

# An Empirical analysis on customer satisfaction level in Fast Food Industry among the major competitor's [Delhi- NCR]

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## Abstract

Customer satisfaction is one the most common and important aspects in any organization, particularly in fast-food industry. Due to market competition and availability of businesses, an organization needs to focus on the degree to which a customer is satisfied with its products and/or services of the organization. This research Paper is based on an Empirical analysis on customer satisfaction level in Fast Food Industry among the major competitor's. All the studied organizations are leading fast-food businesses in the US and other international countries. The failure or success of a fast food industry based on some factors like Product variety, Effective promotional activity, Healthier fast food menu, Brand, Taste, Price, Employee Services etc. To find which of these factors has greater influence on consumer satisfaction, fast food restaurants customers were targeted randomly. These restaurants were Mc Donald's, PIZZA HUT, KFC, Subway, Domino's etc. Total number of customers who were targeted was 300. Out of which only 235 useable questionnaires were received. Multiple Regression Model is applied on the data collected through respondents by questionnaire. Findings of the study shows that taste, price, variety and employee services are the key factors for satisfaction in fast food industry in Delhi NCR.

Keywords: *Customer satisfaction, Fast food Industry, regression analysis*

## 1. Introduction

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 fuelled 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 our new research report, "Indian Fast Food Market Analysis", the Indian Fast Food Industry is anticipated to grow at a CAGR of around 34% during 2011-2016. 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 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. Furthermore, they are aiming to provide affordable and customized products to suit the needs of people that would ultimately provide necessary boost to the Indian fast food industry.

The fast food industry, also known as Quick Service Restaurants (QSR), has been serving up tasty morsels for as long as people have lived in cities. According to Federation of Indian Chambers of Commerce and Industry, FICCI (2016) India's food and beverages (F&B) industry will expand at an average annual pace of 24% to reach Rs.3.8 trillion in sales by the year ending 31 March 2017. Fast-food joints, which have the largest market share at 45%, will grow by 16.6% a year, followed

by casual dining (32% share) expanding 10.1% annually.

Fast-food chains such as McDonald's, Domino's Pizza, KFC, Subway, Haldiram's and Bikanervala are estimated to have combined sales of Rs.92,000 crore by 2016-17 as they expand into smaller cities.

Amid an economic slowdown, it seems India's consumers will still give themselves a cheap treat. International and domestic fast-food chains are growing rapidly, catering to India's young and increasingly wealthy population. Yet with the market still dominated by small stalls, restaurants are struggling to keep prices low enough to benefit from the mouth-watering opportunities.

The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year. In India, the food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition, particularly within the food processing industry. According to Grant Thornton India (GTI, 2016), Indians spend about half of their total consumption expenditure on food, which seems to be rising among people between 20 and 25 years of age. "Indian consumers are increasingly dining out, particularly in urban areas. Urbanisation, changing lifestyle and food preferences are spurring the organized market," adding that about 70% of the young consumers in India are price-sensitive.

The Government of India has been instrumental in the growth and development of the food processing industry. The government through the Ministry of Food Processing Industries (MOFPI) is making all efforts to encourage investments in the business. It has approved proposals for joint ventures (JV), foreign collaborations; industrial licenses and 100 per cent export oriented units.

### Market Size

The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. It is projected to grow at the rate of 104 per cent, touching US\$ 482 billion by 2020. The Indian food processing industry accounts for 32 per cent of the country's total food market, 14 per cent of manufacturing GDP, 13 per cent of India's exports and six per cent of total industrial investment. Indian food service industry is expected to reach US\$ 78 billion by 2018. The Indian gourmet food market is currently valued at

US\$ 1.3 billion and is growing at a CAGR of 20 per cent. According to a study from research firm Crisil (2015), India's quick-service restaurants segment is expected to grow by 26% each year to reach Rs 117bn by 2017, fuelled by the arrival of more international chains and strengthening of local players. Established chains should account for around two thirds of store additions, while international brands like Domino's, Subway, McDonald's, KFC and Pizza Hut will make up around 40% of new stores in coming years.

### Highlights

- 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.
- Millions of people eat ethnic fast food every-day from pani-puri to vada pav to dosa. To leverage the growth of ethnic fast food market many players are entering this market in an organized way.
- Ethnic fast food market in India is projected to grow at a CAGR of 31.95% by 2019-20.

