Determining the Role of Customer Satisfaction in Gaining Customer Loyalty among Cafés

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ABSTRACT

Café as an establishment primarily sells refreshing drinks, snacks and light meals, with coffee being their flagship product. This type of business is steadily multiplying around the city of Tagbilaran, Bohol, Philippines. Customers are linked to business success as well as customer satisfaction and customer loyalty. This study was implemented to analyze the role of customers' satisfaction in gaining customers' loyalty, specifically among purposively selected cafés. The quantitative method of research approach was used with the aid of questionnaires. The data gathered were statistically treated making use of frequency, composite mean, weighted mean, chi-square test and Pearson correlation coefficients. The respondents included 210 customers from the purposively selected cafés. Results showed respondents to be very satisfied (VS) for the product; for the price; for the place; for the service quality; and moderately satisfied (MS) for promotion. Results further showed that there is a significant degree of relationship between customer satisfaction and customer loyalty.

Keywords: Customer Satisfaction, Customer Loyalty, Café, Service Quality, Marketing Mix S, Descriptive Statistics, Tagbilaran City, Philippines

INTRODUCTION

People drink coffee all over the world. In Asia, tea consumption has been dominating the traditional hot drinks market rather than coffee.

However, the Asian coffee market has increasingly become the focus of the world coffee industry in recent years. This fact is especially correct in East and Southeast Asia, where coffee consumption has been growing substantially over time. Meanwhile in the Philippines, although the country is a coffee producer, it is a net importer of coffee overall, with domestic consumption as much as ten times higher than production. The Southeast Asia is labelled as one of the highest to consume coffee per capita, at an estimated 1.3 kg, and with a population of over 96 million people 2000 (Coffee consumption in East and Southeast Asia: 1990 – 2012). Additionally, the findings of the study conducted by Kantar Worldpanel Philippines stated that Filipinos have shifted from being moderate to heavy coffee drinkers.

As a result, to this development, the café business in the Philippines is growing promptly with an increasing number of Filipino enjoying coffee in various attractively decorated cafés. Cole-Ingait (2017) defined cafés as an establishment primarily selling refreshment drinks, snacks and light meals, with coffee being their flagship product. The province of Bohol, specifically in the city of Tagbilaran, has many cafés both local and international that had been operating in these past years. It also means that in this competitive market, it is critical for the companies to maintain their customers' loyalty. A study cites that once the food service (including cafés) operators meet or surpass their customers' expectation and satisfy their customers, it will increase the customers return intention and the word-of-mouth endorsement too (Ng, 2005). In business, it is necessary that a product or service offered satisfies the customers because in running a business it is considered as the most important factor. According to a research satisfied customers would likely repurchase and influence customer loyalty, thus understanding customer satisfaction can provide organizations with information to streamline their operations (Rabo, J., & Ang, M.). Customer satisfaction emphasizes as the key to a company's success and long-term competitiveness (Hennig-Thurau, and Klee, 1997). In the hotel industry the failure or success of a hotel is associated with food quality, service quality, cleanliness, amenities and environment (Magdamit, Jr, Almeyda, Apolinario, and Bato, 2015). Another study also associated the customer satisfaction as the dominant factor with the success of a business organization (Kandampully & Suhartanto, 2000).

To analyze the relationship between the companies and the buyers, the managers of different cafés need to come up with the right business

strategy. The café owners should develop an appropriate management strategy to provide customers with high-quality products and services that could meet their customers' satisfaction. It is supported by Cole-Ingait (2017) as he stated that café businesses must employ innovative strategies, such as diversification of menu offerings, to increase sales and remain competitive. Loyalty cards, discount cards, coffee vouchers, low prices and environmentally friendly coffee are some more examples of these strategies. Furthermore, an important strategy which helps promote customer satisfaction is the Marketing Mix strategy (Kotler, Burton, Adam, Brown, & Armstrong (2007). The Marketing Mix Strategy consists of four (4) variables known as "four P's" comprising the Product, price, place, and promotion. The impacts of these strategies on customers' loyalty had not been widely investigated. Therefore, there is a need to consider if there is such a thing as loyalty when people purchase coffee and other products and where does the customer loyalty begin.

The main purpose of this study was to determine the role of customer satisfaction in gaining customer loyalty among the purposively selected café establishment in Tagbilaran City, Bohol.

