalty. Satisfaction with the product will determine consumer interest in purchasing or repurchasing the product. Satisfaction with the price can be a measure of demand for a product. In the case of ethnic restaurants, consumers will be loyal if they feel satisfied with the location, physical evidence, employees, and processes in providing services which then prioritize existing advantages. Thus, it is important to analyze the effect of satisfaction with the marketing mix on customer loyalty to ethnic restaurants.

This study develops the latest knowledge about the effect of satisfaction in the marketing mix on customer loyalty toward ethnic restaurants. To respond to the research gap, this study explores the role of satisfaction with the marketing mix. There has been no previous research discussing the relationship between satisfaction with the marketing mix and customer loyalty at ethnic restaurants; thus, it highlights the novelty and uniqueness of this study.

**Literature Review**

**Customer Loyalty**

In a highly competitive environment, loyalty is the best medium for companies to have more customers. A company cannot retain its customers for the long term if they lack loyal customers (Liu et al., 2017). Hence, it becomes one of the goals that every company wants to achieve. From the company's point of view, loyalty is the result of paying attention to what needs to be done to retain customers and then continuing to do it (Griffin, 2005). From the customer’s side, it is a commitment to do
repeated purchases of selected products or re-subscribe selected services consistently in the future, even though the influence of the situation and marketing efforts have the potential to cause behavioral changes (Kotler & Keller, 2012). Customer loyalty is divided into buying attitudes and behavior that benefits the seller (Kurian & Muzumdar, 2017; Liat et al., 2014).

Loyal customers are people who make regular repeat purchases, buy between product lines and services, refer to others, and show immunity to the pull from competitors (Griffin, 2005). They will stick with the company's products for the long term, refer to others, and resist the influence of the situation and the marketing efforts of competitors. Ethnic restaurants, in this case, also need to have effective marketing strategies to build customer loyalty. Customer loyalty is widely accepted and will help the restaurants achieve long-term success.

Customer satisfaction

This aspect influences a company's goal of gaining loyal customers. Satisfaction is a comparative feeling that results from the difference between expectations and actual experiences (Boonlertvanich, 2019). Satisfaction is the extent to which the level of the product is perceived based on customer expectations (Kotler & Keller, 2012). Customer satisfaction contributes to some important aspects, such as creating customer loyalty, improving company reputation, reducing price elasticity, reducing future transaction costs, and increasing employee efficiency as well as productivity (Tjiptono, 2008). Lupiyoadi & Hamdani (2006) stated that increasing customer satisfaction will also increase surviving customers. It can be concluded that customer satisfaction is the overall attitude towards the results of a product or service obtained. If the results exceed the expectations and sacrifices made, the customer will feel satisfied. This study focuses on customer engagement in the context of ethnic restaurant marketing. This can provide a new understanding of how customer satisfaction is shaped at ethnic restaurants.

Marketing Mix

Marketing mix refers to the combination of products, prices, locations, and promotions designed by a company (Rafdinal, 2019). It is a unique combination of product, distribution, promotion, and pricing strategies designed to produce mutually satisfying exchanges with target markets (Lamb et al., 2011). It is also defined as a combination of four elements, namely product marketing strategy, price, place, and promotion to satisfy selected consumer segments (Boone, 2006). The
marketing mix consists of everything a company can do to increase demand for its products (Kotler & Keller, 2012). Based on this opinion, it can be concluded that the marketing mix is a unique combination of product, distribution, promotion, and pricing strategies to satisfy certain consumer segments. Many previous studies have analyzed the marketing mix. However, there are still few of them that observe satisfaction with the marketing mix on customer loyalty toward ethnic restaurants.

**Satisfaction with the product.** There is an absolute effect of product satisfaction on customer loyalty. Research conducted by Oghojafor et al. (2014) suggested that product satisfaction, derived from product availability, product accessibility, and product reliability, will affect loyalty. It is in line with the results of (Al Muala & Al Qurneh, 2012; Owomoyela et al., 2013), that customer loyalty will be created from products that give customer satisfaction. Results of research by Thalib (2015) showed that there is a connection between products that can satisfy consumers and consumer loyalty. Thus, the hypothesis is as follows:

H1. Satisfaction with the product has a positive and significant effect on loyalty.

**Satisfaction with the price.** Satisfaction with the price can also affect customer loyalty. Price is influenced by consumer income and is a factor of satisfaction and loyalty (Išoraitė, 2016). Previous research has shown that customer loyalty can be derived from acceptable and satisfying prices (Kordshouli et al., 2015; Kusumawati et al., 2014; Lien et al., 2015; Thalib, 2015). Setting such a price will result in consumer loyalty to the company (Dhurup et al., 2014), which is expressed by the desire to repurchase and recommend the company to others. It means that there is an effect of satisfaction with the price on customer loyalty. The hypothesis is built as follows:

H2. Satisfaction with the price has a positive and significant effect on loyalty.