## 2. Literature Review

Ali Nasir, Mirza Ashfaq Ahmed, Iram Nazir, Huma Zafar, Zahra Zahid (2014) revealed that consumers who go to restaurant for family celebration will often look for quality, environment, exceptional employee service and security services. There is a possibility that consumers who go to restaurants for family celebration will often ignore the high price of the restaurants, because they want high quality and pleasurable environment for their celebration. Consumers who go to restaurants just because there is no one to cook at home or they are far from their homes will often look for low price and they will sacrifice the exceptional security and service and quality of food. The business people like family celebration consumers will also focus more on quality and environment instead of low price because they are business people and high quality is mostly in their budget. They can afford high price for high quality.

In the study of Angelova.B, Zekiri.J (2011), Customer satisfaction does have a positive effect on an organization's profitability. Satisfied customers form the foundation of any successful business because customer satisfaction leads to repeat purchases, brand loyalty, and positive word of mouth. In the food services context, results of many previous studies have revealed that service quality has a strong relationship with customer satisfaction (e.g. Stevens et al., 1995; Andaleeb and Conway; 2006; Kim et al., 2009; Min and Min, 2011).

Khan (2012) has mentioned that customers are the most important part of any business and they are the people who have significant influence and impact on the business, including fast-food business. Customer satisfaction is the personal feelings about foods and services in the fast-food business that has been considering as one the most important aspects within the business. Ha and Jang (2010) investigated the effect of service quality and food quality in Korean ethnic restaurant concluded that providing quality food is particularly critical for creating customer satisfaction. Similarly, Min and Min (2011) examined service quality and customer satisfaction in fast food restaurant franchises in the USA.

Mckinney (2012) has noted that according to American Consumer Satisfaction Index, McDonald's has the worst level of customer satisfaction and also noted that all McDonald's customers are not agreed with the business vision,

i.e. 'I'm lovin it' of McDonald's. Mckinney (2012) has mentioned that it is worth noting that the company has made significant improvements since 2004. On the other hand, McDonald's issued a statement in response: "At McDonald's, customer satisfaction has, and continues to be, a top priority. We take all customer feedback seriously. Through restaurant evaluations and customer and employee feedback, we are continually evaluating our performance. Our internal and third-party research shows that we continue to make progress in satisfying our customers (McDonald's, 2012). The company has been carrying out customer satisfaction survey for the purpose of hearing from customer because customer satisfaction is important to the business.

Ali et al. (2010) found that improving customer relationship could provide an edge for fast food retailers in India provided they are able to manage and formulate new marketing tools and practice to facilitate greater customer satisfaction and better overall experience. Burger King is second leading fast food business in the world. Burger King is depending on repeat purchases from satisfied customers. The company has been focusing on high-quality food, good value and dependable service (Pride and Ferrell, 2012). They have mentioned that the company has been providing different services with quality foods to increase number of customers through satisfying their needs and demands in accordance with current trends and demand within the fast-food industry. Important objective of corporate marketing strategies is satisfaction of customers so high level of satisfaction can lead to high level of customer loyalty (Ryu et al., 2012; Suh and Yi, 2006). It can also lead to trust and positive word of mouth (Jani and Han, 2011; Pantelidis, 2010).

Huang (2011) promotions is different form of activities for attracting and getting attention of customer to purchase the product or service through personal selling, public relations, sales promotions and advertising. According to Kurniawan (2010) promotion of product or service helps in the best way to builds relationship with customers, because everyone is looking for the best suitable deal for them. Nadia Farhana and Shohana Islam (2011) this study reveals that the customers are interested to travel distances for their favorite restaurants. In order to increase the customers' satisfaction with regards to customer service, the fast food restaurants must focus their strategies to increase the attributes related to the quality. Additionally, the study suggests that the people are

loyal to their favourite fast food restaurants without having any effect of price variance. Sandeep Singh Chib (2012) revealed that the demand for food is on rise so is the spending of the customers. Food is the biggest consumption category in India with spending amounting to about 21 percent of India's GDP. Along with the strong fundamental growth of the economy which provided a push to consumption, there was an increased market penetration by domestic and international food players which resulted in availability of products and provided the required impetus for consumption. Recent researchers reveal that out of the total Indian consumer spending on food 26 percent is on tertiary value added processed products.