Specifically, the study sought to answer the following objectives:
- to describe the profiles of the customer respondents;
- to determine the level of customer satisfaction needed to effect customer loyalty;
- to identify the most significant factor in achieving customer satisfaction; and,
- to relate customer satisfaction and customer loyalty.

RESEARCH METHODOLOGY

This research used the quantitative research approach utilizing the modified questionnaire to find out what is the role of customer satisfaction that enables the customer to be loyal. Questionnaire was distributed as a data gathering instrument.

For the location, the researcher purposively selected café establishments within Tagbilaran city, Bohol, with the basis of the following inclusion criteria:
1. The café establishment should be in operation for at least six (6) months; and

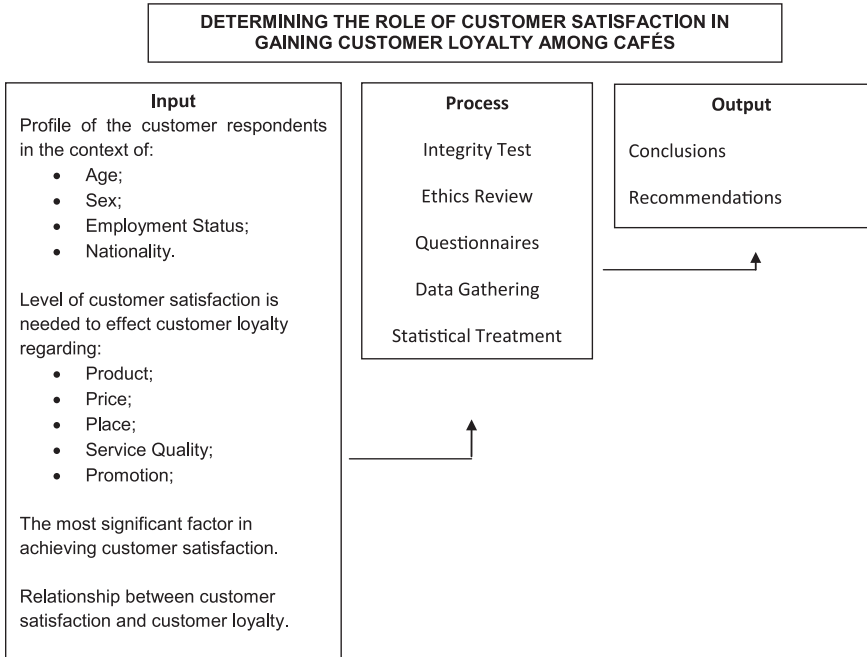2. The café establishment should be situated near government offices, education institutes, and residences.

Shown in the table below is the list of the purposively selected café establishments:

Café	Location
1. 29th M Street	Ma. Clara st., Cogon, Tagbilaran City
2. Cafe Maj'stea	0071 Galleria Luisa Gallares St. Poblacion II, Tagbilaran City
3. Bohol Hugot Cafe	0121-A Salise Building for Rent VPI AVE., Poblacion I
4. Soledad Suites (Brew Point Coffee Club)	Jacinto Borja St. Poblacion II Tagbilaran City
5. Tablea de maria clara	57a Ma. Clara St., Cogon, Tagbilaran City
6. The buzz Café (Galleria)	0071 Galleria Luisa Gallares St. Poblacion II, Tagbilaran City
7. Tuko Café	151 C. Gallares St. Poblacion II, Tagbilaran City

This study used purposive random sampling wherein the participants were the customers of the seven (seven) selected cafés in Tagbilaran City. Each café has thirty (30) respondents and the gathering of data was done for a week from 10:00 a.m. to 10:00 p.m. The sample size has a total of 210 respondents. The researchers employed questionnaires to gather data on this study. The tool was being modified from the study of Thomyachatti (2012), "Satisfaction of Customers at Coffee Shops in Gas Station in Bangkok." Furthermore, the four (4) point Likert scale (Vagias, 2006) was installed to the questionnaire to assess the participant's level of satisfaction as follows: 4 = Very Satisfied, 3 = Moderately Satisfied, 2 = Slightly Satisfied, 1 = Not at All Satisfied.

