



A STUDY ON QUICK SERVICE RESTAURANTS WITH SPECIAL REFERENCE TO MC DONALDS, KFC AND DOMINOS IN CUNNINGHAM ROAD, BANGALORE

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Abstract:

Complexity of business today requires managers to strive for innovative techniques to retain their customers in any product market field. While it is always understood that creating new customers is definitely getting costlier day by day, they are in fact trying to offer loyalty programs to retain or reward existing customers and maintain relationships. The Quick Service Restaurant (QSR) sector is one of the sectors that have managed to grow even during the economic slowdown. The tremendous growth of the fast food industries can be visualised by looking at the recent past. Today not only the young generation but also people from all age group demand fast food in their everyday eating habits. Fast food industries have acquired a place in people's life is such that ordering the fast food item or visiting the outlet of fast food item portrays a symbol of higher standard of living in the society for the one and all, availing their services. Numerous big brands of Quick Service Restaurant are competing among themselves in the Indian market. Fast food is a multibillion dollar industry which is affecting people's nutritious and healthy diet. Junk food along with taste brings lots of health issues for one and all consuming these food items. Hence this paper takes a closer look into the attitudinal and behavioural loyalty, factors that contribute to loyalty, reasons for dissatisfaction and strategies if any to revive their share in the market.

Index Terms: Brand Loyalty, Attitudinal, Behavioural Loyalty & Customer Loyalty

Introduction:

In the present phenomena brands play a very significant role in our Indian economy. Initially, the purpose for branding is to differentiate our own product as compare to other players in the market, but now a day's brand plays a leading role in consumer decision making. Therefore, in short a good brand helps to recognize the manufacturer or seller. On the other hand consumer feelings are also expressed in the form of picking of brand in the market; brand defines customer as they associate themselves with brand, then some consumers feel sense of belongings' with that specific brand and always do repeat purchase of that particular brand or product category . In this way they can become brand loyal to specific product or brand which in turns helps an organisation to build brand equity in the market.

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young generation but also people from all age group demand fast food in their everyday eating habits. Fast food industries have acquired a place in people's life is such that ordering the fast food item or visiting the outlet of fast food item portrays a symbol of higher standard of living in the society for the one and all, availing their services. Numerous big brands of Quick Service Restaurant are competing among themselves in the Indian market. Fast food is a multibillion dollar industry which is affecting people's nutritious and healthy diet. Junk food along with taste brings lots of health issues for one and all consuming these food items.

The growth and popularity of QSR is definitely a reflection of the change in the lifestyle, food habits and consumption pattern of the population. The incidence of Dining out, ordering from home as well as takeaways is rising creating an opportunity to cater to a wide mass of population.

The term 'Fast food' is given to any food that is prepared and served very quickly. Any meal which can be prepared promptly can be considered as fast food; however, the term typically refers to the food sold in a restaurant, store, kiosk or drive through. This food has preheated or precooked ingredients and is sold in a packaged form to the consumers. Fast food is an age old concept as the term 'fast food' was included in the Merriam-Webster dictionary in 1951.

Fast Food has been created with the intention to be eaten 'on the go', one does not use cutlery as it includes finger food. Common menu items at fast food outlets include fish and chips, sandwiches, pitas, hamburgers, fried chicken, French fries, onion rings, chicken nuggets, tacos, pizza, hot dogs, and ice cream, though many fast food restaurants offer "slower" foods like chili, mashed potatoes, and salads.

In India, the Fast Food Industry is Growing at the Rate of 41% Every Year:

What was so common to the upper class, singles or forced bachelors, has percolated to all echelons of society. The incidence and value differ substantially, but penetration of such consumption habits is wide spread and is on the increase. Although largely an urban phenomenon, the pattern is also emerging in rural areas with better road connectivity, increased vehicle ownership and rise in income levels. In a country with more than a billion people, opportunities in India are abound. This has led to a rapid growth of the QSR industry. However, simultaneously, it has also created a canvass that has many failures and carcass.

The Indian consumers are portraying an ever changing lifestyle, one of the key characters of an emerging economy. The phenomenon takes a new meaning when a large proportion of population is young and very receptive to new ideas, products and services. The country being quite young with people between the ages of 18 – 35 contribute a significant proportion. This is also the spending years, food and lifestyle and hence QSR. In the top 10 cities this population also shows more discretionary spending, usage of credit cards and changing eating habits.