Jooyeon Ha and Soo Cheong Jang (2010) highlights the significance of the customer perception of atmosphere on the success of the ethnic restaurants. The study points out that the service and food quality has positive and significant effect on customer satisfaction and loyalty. The study suggests that employee service and food quality are of immense importance for ethnic restaurants. Additionally, this study found that employee service together with ideal restaurant atmosphere effectively increases the satisfaction and loyalty of customers. The study makes important contribution towards understanding the formation of satisfaction and loyalty. Form a practical prospective the quality of physical environment is a critical tool for overall organization success.

### 3. Objectives of the study

1. To evaluate the level of customer satisfaction in Delhi (NCR Region).
2. To analyze the factors affecting customer Satisfaction level in fast food industry.
3. To find out the factor that has the greatest impact on the satisfaction levels of fast food customers.

### HYPOTHESIS

Ho1: There is no significant relationship between food varieties with customer satisfaction on purchase decision.

Ho2: There is no significant relationship between Effective promotional activities with customer satisfaction on purchase decision.

Ho3: Healthier fast food menu has no significant relationship with customer satisfaction

Ho4: Specific Brand name has no significant relationship with the customer relationship.

Hso5: There is no significant relationship with Taste on customer satisfaction.

Ho6: Employee service has no significant relationship with customer satisfaction on purchase decision.

Ho7: Price has no significant relationship with customer satisfaction

### 4. Methodology

This is an empirical research investigating the level of satisfaction on the various factors associated with fast food based on the survey method. For the very same purpose the customer in KFC, Mc Donald's, Subway, Domino's, Pizza Hut were targeted. These five restaurants were selected randomly from Delhi (NCR). The Likert scale questionnaire was designed for collecting of data from the mention respondents in above mentioned Fast food restaurants

There are two variables discussed in this study i.e. independent and dependent variables. Customer satisfaction in fast food industry showing dependency on variety, promotional activity, fast food menu, specific Brand name, price, taste of the Product and employee services.

Sampling unit: the population studied here in Indian customers' in Delhi-NCR Region. Convenient sampling method was adopted to select the customers.

Data collection Method: The present study is based on both primary and secondary data. A structured questionnaire was employed to collect the primary data. Various research papers, journals, books, online reports were studied to collect the secondary data.

Sample size: the sample size comprises of 300 respondents from different age groups and different professional backgrounds. Out of which 235 questionnaires were used.

Selection of factors: factors for the selection of fast food restaurants used in the study:

- Food Variety
- Healthier fast food menu
- Promotional activity
- Specific Brand name
- Employee service
- Price
- Taste

### 5.Data analysis:

The number of respondents who were contacted was 300. Out of which a total of 235 useable questionnaires were received. This data was analyzed using Multiple Linear Regression Model. Table I depicts analysis of Customer's profile while Table II, Table III, and Table IV represent Regression Model Summary, ANOVA and Regression Coefficients respectively, while Table V shows reliability test to check if data set is reliable using Cronbach alpha test.

### 6. Results

Table 1 is analysis of respondent's profile .Male were dominant with a response rate of 56.4%. The most frequent age group was group no.1 i.e.; 20-30 with 57% response rate and age groups 30-40, 40-50 was second and third with response rate of i.e.; 25 and 12 respectively. Mostly Respondents were Students (65%). Out of 235 respondents 48% were married. A majority of 64% visits restaurants sometimes and only a minor percentage of 9 % respondents used to visit fast food restaurants once every three months. 76.1% respondents don't prefer to buy fast food from local shops while 23.8% prefer to buy from local shops.