**Satisfaction with the location.** Satisfaction with the location becomes another booster for customer loyalty. Oghojafor et al. (2014) stated that satisfaction with the location or distribution carried out by the company will create customer loyalty. According to Ramkissoon et al. (2013), satisfaction with the location covers the perception of the quality of location, the need for location characteristics, the services available at that location, and the social dimension. Choosing and creating a location according to consumers’ needs will satisfy them (Thalib, 2015); thus, the company needs to establish an effective and easy-to-reach location strategy in order to meet customer needs and gain customer loyalty. It implies that there is an effect of
satisfaction with the location on customer loyalty. Thus, the hypothesis built is as follows:

H3. Satisfaction with the location has a positive and significant effect on loyalty.

Satisfaction with the promotion. Promotion can impact customer loyalty. Previous studies indicate that satisfaction with the promotional strategies implemented by a company creates customer loyalty (Arokiasamy, 2012; Oghojafor et al., 2014; Owomoyela et al., 2013). Satisfying promotions will create customer loyalty (Kordshouli et al., 2015). In this case, ethnic restaurants must establish various kinds of promotional strategies that give benefits and satisfaction in order to get loyal customers.

H4. Satisfaction with the promotion has a positive and significant effect on loyalty.

Satisfaction with the employee. Satisfaction with employees indeed plays a role in creating customer loyalty. The interaction between customers and employees can affect customer satisfaction (Zameer et al., 2019). Further, employees’ attitudes and actions, as well as their dress and appearance, may also affect customer satisfaction. It is in line with (Christopher Lovelock, 2012), that the appearance, attitude, and behavior of service personnel can shape the experience itself and influence satisfaction. Satisfaction with the employee has a positive effect on loyalty (Maharishi & Bhardwaj, 2014; Rafdinal & Suhartanto, 2020). It implies that there is an effect of satisfaction with the employee on customer loyalty. Thus, the hypothesis is as follows:

H5. Satisfaction with the employee has a positive and significant effect on loyalty.

Satisfaction with the process. Satisfaction with the process is another important factor to create customer loyalty. The service process starts from customer arrival to customer finishes using a company's service. Creating and delivering product elements requires effective process design and implementation. A good process results in a good and satisfying experience while a bad process gives a disappointing experience and possible service failure (Christopher Lovelock, 2012). Previous research indicates that satisfaction with the process has a positive effect on loyalty (Maharishi & Bhardwaj, 2014). It can be concluded that satisfaction with the process affects customer loyalty levels. Thus, the hypothesis proposed is:

H6. Satisfaction with the process has a positive and significant effect on loyalty.
Satisfaction with the physical evidence. Physical evidence refers to the physical environment in which services are created and interact directly with consumers. The physical environment will provide concrete evidence of service performance (Zameer et al., 2019). The existence of physical evidence greatly affects the company's performance in providing services to its customers. Customer perception of service can be influenced by the atmosphere formed by the exterior and interior of the service facility concerned. Comfortable physical evidence will result in customer satisfaction in the transaction process. Satisfaction with physical attributes has a positive effect on shopping satisfaction (Suhartanto, 2018). Further, the results of previous research indicate that satisfaction with the physical evidence has a positive effect on loyalty (Maharishi & Bhardwaj, 2014; Ogunnaike, 2014). It implies that there is an effect of satisfaction with the physical evidence on customer loyalty. Thus, the hypothesis is built as follows:

H7. Satisfaction with the physical evidence has a positive and significant effect on loyalty.

Method

Based on the study of the problem and research objectives, this research is categorized into causative research, aiming to discover the influence of satisfaction with the marketing mix on the customer loyalty of ethnic restaurants. This study employed 200 loyal respondents who were directly visited and asked to fill in a questionnaire. The sampling technique is purposive sampling by setting certain criteria. To ensure that the respondent is a loyal customer, we have provided a criterion that the respondent has at least visited an ethnic restaurant twice at one ethnic restaurant brand. Data was analyzed using the path analysis method in order to observe the direct or indirect effect of causal variables on influencing variables.

The instrument used in this study is a 5-Likert-scales questionnaire. The questionnaire consists of two parts. The first part covers respondents’ personal data such as gender, age, and education. The second part is related to research variables. The indicators used to determine customer loyalty are making repeated purchases regularly, buying between product lines, being insensitive to prices, referring to others, and talking about positive things (Kotler & Keller, 2012).