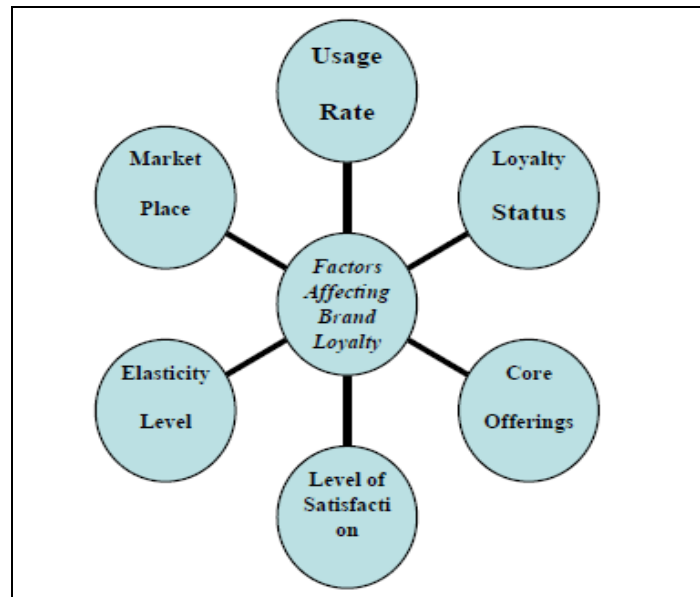
Conceptual Framework of Brand Loyalty:

Brand loyalty is said to be that act of purchasing the same brand within a product category again and again. It clearly depicts the scenario where consumer fears on purchasing and consuming the product from other brand which an individual cannot trust. It exists where the consumer feels that brand consist of right product characteristics and quality at right place, even other brands available at cheaper rate or superior quality, the brand loyal consumer will stick to his brand.

According to American Market Association "Brand Loyalty is the extent to which a consumer constantly buys the same brand within a product category. "

According to Bloomer and Kasper, "Brand Loyalty implies that consumers bind themselves to product or services as a result of a deep – seated commitment."

The various factors that influence Brand Loyalty are clearly depicted in the figure below:



Review of Literature:

In early studies, researchers usually include the repurchase for measuring the brand loyalty. But in recent studies, some investigators indicated that for the measurement of brand loyalty the most suitable way is to measure the affective loyalty.

In his study, Rundle-Thiele (2005) provides insight into how and why consumers are loyal by identifying the multiple dimensions of loyalty. The dimensions that she explored are: situational loyalty, resistance to competing offers, propensity to be loyal, attitudinal loyalty, and complaining behavior. Her research based on a survey of wine retailers in Australia, indicates that consumers can be loyal in different ways thereby demonstrating the superiority of a multi-dimensional model of consumer loyalty over a uni-dimensional model.

In a conceptual paper, Rundle-Thiele and Bennett (2001) make a similar argument against single brand loyalty measure. They suggest that the measures should be classified according to market types: consumable goods, durable goods and services. They argue that in consumable goods markets which are typically stable, have high rate of brand switching, and low involvement and risk, behavioral measures are appropriate for predicting future brand loyalty levels.

Assessment of the literature showed that there are two separate approaches for investigating brand loyalty. One estimates the direct effect of several determinants on brand loyalty. For example, Yoo et al. (2000) investigated the mixed marketing factors over the brand loyalty. The other approach concentrates on the indirect effects of these determinants on brand loyalty like advertising spending affects potential of product or service quality (Kirmani and Wright, 1989; Moorthy and Zhao, 2000; Yoo et al., 2000), its role is in some ways connected to brand loyalty signifying that rather than the advertisement itself, it is how advertising affects customer perception of the firm that is more critical in shaping brand loyalty.