The respondents' profiles, such as the age, sex, employment status and nationality, were analyzed and interpreted through projections based on the numbers of simple percentage. The customer satisfaction scores of each respondent were calculated using the composite mean, weighted mean and ranking. The researchers have utilized the Pearson Product Moment Correlation and Chi-square in obtaining the degree of relationship between the respondents and customer satisfaction scores.

Figure 1. Theoretical Framework

DETERMINING THE ROLE OF CUSTOMER SATISFACTION IN
GAINING CUSTOMER LOYALTY AMONG CAFÉS

Input	**Process**	**Output**
Profile of the customer respondents in the context of:	Integrity Test	Conclusions
• Age;	Ethics Review	Recommendations
• Sex;		
• Employment Status;	Questionnaires	
• Nationality.	Data Gathering	
	Statistical Treatment	
Level of customer satisfaction is needed to effect customer loyalty regarding:		
• Product;		
• Price;		
• Place;		
• Service Quality;		
• Promotion;		
The most significant factor in achieving customer satisfaction.		
Relationship between customer satisfaction and customer loyalty.		

RESULTS AND DISSCUSSION

The majority (69%) of the café customer respondents are from 18-25 years old which ranked the highest, and the least group is 60 and above with 1.00 percent. Furthermore, among the café customer respondents, 63.80 percent or 134 out of 210 respondents were female, and only 36.20 percent or 76 out of 210 respondents were male. It also reveals that 39.50 percent of the café customer respondents are students which ranked the highest while the lowest are the self-employed with 7.10 percent. Lastly, mostly of the café customer respondents are Filipino which has 99.00 percent while the remaining 1.00 percent belongs to the other nationality.

Table 1. Level of Satisfaction - Product

	STATEMENT	MEAN	DV	Rank
	PRODUCT			
1	Flavor of coffee and other beverages	3.41	VS	2
2	Freshness and quality of raw materials for coffee and beverages e.g. coffee beans and milk	3.39	VS	3
3	A variety of coffee and beverage menu as well as bakery and snacks	3.44	VS	1
4	Freshly-baked products and tasty snacks	3.31	VS	5
5	Beautiful and appropriate package design	3.33	VS	4
	Mean	3.39	VS	

The results of the survey were as follows: *A variety of coffee and beverage menu as well as bakery and snacks*, 3.44 or **Very Satisfied**; *Freshly-baked products and tasty snacks*, 3.31 or **Very Satisfied**. The composite mean turned out to be 3.39 which is interpreted as **Very Satisfied.**

Table 2 : Level of Satisfaction - Price

	PRICE	MEAN	DV	Rank
6	Fixed price for all products, with price tags	3.28	VS	1
7	Various and reasonable pricing according to the size of coffee/beverage container	3.25	MS	3
8	Reasonable pricing for baked products and snacks	3.22	MS	4
9	Reasonable pricing when compared with the product quality and quantity	3.20	MS	5
10	Reasonable pricing when compared with overall service of the coffee shops	3.25	MS	2
	Mean	3.24	MS	

The results of the survey were as follows: Fixed price for all products, with price tags, 3.28 or **Very Satisfied**; Reasonable pricing when compared with the product quality and quantity, 3.20 or **Moderately Satisfied**. The composite mean turned out to be 3.24 which is interpreted as **Moderately Satisfied.**

Table 3: Level of Satisfaction - Place

	PLACE	MEAN	DV	Rank
11	Beautifully decorated and clean coffee shop with pleasant and inviting atmosphere	3.52	VS	1
12	Newspaper, magazines and music provided to read and listen to at the coffee shop	3.09	MS	4
13	Large and convenient area in the coffee shop	3.26	VS	3
14	Convenient and sufficient parking space	2.96	MS	5
15	Appropriate service time	3.30	VS	2
	Mean	3.21	MS	

The results of the survey were as follows: Beautifully decorated and clean coffee shop with pleasant and inviting atmosphere, 3.452 or **Very Satisfied**; Convenient and sufficient parking space, 2.96 or **Moderately Satisfied**. The composite mean turned out to be 3.21 which is interpreted as **Moderately Satisfied.**

Table 4.Level of Satisfaction – Service Quality

	SERVICE QUALITY	MEAN	DV	Rank
16	Appearance of physical facilities, equipment, personnel, and communication materials	3.42	VS	2
17	Ability to perform the promised service dependably and accurately	3.33	VS	5
18	Willingness to help customers and provide prompt service	3.44	VS	1
19	Caring, individualized attention the firm provides its customers	3.42	VS	3
20	Wi-Fi Internet provided free of charge	3.39	VS	4
	Mean	3.40	VS	