Most preferred restaurant was Mc Donald's, while Pizza Hut were ranked second and subway ranked third with a small difference only. Others included KFC and Domino's etc. with a percentage of 19%. Multiple linear Regression analysis is applied. Table 2 is regression model summary. This table shows that R<sup>2</sup> is 0.741 which explains that our independent variables(food variety, fast food menu, brand name, promotional activities, employee services ,price, taste) explains 74.1 percent variation in the dependent variable(satisfaction) and we can say that the model in this research paper is a good fit. Table 3 is the ANOVA test for testing overall prediction of model. The F-ratio in the ANOVA table tests whether the overall

regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable,  $F(7,227) = 92.801, p = 0.000 < 0.05$ . (i.e., the regression model is a good fit of the data) Table 4 is the reliability test .This table shows the results of reliability test, and it is observed that the p-value for cronbach alpha test the variables are exceeding from 70% which is the standard of acceptance for reliability and hypothesis of reliability is accepted. Hence it is concluded that the data set is normal and the assumption of regression analysis is satisfied, so the regression analysis can be applied on the data set .Table 5 is the coefficients table. Unstandardized Coefficients indicate how much the dependent variable varies with an independent variable, when all other independent variables are held constant. Among seven predictors, Price is most important because it has high beta value .671 which is greater than all other beta's and it has positive relationship with dependent variable i.e.; customer satisfaction. Among seven predictors food variety, healthier fast food menu and effective promotional activity have a negative relationship with dependent variable.

### 7. Conclusion

Customer satisfaction is a marketing term that measures how products or services supplied by a company meet or surpass a customer's expectation. It is very important because it provides marketers and business owners with a metric that they can use to manage and improve their businesses. The selected variables are ( food variety, effective promotional activity, healthier fast food menu, brand name, taste, employee services and price) used to study the relationship between customer satisfaction and all these variables. Price, Brand, Employee Services and taste are the key factors of customer satisfaction in fast food industry. Price is the most important because it has the high beta value among the seven variables. At the end it is concluded that there is a significant positive relationship between the Price, Brand, Employee Services and taste of the product to customer satisfaction.

APPENDIX:

Table 1: Analysis of customer's profile:  
Total 235 Valid Questionnaires were recorded.  
Sample characteristics and consumption patterns of customers are shown in Table I.

TABLE 1

Variables	Frequency	Percentage
<b>Gender</b>		
Male	132	56
Female	103	44
<b>Age</b>		
20-30	134	57
30-40	58	25
40-50	28	12
Above 50	15	6
<b>Occupation</b>		
Student	152	65
Employed	54	23
Own Business	15	6
Others	14	6
<b>Marital Status</b>		
Married	112	48
Unmarried	123	52
<b>Preferred Fast Food Restaurants</b>		
Mc Donalds	76	32
Pizza Hut	56	24
Subway	58	25
Others	45	19
<b>Frequency of Visits to Fast Food Restaurant</b>		
Sometimes	145	62
weekends	43	18
once in a month	26	11
once every three months	21	9
<b>Prefer to buy fast food from the local shops</b>		
Yes	56	23.82
No	179	76.17

SUMMARY OUTPUT

TABLE 2

<i>Regression Statistics</i>	
Multiple R	0.861a
R Square	0.741
Adjusted R Square	0.733
Standard Error	0.915
Observations	235.000

a. Predictors: (Constant), Promotion, Food variety, Healthier Fast food menu, Brand, Employee Service, Price, and Taste of the product.

TABLE 3

ANOVA a					
Model	df	Sum of squares	Mean Square	F	Significance F
Regression	7.000	543.285	77.612	92.801	0.000b
Residual	227.000	189.847	0.836		
Total	234.000	733.132			

a. Dependent Variable: satisfaction

b. Predictors: (Constant), Promotion, Food variety, Healthier Fast food menu, Brand, Employee Service, Price, and Taste of the product.

TABLE 4  
Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.734	.741	8

Item Statistics

	Mean	Std. Deviation	N
Food variety	21.21	2.066	234
Promotional activity	22.37	1.343	234
Healthier menu	22.91	1.739	234
Brand name	23.00	1.910	234
Taste	22.79	1.520	234
Employee services	22.53	1.928	234
Price	22.18	1.972	234
Customer satisfaction	22.42	1.774	234

TABLE 5  
Coefficients a

Model	Coefficients	Standard Error	t Stat	P-value
Intercept(Constant)	4.764	1.626	2.931	0.004
Food variety	-0.109	0.066	-1.64	0.102
Effective Promotional Activity	-0.027	0.064	-0.428	0.669
Healthier fast food menu	-0.078	0.054	-1.441	0.151
Brand name	0.063	0.03	2.125	0.035
Taste	0.179	0.061	2.939	0.004
Employee services	0.1	0.053	1.89	0.06
Price	0.671	0.039	17.227	0

a. Dependent Variable: satisfaction

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