Customer satisfaction is the originator of the brand loyalty it. As (Kasmer, 2005) customer satisfaction is the assessment about the brand. All the key factors regarding Brand loyalty effecting their judgment of repeated purchase. According to (Labarbera

and Mazursky, 1983) the satisfaction is found to be increased when computing the brand loyalty in terms of repeated purchase of the same product. Satisfaction is commonly considered in many studies (Lam, et al, 2004; Tian, 1998; Yang, 2004; Li and Vogel song, 2003) indicate that the rapid judgment of the customer's experience results the satisfaction, the satisfaction is found to be the crucial

Statement Problem:

In the 1990's research has emerged which attempts to integrate both the attitudinal and behavioural dimensions of loyalty into two distinct but important constructs (Baldinger and Rubinson 1996; Dick and Basu 1994). Loyalty is thus defined as the relationship between an individual's attitudinal predisposition towards an object and the repeat patronage of that object. Other researchers (e.g., Day, 1969; Dick and Basu, 1994; Baldinger and Rubinson, 1996, Rundle-Thiele and Bennett, 2001; Rundle-Thiele 2005), however, have suggested that attitude should be included along with behavior to define loyalty. Many researchers (e.g., Ehrenberg, Goodhardt and Barwise, 1990, Kahn, Kalwani and Morrison, 1986, and Ehrenberg 2000) believe that repeat purchasing can capture the loyalty of a consumer towards the brand of interest.

Loyalty is a state when a consumer becomes attitudinally and behaviorally committed to an offering. A person who shops at the same place regularly is "behaviorally" loyal. It can be measured by transactions: a customer is loyal if they buy repeatedly. A person who tells others how great a product is, or simply feels really positive about the brand him or herself internally, is "attitudinally" loyal. Behavioral loyalty is critically important for a business because it means customers are buying, and without buying there are no revenues.

Attitudinally loyal customers on the other hand are great for businesses because they add strength to already positive brands, plus their word of mouth promotions can be invaluable in attracting other customers. The attitudinal definition of loyalty implies that loyalty is a state of mind. By this definition, a customer is "loyal" to a brand or a company if they have a positive, preferential attitude toward it.

Indian fast food market is estimated to double from the current Rs.3,400 crore in the next three years, largely driven by demand from smaller cities, says a report by Crisil. "The QSR market will more than double to around Rs 7,000 crore by 2015-16 from Rs 3,400 in 2012-13, driven largely by new store additions," the report said, adding most of the new stores will come up in the tier smaller cities. "Over the next three years, new store additions will increase by 16-18 per cent annually, propelled by the rapid expansion of global players into smaller cities," Crisil said.

McDonald's, KFC and Domino's Pizza have shown over the years that consumers are comfortable with Western fast food. To provide more value offerings to the consumers, restaurants have been coming up with low price point products or increased discounts and promotions. Dominos, the pizza chain, is giving buy-one-get-one free offer, combo offers, complementary items, free gifts and many more which is drawing more and more customers for the food store.

Objectives of the Study:

- ✓ The overall aim of the study is to examine the behavioral and attitudinal loyalty among the youth consumers in the consumption.
- ✓ Analyze the factors responsible for the purchase and loyalty of fast food, namely Dominos, McDonalds and KFC.
- ✓ The reasons for dissatisfaction.
- ✓ Strategies to be employed to improve customer loyalty

Scope of the Study:

The study covers customer's preferences of fast food and their loyalty towards Dominos, KFC and McDonalds. It elucidates the reason for loyalty and what can be improved at each of the fast food outlets. It also opens doors for customers switching by showing how to get customers to switch from their favorite brands.

Methodology:

Data was collected using two different questionnaires. One targeted the general public and the second was specific to loyal customers of KFC, Dominos and McDonalds. The questions were specially designed to check if the loyal customers are attitudinally or behaviorally loyal to the restaurant, to find out why they are loyal and what can be done to improve loyalty. It also threw light on the methods that restaurants can incorporate which will help customers to switch from one brand to another.

Sources of Data:

Primary data was collected from people residing/ working on Cunningham road and in Vasanth Nagar through questionnaires. Secondary data was collected from various sites online and from Marketing and Customer Loyalty textbooks and reference guides.

Sampling Design:

The method to collect data is through a structured questionnaire. The sample size is 100 people. 50 for the customer preference survey and 50 for the loyal customers' survey. The same age was between 15 – 25 years old.

Tools for Data Collection:

A structured questionnaire was used to collect data from people selected at random. No particular group of customers was targeted for collection of data.

Plan of Analysis:

The plan of analysis is to first collect primary data from a sample size of 100, analyze the data collected and present it in the form of tables. Compare the data of KFC, Dominos and McDonalds and interpret the analyzed data.

