

# Sustainable Entrepreneurship and Customer Loyalty in the Fast Food Industry in Nigeria

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**Abstract** This study examines how customer’s perception is influenced by factors of customer loyalty towards certain preferred fast food restaurants. Using survey method, 230 out of 572 randomly selected respondents across three universities in Osun state participated in the study. With a 10-item instrument, the respondents were gauged on their perception of their favorite fast food spot within the campuses and their willingness or otherwise to support their growth and continued existence through their patronage. 73% (168) of the respondents felt that their patronage will continue to aid the growth of their chosen fast food restaurant while 84% (193) believed that the enterprise may not survive without their patronage and that of their cohort. While most of the respondents prefer western styled fast food spot, there was a significant interest in traditional/local eateries. Overall, 89.56% (206) of the respondents were satisfied with the quality of service they received from their chosen fast food spot. The study concluded that pricing and promotion have little effect on customer loyalty while product quality and service quality were the main drivers of customer loyalty and retention.

**Keywords:** *entrepreneurship, fast food industry, consumer loyalty, business, marketing enterprise*

**Cite This Article:** OLAOYE Ismail ‘Kayode, AWOLAJA Ayodeji Muyideen, and DABIRI Muhammed Al-Furqan, “Sustainable Entrepreneurship and Customer Loyalty in the Fast Food Industry in Nigeria.” *Journal of Business and Management Sciences*, vol. 4, no. 4 (2016): 93-97. doi: 10.12691/jbms-4-4-3.

## 1. Background of Study

Entrepreneurship may be defined as “the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic (psychological), social risks and receiving the resulting rewards of monetary and personal satisfaction and independence” [10]. This definition rightly encapsulates what new enterprises springing up in the fast food business in Nigeria represent. Popular Yoruba adages state that “the stomach is a shrine that continually requires sacrifice” and that “food business never runs into bankruptcy”. However, setting up a viable food business requires more than the stomach demand for food. Like any other business venture, fast food business is dependent on several factors among which are the behavior and attitude of the entrepreneur towards the business and its customers and vice-versa. These are generally determined by values, attitudes, belief and perception which, in addition to individual’s social context, influence their behavior; not excluding entrepreneurs [17,18]. A two-way positive interaction between the enterprise and the customer develops into a relationship that transcends into loyalty from both ends. However, in the marketing element of management, customer loyalty has become a very important issue, as it tends to determine the sustainability of the enterprise in the face of growing globalized competition.

### 1.1. Customer Loyalty: A Global Perspective

To become loyal to a brand, a customer must first be satisfied with the product or service being patronized. Thus customer satisfaction is the nexus between customer loyalty and enterprise sustainability. However, while the nature of the relationship between customer satisfaction and customer loyalty appears to be complex, the literature suggests that the relationship is quite simple, given the fact that satisfaction leads to attitudinal loyalty [14]. Satisfaction is defined as an emotional post-consumption response that may occur as the result of comparing expected and actual performance or it can be an outcome that occurs without comparing expectations [20]. Two types of satisfaction identified are evaluative satisfaction which occurs as a result of the disconfirmation of expectations and the emotion-laden satisfaction, based on non-rational processes [3]. These variations of satisfaction are both generated and maintained through the kind of relationship existing between the business and the customer, which is primarily driven by the activities of the business owner through the business marketing activities. This is known as *relationship marketing*.

Gonroos [8] defined relationship marketing as a customer retention strategy that maintains and enhance relationship with customers and other stakeholders in order to cement continuous, profitable exchanges over time. Relationship marketing is also about creating a coordinated effort towards ensuring that suppliers,

employees, customers and the community become aware of the company's business and receive constant and consistent messages of its progress and processes. Employees of the firm are the major agents of relationship marketing; customers recognize their efforts but tend to be less appreciative when they do not get desired service [15]. Employees are seen as a vital part of creating and managing relationships with customers.

Considering services for instance, direct contact with the customers and their peculiar needs contributes to the provision of measurable quality service, on the part of the organization as represented by its workers, and observable satisfaction, on the part of the customer. The natural outcome of such a relationship is the retention of the customer through repeat sales or order. The opposite, in this case, is also tenable; where negative impression is created both ways. This is because the person delivering the service is the service. With tangible goods, the interaction of the two domains is similar, except for the fact that the focus of the customer's estimation of the enterprise performance is not in the 'person' but the 'product'.