The indicators of satisfaction measurement toward each factor are explained below. Indicators for satisfaction with the product are product features that consumers receive, good and attractive presentation methods, variety of products
offered, experience in consuming the products, and consumer feelings when consuming the products (Kotler & Keller, 2012). Indicators of satisfaction with the price are price affordability, price suitability with product quality, and price competitiveness (Kotler & Keller, 2012; Rafdinal & Suhartanto, 2020). Indicators of satisfaction with the location are easy to reach by public transportation, easy and smooth road access, easy for consumers to find, and close to the market (consumers) (Kotler & Keller, 2012; Rafdinal & Suhartanto, 2020). Indicators of satisfaction with the promotion are advertising and sales promotion (Kotler & Keller, 2012; Rafdinal & Suhartanto, 2020). Indicators of satisfaction with the employee are employee friendliness, employee politeness, employee responsiveness, employee empathy, and employee appearance (Zeithaml et al., 2011). Indicators of satisfaction with the process are satisfaction with the payment process and satisfaction with the receiving process (Zeithaml et al., 2011). Indicators of satisfaction with the physical evidence are cleanliness of restaurant space, cleanliness of equipment, cleanliness of toilets and sinks, and arrangement of restaurant exterior and interior (Rafdinal & Suhartanto, 2020).

Results and Discussion

Sub Structure 1

The path diagram is a complete structure of the causal relationship between variables, which consists of sub-structure relationships. The results can be seen in Table 1:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Path Coefficient (β)</th>
<th>t value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction with the product (X1)</td>
<td>0.243</td>
<td>3.918</td>
<td>0.000</td>
</tr>
<tr>
<td>Satisfaction with the price (X2)</td>
<td>0.426</td>
<td>5.633</td>
<td>0.000</td>
</tr>
<tr>
<td>Satisfaction with the location (X3)</td>
<td>0.204</td>
<td>2.480</td>
<td>0.015</td>
</tr>
<tr>
<td>Satisfaction with the promotion (X4)</td>
<td>0.033</td>
<td>0.763</td>
<td>0.448</td>
</tr>
<tr>
<td>Satisfaction with the employee (X5)</td>
<td>0.220</td>
<td>4.332</td>
<td>0.000</td>
</tr>
<tr>
<td>Satisfaction with the process (X6)</td>
<td>0.038</td>
<td>0.840</td>
<td>0.403</td>
</tr>
<tr>
<td>Satisfaction with the physical evidence (X7)</td>
<td>0.055</td>
<td>1.197</td>
<td>0.235</td>
</tr>
</tbody>
</table>

R Square = 0.842

Based on the results of the path analysis, it can be seen that only the variables of satisfaction with the product (X1), satisfaction with the price (X2), satisfaction with the location (X4), and satisfaction with the employee (X5) have a significant effect on
customer loyalty (Y). Meanwhile, the variables of satisfaction with the promotion (X4), satisfaction with the process (X6), and satisfaction with the physical evidence (X7) do not give any significant effect on customer loyalty. It can be seen from the sig. value >0.05. Therefore, it is necessary to do trimming by removing the variables of satisfaction with the product, satisfaction with the price, satisfaction with the location, and satisfaction with the employee from the research model.

Sub Structure 2

After removing the insignificant variables from the research model, the path analysis was retested with the following results:

Table 2. Second Sub Structure

<table>
<thead>
<tr>
<th>Variable</th>
<th>Path Coefficient (β)</th>
<th>t value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction with the product (X1)</td>
<td>0.237</td>
<td>3.919</td>
<td>0.000</td>
</tr>
<tr>
<td>Satisfaction with the price (X2)</td>
<td>0.448</td>
<td>6.069</td>
<td>0.000</td>
</tr>
<tr>
<td>Satisfaction with the location (X4)</td>
<td>0.175</td>
<td>2.249</td>
<td>0.027</td>
</tr>
<tr>
<td>Satisfaction with the employee (X5)</td>
<td>0.215</td>
<td>4.382</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R Square = 0.838

Figure 1. Final Structure

Discussion

The results of the analysis show that satisfaction with the product has a significant effect on loyalty. It is in line with the opinion of Mowen & Minor (2002)
which states that creating quality products that are highly preferred by consumers is very important for company marketing. Satisfaction with the product will affect loyalty through product availability, ease of product access, and product reliability (Rafdinal, 2019; Rafdinal & Suhartanto, 2020). If customers have a strong preference for certain products or services and can clearly distinguish them from competitors' products, it will affect their loyalty (Griffin, 2005). The product is one element of the marketing mix whose strategy must be adjusted with other elements of the marketing mix to create customer loyalty. In the context of ethnic restaurants, the main product provided, the food and beverage menu, must be able to give satisfaction to customers when consuming them. Customers who are satisfied with the food and drinks served will make repeat orders by coming back to the restaurant.