Limitations of the Study:

- ✓ Bangalore is a very large city with numerous outlets of KFC, Dominos and McDonalds. However, this study only covers the problem of loyalty on Cunningham Road.
- ✓ Some respondents are vegetarian and therefore do not prefer eating at KFC, hence they did not answer / rate the questions in relation to KFC.
- ✓ The sample area is limited to Cunningham Road and Vasanth Nagar
- ✓ The respondents are between 15- 25 years of age as anyone older than that felt that they could not give clear answers with respect to fast food.

Findings of the Study:

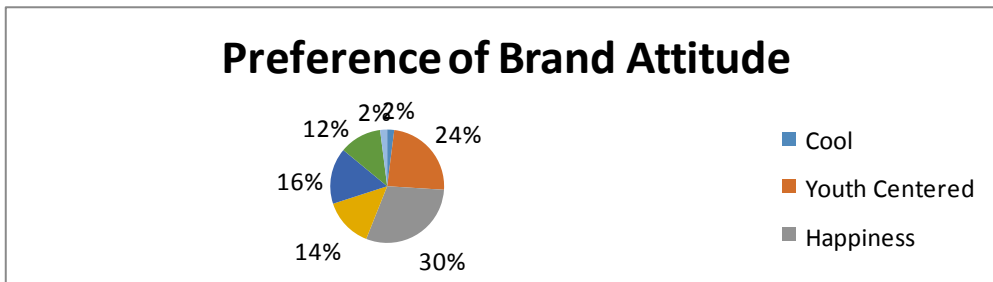
- ✓ The respondents use different terms to associate their different attitudes for their preferred brand.
- ✓ KFC takes the lead with most preferred restaurant, as 33% of the respondents prefer eating there. Dominos is close behind with 31% and McDonalds has a mere 20%.
- ✓ According to the data collected, 72% of the respondents spend about a week in a month eating outside food.

Which Words Best Describe the Brands You Associate With?

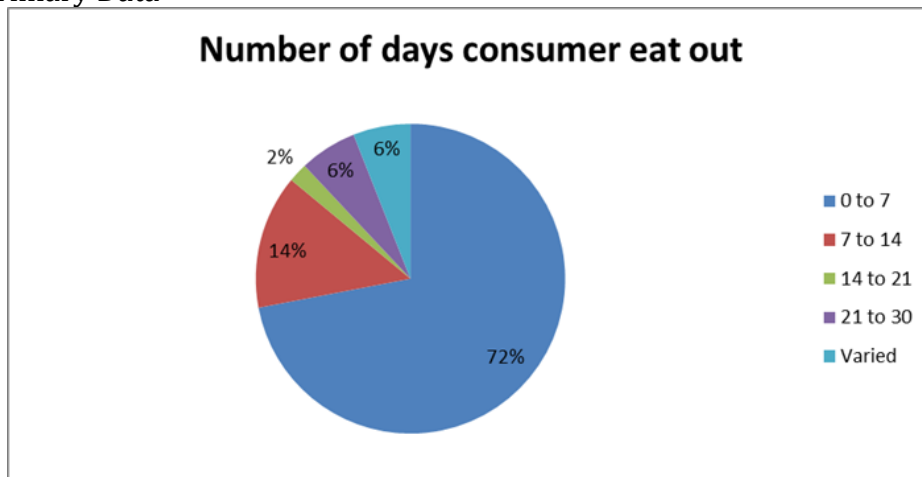
- ✓ The frequency of a consumer to purchase outside food is very important in determining brand loyalty. Some customers may be loyal to your brand but only

purchase once a month, some may purchase every day but may not be brand specific.