An enterprise well known for its relationship and marketing practice is Ritz-Carlton hotels; guests are welcomed by name and are offered personally tailored meals among other personalized services [4,12].

Airlines are also known to provide rewards for their most profitable customers such as special privileges and complimentary flights. Therefore, service providers now seek innovative methods for rewarding profitable customers that will promote organizational growth and sustainability. Possible growth that may be created through successful relationship marketing strategies, according to Lovelock, Patternson & Walker [14] include

- Attracting new customers
- selling more to existing customers through rewarding purchase of meal up to a certain amount with a gift or extra meal as a token
- Regaining lost customers and
- Re-evaluating unprofitable relationships by deciding on whether to terminate or creating new ways of making customers more profitable through new initiatives and incentives, thus creating Customer Relationship Management (CRM).

Businesses today are increasingly focusing on Customer Relationship Management or "CRM". This is a holistic view of marketing management, integrating marketing with human resource and operations management. Observed organizational benefits are all derived from increased satisfaction viz: increased profits, enduring loyalty, reduced costs and competitive advantage.

This strategy, which is also known as customer retention strategy, is adopted by businesses today to create consistent communication with the customers along with reminding them of the values they bring to the business [1]. Basically, the process involves being customer-centric and anticipating customer needs so that a mutually beneficial relationship may be maintained (Cherkassky, 2006).

Organizational benefits acquired from an ongoing relationship with customer are; Opportunities to cross sell related services to existing customers thus reducing operating costs as long term customers display fewer

problems and fewer demands; since loyal customers cost less to service and increased purchases since such customers are known to spend more with increased trust and satisfaction.

Empirical evidences have shown that satisfaction is a positive reaction to service efforts and is arguably the most important element in maintaining a business relationship [4], although satisfaction does not necessarily lead to retention and loyalty in highly competitive markets [12]. Values such as location, price, and friendship may be different for customers; they all help to sustain mutual relationship between customer and the service provider through empathy, responsiveness and provision of information in a timely manner and hence, create social bonds between the two. Length of patronage may also create stronger commitment to an organization and hence avert defection to competitors.

The creation of a relationship is a "marriage" [14], that promotes mutual benefits, status and long term commitment between the customer and the firm. Such relationship, according to Gounaris & Venetis [7], creates value, ensure longevity and make it difficult to switch service providers along with having the ability to recover customers in the event of negative experiences; a fairly good local example is what happened to Indomie noodles in the early 2000s.

Service providers in recent years now recognize three stages of customer retention that may prevent deflection which are:

- a. The first stage is that of the financial gain; pricing incentives of a service can dictate customer attraction in the first instance.
- b. The second stage of retention; stronger social benefits can be promoted to the customers that may create repeat business.
- c. The third stage however is where service providers must create unique experiences and incentives for their clientele that will be difficult for competitors to duplicate such as sending sms reminders or package deals offered at beauty therapy clinics that allow customers to combine services for a set price.

Ganesh et al. [6] found two factors in their loyalty items; active loyalty, which is depicted by the use of the word-of-mouth and intention to use product or patronize the firm, and passive loyalty; displayed by doggedly refusing to switch from product or organization even under less positive conditions.

Other authors have considered loyalty as a process rather than an outcome. Oliver [20], for example, identified four stages or variations of loyalty namely cognitive, affective, conative and action loyalty. Another common approach to identifying and defining customer loyalty is through the use of consumer's attitudinal and behavioral leanings [2,5]. Behavioral loyalty is usually identified as act of carrying out repeated transactions which can sometimes be measured quite simply with observational techniques. Attitudinal loyalty on the other hand is sometime defined equivalently with relationship commitment [16]. Both behavioral and attitudinal loyalties are highly prized by marketing practitioners because they translate to higher, constant and consistent sales margins. This is more so because the two concepts are highly intertwined; repeated purchases lead to positive affect