Satisfaction with the price has a significant percentage and is the most dominant influence on the customer loyalty of ethnic restaurants. The results of this study are in line with previous studies which showed that customer loyalty can be derived from acceptable and satisfying prices (Kordshouli et al., 2015; Kusumawati et al., 2014; Lien et al., 2015; Thalib, 2015). Price can be influenced by consumer income and is a loyalty factor (Išoraitė, 2016). Satisfaction with the price is determined by reliable prices, optimal price levels, price-quality suitability, reasonable prices, and transparent prices. Similarly, (Oghojafor et al., 2014) mentioned that satisfaction with the price is created by price suitability which then affects customer loyalty. This provides an understanding that satisfaction with the price is an important factor in building loyalty toward ethnic restaurants. Loyal customers will not only make repeat purchases but will also recommend, invite, and convey a positive impression of the restaurant to others.

Satisfaction with the location has a positive and significant effect on loyalty. This finding is in line with the research conducted by Oghojafor et al. (2014) that satisfaction with the location or distribution carried out by the company will create customer loyalty. According to Ramkissoon et al. (2013), satisfaction with the location is influenced by the perception of the quality of location, the need for location characteristics, the services available at that location, and the social dimension. In the context of this research, many ethnic restaurants have chosen strategic and easily accessible locations and are close to consumers. This will create customer satisfaction that leads to customer loyalty toward ethnic restaurants.

Satisfaction with the employee also has a significant effect on loyalty. This finding supports the results of previous studies which state that satisfaction with
employees can create customer loyalty (Maharishi & Bhardwaj, 2014; Ogunnaike, 2014). In the context of this research, most ethnic restaurants have successfully trained their employees to be responsive and friendly to consumers. This factor makes consumers satisfied with the service of employees and they will come back to visit the restaurants.

However, satisfaction with the promotion has a less-to-none significant effect on customer loyalty. There is no significant correlation between promotion and customer loyalty (Hossain & Suchy, 2013). In other words, satisfaction with the promotion carried out by the company minimally affects the formation of customer loyalty. Satisfaction with the process also has no significant effect on loyalty. This finding is in line with the research conducted by Soegoto (2010), that customer satisfaction and loyalty are not influenced by the process. Lastly, satisfaction with the physical evidence also gives no significant effect on loyalty. The results of this study are in line with previous study which shows that physical evidence has no significant effect on satisfaction which leads to customer loyalty (Zhong & Moon, 2020). Most ethnic restaurants have displayed their physical characteristics not only from physical evidence but also from the brand, food menu, service display, and ambiance of the restaurant. Consumers choose to visit ethnic restaurants not because of the appearance of physical evidence but from other elements of the marketing mix. Physical evidence is only a supporting factor in the role of service. There are other factors beyond physical evidence that affect customer loyalty. This study found those affecting factors to be satisfaction with the product, satisfaction with the price, satisfaction with the location, and satisfaction with the employee.

Managerial Implication

Satisfaction with the product, satisfaction with the price, satisfaction with the location, and satisfaction with the employee have a positive and significant effect on customer loyalty. On the other hand, satisfaction with promotion, satisfaction with the process, and satisfaction with physical evidence do not have such an effect. The analysis also shows that satisfaction with the price has the greatest or the most dominant influence on consumer loyalty. Although this study does not fully support that satisfaction with the marketing mix affects customer loyalty, in the context of ethnic restaurants, the managers can apply some parts of the marketing mix strategy, especially on products, prices, locations, and employees, to gain customer satisfaction and loyalty.
Practically, ethnic restaurants can set competitive prices according to customer expectations and the quality of the products. It is also essential to consider some points regarding the food and drinks, such as improving the food taste and presentation, increasing the variety of drinks, and adjusting the portion of food provided. From the employee aspect, it is important to train employees to be responsive, friendly, polite, and well-behaved when serving customers. Besides, they also need to pay attention to their appearance. In the aspect of restaurant location, it is necessary to choose a location that is easily accessed by public transportation, has easy and smooth road access, is easy for consumers to find, and is close to consumers. The above-mentioned points are needed in order to reach customer satisfaction which then leads to customer loyalty toward ethnic restaurants.

Limitation and Future Research

Despite the importance of this study, there are several drawbacks appear. First, this study only focuses on ethnic restaurants. Further research is suggested to observe other types of restaurants. Second, this study focuses on marketing mix satisfaction in influencing loyalty. Future research is expected to use other theories and variables to see the factors influencing loyalty. The number of respondents is still limited and not evenly distributed all over Indonesia. Further studies are recommended to widen the scope and the number of respondents so the research results can be more general.

References


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