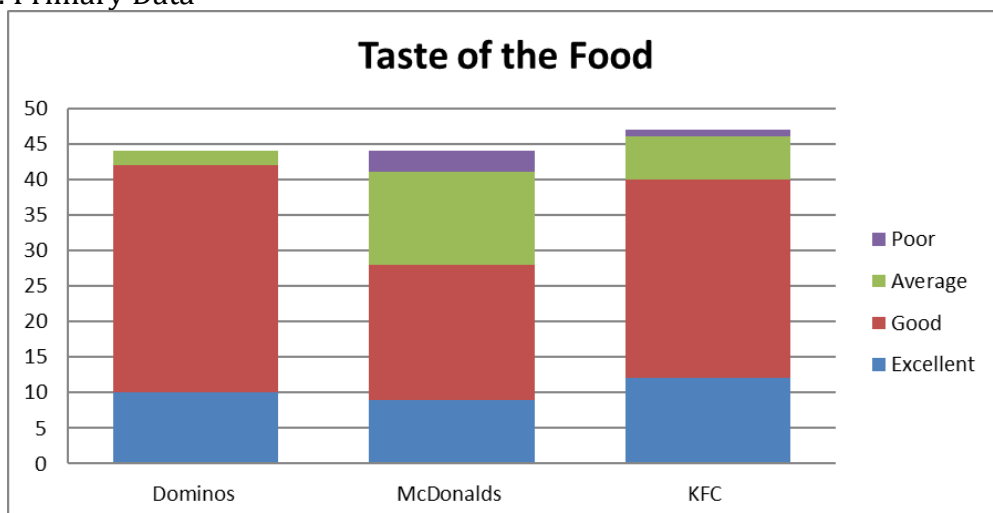
- ✓ KFC takes the lead with the best ‘taste of the food’ where most of the respondents have ranked it either excellent or good. It also takes the lead for food portion, and McDonalds is far behind both its competitors. McDonalds is perceived to have to least amount of nutrition among the three, and KFC, the highest.
- ✓ Dominos takes the lead when it comes to variety of choices for the consumer, rightly so as it has pasta, garlic bread, dessert etc. on its menu
- ✓ McDonalds ranked the highest for ‘value for money’ as it is the least expensive among the three; this is followed by Dominos and KFC.