which leads to cognitive loyalty, high levels of involvement and intention to continue repurchase [20,21]. We may consider both affective and cognitive loyalty to be kinds of attitudinal loyalty. Strong attitudinal loyalty makes customers more resistant to attempts by other marketers to steal them away [9] and more resistant to counter – persuasion and search for alternatives [5]. Oliver's [20] perspective proposes that loyal customers go through four stages. First is the cognitive stage or belief stage. A customer may be attracted to the product for first-time purchase consideration through sales promotion or the high quality of the products offered by the firm. To become loyal, the customer must consistently confirm that his or her expectations about the goods or services are met. At the affective stage consumers are repeatedly satisfied with their purchasing decisions and thus develop an attitudinal penchant for repeat purchase. Third is the conative stage when consumers have a behavioral intention and are deeply committed to buying. The intention leads to the fourth stage of action. Customers have the desire to overcome obstacles, e.g., attraction of competitors or price increase by a firm, to achieve the actual purchase behavior [20].

## 2. Customers: The Key to the Market

Alan & Kunal (1994) refer to the customer as the strength of a relationship between attitude and repeat patronage. Customers are loyal to value, that is when benefits outweigh the sum of all costs, so therefore customers do not necessarily want a long term approach as they are generally concerned with getting more for less [11].

Customers may develop into evangelists who create a positive perception in the market place of the business through positive word of mouth publicity [14].

Encouragement of long term loyalty to a service provider can however be created through incentives such as discounts for services; for example, discount on hotel stays for frequent customers or reward cards such as the flybys card that entitles customers to receive mileage in return for repeat purchases. Since services are intangible, inseparable, variable and perishable, there is a higher risk perceived, therefore loyalty is likely to increase due to familiarity with businesses [12].

On the other hand a study completed by Liljander & Roos [13] found that loyalty may be classified as repeat patronage rather than a long term commitment as stated by Javalgi, et al. [12], in which case satisfaction does not necessarily result in loyalty and retention even in high competitive markets.

Just as assets depreciate at a quicker rate if not maintained, so do customers of service providers; that is, they may defect to competitors whenever their needs are not being met. Reasons for customer defection are increasingly acknowledged so that strategies for prevention can be put in place. Javalgi, Martin & Young [12] state that defection can stem from a bad experience such as a core service failure, for instance, failure to deliver ordered meal on time, poor product quality, failure to respond to a service need which can cause hostility and negativity, inconveniences such as long waiting times,

competition and involuntary switching due to forced closure of a service provider.

They further pointed out that distinct increases in price were not the most popular reasons for defection, contrary to popular belief. Businesses focus on recognizing situations where defection may occur and create relationship strategies that will strengthen associations so that customers will be more inclined to continue with the business and thus prevent negative publicity resulting from a negative situation.

## 3. Methodology

This study is based on exploratory survey research method because fast food business in Nigeria is in an upswing trend due to the changing lifestyles of the people. It is also becoming the potential market for entrepreneurs and investors in the food industry. For the purpose of this research, "fast food joint" encompasses local food sellers whose spot of trade are locally referred to as "buka" or "bukateria". Aside from these, campus buttery, where students could also get more conventional fast foods such as doughnut, meat pie, noodles and other western or foreign styled food items are also included. To achieve the objective of the study, therefore, interactions with 230 respondents were coded for use out of a total of 572 such interactions. Questions asked bordered on their attachment to particular products or services rendered by their preferred fast food joint. Due to the level of literacy of the target populace, the interaction was more like a two-way data mining process as many of the respondents were handed a 10 – item structured questionnaire to fill as well as being asked questions related to the items in the questionnaire. This was done to elicit a rich interpretation and understanding of the perception of the respondents. The interaction process itself was carried out during weekdays, when most students are likely to be around and most eateries function at full capacity. Analysis of the gathered data was done using least square regression analysis.

## 4. Results and Discussion

The study found that most of the respondents felt satisfied with the service and products they get from their chosen fast vendor as 206(89.56%) {137, (59.56%) and 69, (30%)} agreed with this fact. To determine customer satisfaction, factors 1, 2 and 8 were used. In measuring the level of satisfaction, the three factors have a very significant level of correlation ( $r = 0.99$ ,  $p > 0.01$ ). Ranked against the respondents perception of his/her satisfaction, frequent use or patronage of the service of the fast food spot has a significant correlation ( $r = 0.92$ ;  $p > 0.01$ ) and the attitude of the workers also present a strong relationship ( $r = 0.916$ ;  $p > 0.01$ ) with the respondents perception of satisfaction. Satisfaction also determines the frequency of visits to the chosen food spot ( $r = 0.72$ ;  $p > 0.01$ ) while the chance of getting similar service somewhere else has a negative, but significant correlation with satisfaction ( $r = -0.49$ ,  $p > 0.01$ ) indicating that customers, in this case the respondents, do not see a rivalry occurring between their chosen fast food spot and

some other similar ventures in attracting their patronage, they will remain loyal to their choice. This helps, to some extent, to determine the degree of customer loyalty enjoyed by the fast food spots chosen by respondents.