The results of the survey were as follows: Willingness to help customers and provide prompt service, 3.44 or **Very Satisfied**; Ability to perform the promised service dependably and accurately, 3.33 or **Very Satisfied**. The composite mean turned out to be 3.40 which is interpreted as **Very Satisfied.**

Table 5. Level of Satisfaction - Promotion

	PROMOTION	MEAN	DV	Rank
21	Customers' bonus point collection for a free product or membership for special privileges, e.g. rights to win a prize when purchasing up to a certain amount or to win a lucky draw	2.72	MS	4
22	Discount Scheme: goods sold at a special discount on some days	2.84	MS	2
23	A free gift offered on special occasions, e.g. on Mother's day a gift will be given when buying to cups of coffee or ay beverage/a free drink when spending worth 1000 PHP of food.	2.69	MS	5
24	Advertising through brochures, e-mails, SMS, posters and signage	2.88	MS	1
25	VIP and/or Loyalty cards that gives special menu items and discounts	2.73	MS	3
	Mean	2.78	MS	

The results of the survey were as follows: Advertising through brochures, e-mails, SMS, posters and signage, 2.88 or **Moderately Satisfied**; a free gift offered on special occasions, 2.69 or **Moderately Satisfied**. The composite mean turned out to be 2.78 which is interpreted as **Moderately Satisfied.**

Table 6. Overall Summary

	MEAN	DV	Rank
Product	3.39	VS	2
Price	3.24	MS	3
Place	3.21	MS	4
Service Quality	3.40	VS	1
Promotion	2.78	MS	5
Composite Mean	3.20	MS	

The café customer respondents were most satisfied with the Service Quality with the weighted mean of 3.40. It was followed by Product with the weighted mean of 3.39, followed by Price with the weighted mean of 3.24, followed by Place with the weighted mean of 3.21 and lastly, Promotion with the weighted mean of 2.78. The composite mean turned out to be 3.20 which is interpreted as **Moderately Satisfied.**

Table 7 : Correlation Between Customer Satisfaction and Customer Loyalty

		LOYALTY	OVERALL SATISFACTION
LOYALTY	Pearson Correlation	1	.670**
	Sig. (2-tailed)		.000
	N	210	210
OVERALL SATISFACTION	Pearson Correlation	.670**	1
	Sig. (2-tailed)	.000	
	N	210	210
**. Correlation is significant at the 0.01 level (2-tailed).			

The data showed that the computed significance value of .000 (1.01902797780983E-28) is lesser than the level of significance of 5 percent. This led to the confirmation that the null hypothesis is rejected. Hence, there is a significant relationship between customer satisfaction and customer loyalty.

CONCLUSIONS

Anchored on the aforementioned findings, the following conclusions were drawn:

1. The majority of the café customers are satisfied with the variety of coffee and beverage menu as well as bakery and snacks while they are least satisfied with the freshly-baked products and tasty snacks.

2. The majority of the café customers are satisfied with the fixed price for all products, with price tags while they are least satisfied with the reasonable pricing when compared with the product quality and quantity.

3. The majority of the café customers are satisfied with the beautifully decorated and clean coffee shop with pleasant and inviting atmosphere while they are least satisfied with the convenient and sufficient parking space.

4. The majority of the café customers are satisfied with the willingness to help customers and provide prompt service while they are least satisfied with the ability to perform the promised service dependably and accurately.

5. The majority of the café customers are satisfied with the advertising through brochures, e-mails, SMS, posters and signage while they are least satisfied with the a free gift offered on special occasions.
6. Among the level of satisfaction in achieving customer satisfaction, respondents are most satisfied with the Service Quality, followed by Product, then Price, followed by Place, and lastly, Promotion.
7. The majority of the café customers are satisfied with the "Beautifully decorated and clean coffee shop with pleasant and inviting atmosphere" while they are least satisfied with the "Free gift offered on special occasion".
8. There is a significant degree of relationship between customer satisfaction and customer loyalty. In other words, whatever the level of customer satisfaction, it will affect the level of customer loyalty.

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