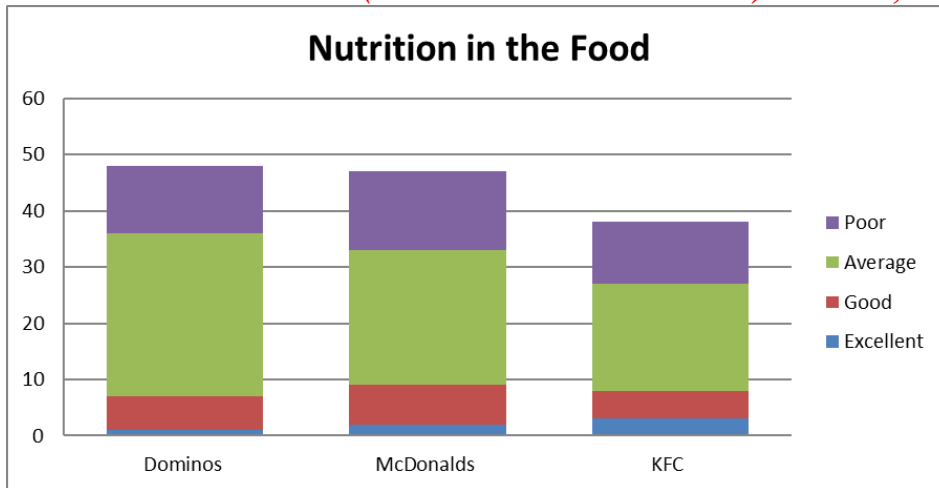
Source: Primary Data



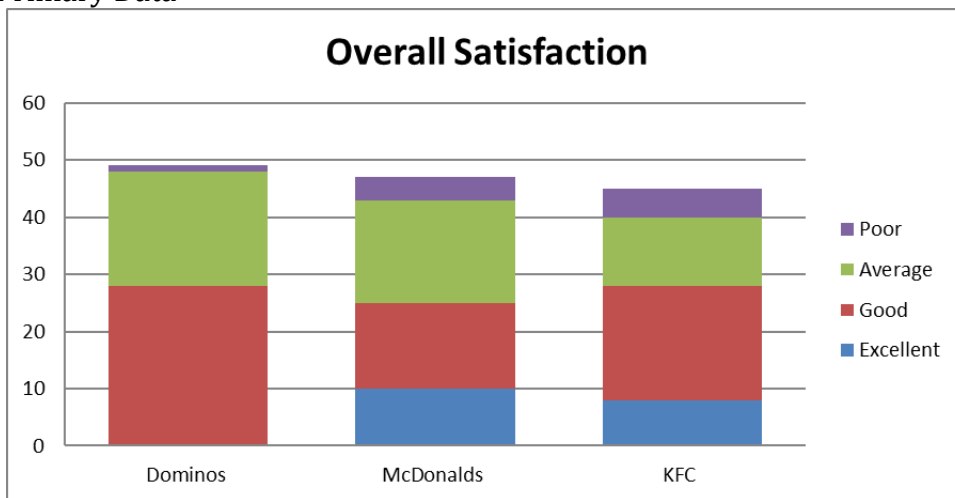
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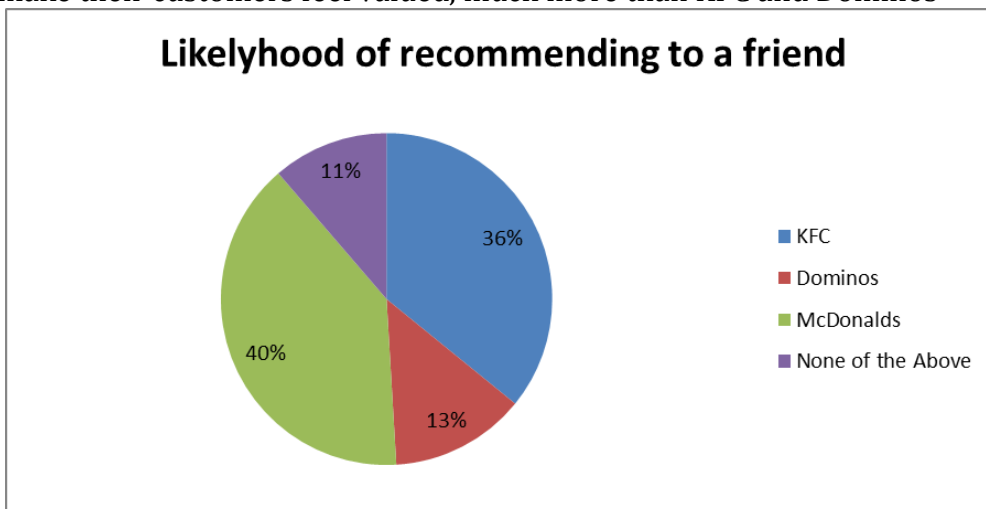


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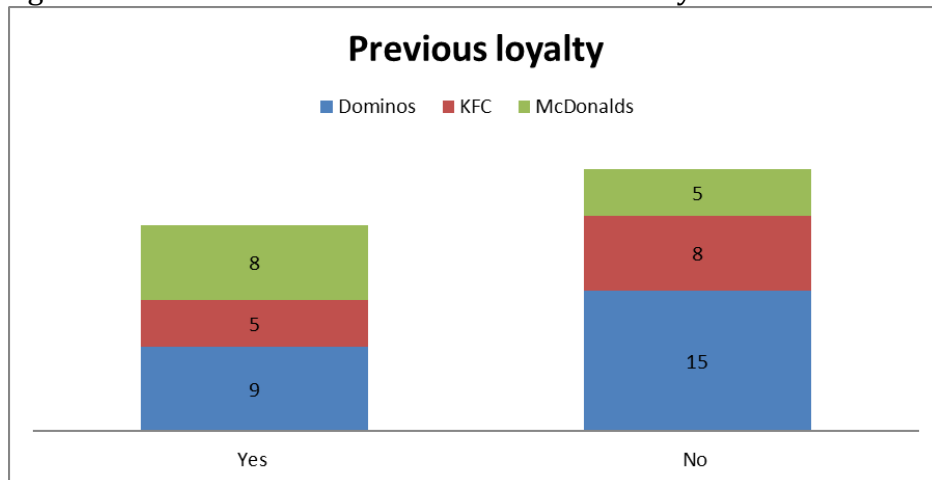
Source: Primary Data

- ✓ 40% of the respondents felt that McDonalds valued them as a customer. This was followed by Dominos and lastly, KFC.
- ✓ Making the customer feel that he is valued and an important part of the organization is important in creating customer loyalty
- ✓ Even with being the least preferred among the three, McDonalds still manages to make their customers feel valued, much more than KFC and Dominos



Source: Primary Data

- ✓ When a customer recommends the restaurant to a friend, it is a clear sign of loyalty. A loyal customer not only associates itself with the company but also brings in other customers for the brand because they believe in it.