Most of the respondents prefer to dine at western styled fast food restaurants, with 161(70%) respondents preferring western fast food restaurants to the local bukateria; only 69 (30%) respondents think that the local fast food restaurants are better. Obviously, western fast food styled restaurants still dominates in the fast food markets and this had serious impact on the traditional /local fast food restaurants in terms of market share, volume of sales and even innovation concerning new products. To examine the relationship of the independent variables i.e. product quality, product attribute, brand name, store environment, service environment, promotion, price and brand trust, with customer loyalty Pearson correlation was used. The result indicated that of all the eight independent variables, service environment ( $r = -0.63$ ,  $p > 0.01$ ) and promotion ( $r = -0.89$ ,  $p > 0.01$ ) had negative correlation with customer loyalty. Why this is so is not clear because one would expect that the higher the investment in promotional activities the higher the level of customer loyalty or rather this simply implies that customer loyalty is not influenced by the amount expended on product promotion.

Further researches may need to be conducted to determine this. The case of the environment may be a bit straight forward in that the hygiene condition and aesthetics of the business venue may not meet with the taste and liking of the customers. For the remaining variables however, there exist varying degrees of positive correlations with customer loyalty, except pricing ( $r=0.089$ ,  $p > 0.01$ ) which seems not to have any significant correlation with customer satisfaction. The positive relationships with the other variables indicated that the higher the product quality ( $r = 0.97$ ,  $p > 0.01$ ), for instance, the more customers feel attached to their chosen fast food restaurant.

## 5. Conclusion and Recommendations

Results from the findings of this study indicated that Nigerian consumers are seriously concerned about quality issues. The very high correlation coefficient with customer brand loyalty ( $r=0.97$ ,  $p > 0.01$ ) shows that quality is one the three most important factors considered by Nigerian consumers of fast food products. The other two are product attribute ( $r=0.91$ ,  $p > 0.01$ ) and service quality ( $r=0.70$ ,  $p > 0.01$ ). Product attribute here define the perception of the consumer concerning whether the product is in vogue, fashionable and represents a socially acceptable measure of modernity and elitism. This explains why many of the respondents prefer western/foreign styled fast food items to traditional/ local types, and hence this high level of correlation with customer satisfaction. The implication of this on the performance and activities of the two groups is that greater competition is envisaged. The growing trend among local entrepreneurs towards modernizing their products packaging and retailing may increase the acceptance of such traditional products by consumers. Service quality is another factor that has significant

relationship with customer loyalty. Consumers tend to consider the kind of treatment they receive from fast food attendants as vitally important. This assertion confirmed findings by previous works on the customer's perspective of service quality, its deliverance and brand loyalty [15,21,23,24].

From the foregoing therefore, it is observed that the foundation for retaining customer patronage is laid not at the point of service delivery but rather at the stage of enterprise formation; when the training programs adopted for the training of service personnel would have been molded to include elements of courtesy, empathy and other attitudinal and behavioral attributes necessary for gaining customer's confidence and appreciation; necessary factors for repeat patronage. Furthermore, innovativeness, as a functional attribute of entrepreneurship must be adopted across board in running the fast food business. This is especially so for the traditional or local fast food type, which had been generally hindered by stereotyping as un-elitist, backward and archaic. Entrepreneurs in this area need to be versatile and flexible in their decisions with regards to packaging, content analysis and promotion. One opportunity that could be tapped now is the growing concern for the damage to health caused by the western type fast foods due to their high cholesterol content and non-digestible preservatives. In this regard, the wholly farm fresh traditional fast foods have an edge, what remains is the proper packaging and promotion; all at the appropriate price.

Further research work will be required, however, to examine the acceptability of modernizing traditional food delivery and packaging methods in tune with the globalization of cultural practices and peculiarities.

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