Source: Primary Data

- ✓ KFC and Dominos may have a good menu, variety, taste and even more nutrition, but, McDonalds on Cunningham road makes the customer feel more valued and therefore, they are more inclined to recommend the restaurant to a friend.
- ✓ The above data helps to infer whether the customers are attitudinally loyal or behaviorally loyal. It also shows the tendency of a loyal customer to switch to another brand.
- ✓ Ironically, when it comes to how valued the customer feels in the restaurant and the most important task of recommending to a friend, McDonalds takes the lead.

Suggestions:

- ✓ Fast food is looked at as unhealthy and with less nutrition. If each of these restaurants launches a healthier menu or a section where people can opt for healthier meals such as salads or grilled meat, it would definitely be attention grabbing. Taking care of the society can also be looked at as Corporate Social Responsibility.
- ✓ Consumers prefer brands that associate with happiness and are centered around youth. KFC, Dominos and McDonalds should try and cater to the youth more. They should portray themselves as a brand with a special emphasis on the youth.
- ✓ Advertisements do play a crucial role. Instead of making advertising the main focus, they could try and focus on creating a relationship with the customer through loyalty programs. Loyalty programs reel in customers and also help to retain them for a definite period of time.
- ✓ Most of the respondents have said that the portion of the food they purchase is average. This can be used to the advantage of these three brands. If even one brand increases their portions, the loyalties will switch immediately because this seems to be a general problem that all of them share.

The Road Ahead:

The Indian fast food market has been witnessing rapid growth on the back of positive developments and presence of massive investments. Currently, market growth is largely fueled by the rising young population, working women, hectic schedules, and increasing disposable income of the middle-class households. Some of the unique properties of fast food like quick served, cost advantage, etc are making it highly

popular among the masses. Thus, India offers enormous opportunities for both domestic as well as international players.

According to a new research report, "Indian Fast Food Market Analysis", the Indian Fast Food Industry is anticipated to grow at a CAGR of around 34% during 2011-2015. Anticipating the future growth, many big international players are entering into the market by making deals with the domestic players. And those already present in the Indian market are expanding their presence in different provinces of the country. This trend will emerge more strongly during our forecast period, providing opportunities to local players to widen their product portfolios.

Research has further revealed that there is a large scope of growth in the untapped tier-II and tier-III cities, owing to which, major fast food retailers have already started applying various marketing strategies in popularizing their brands in these cities.

Indian fast food market is expected to grow at a CAGR of 18% by 2020 due to changing consumer behavior and demography. Fast food market in India is expected to be worth US\$ 27.57 billion by 2020. About 10% of the fast food market in India is organized. NOVONOUS estimates that the organized fast food market in India is expected to grow at a CAGR of 27% by 2020. Vegetarian fast food constitutes of around 45% of the whole fast food market in India and is expected to grow at a CAGR of 18% by 2020.

Fast food Casual dining restaurants (CDRs) market in organized fast food sector in India is projected to grow at a CAGR of 27% by 2019-20. Non casual dining restaurants (NCDR) or fast casual dining restaurants have gained tremendous market share in the last 10-15 years. Non-Casual dining restaurants (CDRs) market in organized fast food sector in India is also projected to grow at a CAGR of 27% in next 5 years. Quick Service Restaurants (QSRs) market in organized fast food sector in India is projected to grow at a CAGR of 20% by 2019-20.

Concluding Remarks:

Today's businesses have already witnessed the benefit of sustainability. It is good for the planet and good for the bottom line. Implausible as it looks, building strong brands is definitely not incompatible with a sustainable future. Sustainability requires more than companies willing to pursue it. For businesses, addressing sustainability offers not only the opportunity for cost savings today, but also the possibility of creating new value in the future. Brand loyalty in present scenario which depicts that in today dynamic environment a brand is a promise which is made to consumers and to its owners. Promise kept yield loyal customers and will produce a steady stream of profits for an organisation. A brand loyal customer helps to maintain more than 80% of profits for an organisation rather than to make new customers. Therefore, an organisation must have to focus on maintaining long term relationship with them as they serve as a promotion tool for a company via word of mouth publicity if they are satisfied.

As per the study it is analyzed that consumers in the today's market are more fascinated to western culture and increase in the facilities offered by fast food services driving the growth of the industry. The frequency of visiting the fast food outlets relates with the ages of the consumers as well as the income affects the spending habits of an individual. In this age of social media and macro-targeted marketing, companies now face opportunities to educate customers and build loyalty by offering such advice as smarter purchase decisions.

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