

EFFECT OF MARKETING MIX ON CUSTOMER LOYALTY AND SATISFACTION IN FOOD AND BEVERAGE RESTAURANTS IN KENYA

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Abstract: Marketing strategy is the main determinant of customer loyalty and satisfaction in the food and beverage industry internationally. The purpose of the study was to analyze the effect of marketing mix on customer's loyalty and satisfaction in food and beverage restaurants of SMEs in Nairobi Kenya. Questionnaires were used to collect data whereby data was collected using a sample of 250 customers. Data analysis was done using Sobel test and path analysis. Product, promotion, place and price contributes to customer satisfaction by about 67.8% the other variables affects the rest.

The theory of cognitive dissonance guided the study. The descriptive survey design was used to enable a detailed analysis of the effect of marketing mix strategies on customer loyalty and satisfaction in food and beverage restaurants in Nairobi. The findings confirm that product, promotion, place and price all contributed positively to customer loyalty and satisfaction. The study found out that place is an important marketing mix element as it meets demand satisfaction but it should encourage demand.

Keywords: Marketing Mix (4Ps) , Customer Satisfaction, Customer Loyalty, Small and Medium Enterprises, Food and Beverage restaurants.

1. INTRODUCTION

Small and Medium Enterprises (SMEs) is the "engine of economic growth" of developing countries (Mutandwa et al 2015). Chu et al (2007) explains that SMEs make a great contribution to economic growth of most countries globally, they contribute in terms of employment, development and social stability. New SMEs are started daily though many of them are going out of business. In UK for example 50% of startups fail within the first 5 Years. Many countries give priority to promote a conducive environment that for SMEs development (Akinboade, 2015).

Kenyan SMEs contribute to its economy by creating employment (Chu et al., 2007). Kenya National Bureau of Statistics (KNBS), (2013) explains there are more than 16 million formal SMEs in Kenya which employs more than 48% of the country's workforce. Most SMEs operate in the informal sector (Jua-kali) and employs over 11 million people. According to KNBS the SMEs contribute to 25 % of the county's GDP. Success in SMEs is challenging given their failure rate of 70% in the first three years of operation.

2. LITERATURE REVIEW

2.1. Marketing Mix (4Ps)

An organization can be successful by getting sales revenue and profits from marketing activities. Marketing mix is a component of an organization's marketing activities with the solutions to achieving the company's objectives. Marketing mix are a set of controllable features of marketing applicable by an organization to reach a given market segment known as 4P's, these are Product, Price, Promotion and Place and these elements will end up to customer satisfaction and loyalty (Wahab et al., 2015).

2.2. Product

Verma and Singh (2017) as referred in Işoraitè (2016) defined product “as a physical product or service to the buyer for which he/she is willing to pay. This includes half of the material goods, such as furniture, clothing, and grocery items and intangible products namely services which users buy”. The products are produced by firms to meet customer needs and wants. These days, most companies must create products which are appropriate for customers’ needs by offering innovative products.

2.3. Promotion

Işoraitè (2016) stated that “promotion is a marketing mix technique that enables distribution of information, persuading the customers to buy and affecting the decision to purchase” .It’s an activity that involves selling and introducing products to the consumers. Promotions should encourage consumers to purchase and use the products as before.

2.4. Place

Pordehghan (2015) pointed out that “distribution refers delivering a product or service to customers using marketing activities. Distribution and location are the simplest terms in 4P that play a vital role in marketing” The distribution or the place in the marketing activity is the activity that enables the delivery of products to consumers. Company you need to manage the location of strategies, so that consumers can easily find the products (Paniandi et al.2018).

2.5. Price

Işoraitè (2016) argued that " price is perceived as the only revenue generation part of the marketing mix, generating. It is the most important factor of customer satisfaction and loyalty."Price can be described as exchanging the value of the product. Price is the main method for the evaluating the product and any company must have a price management strategy. In addition to offering a competitive price, companies must equate the quality and quantity of products. Customer satisfaction and loyalty are the fruits of proper pricing.

2.6 Customer Satisfaction

The organization’s key success factor is determined by customer satisfaction (Adikaram & Khatibi, 2016). As emphasized by Kotler and Keller (2009) and Kotler et al. (2010) " a person's feelings of pleasure or disappointment. they are the result of comparing the perceived performance (or result) of a product with expectations.Khadka and Maharjan (2017) stressed that customer satisfaction is flexible and comparative.

To improve customer satisfaction, you should note the expectations of the client and it can be concluded that customer satisfaction is the feeling of the consumer on how the product performs where consumers have expectations about the products and feel satisfied if the performance of the product exceeds their expectations. Customer satisfaction has six main theories. Isac and Rusu (2014) discussed some approach of customer satisfaction theories such as assimilation theory, contrast theory, contrast theory of assimilation, theory of negativity, theory of hypothesis tests and theory of disconfirmation.

Disconfirmation theory is associated explains more on customer expectations from the firms products. The expectations involves comparing quality of standards with the products performance or its quality. The customers evaluate the product whether it meets their needs or not.

2.7 Customer Loyalty

This is the repurchasing behavior and the positive feedback from customers to the company’s provision of the best products and services. Khadka and Maharjan (2017) pointed that it’s costly to gain a new customer than to retain the current customer. The other customers will be encouraged by loyal customers to buy from your company.

Loyal customers will always buy your company’s products (Albattat & Romli, 2017). Customer loyalty also leads to repeat purchases and will generate more revenue for the company. Thus, customer loyalty is the customer’s behavior who always purchasing a company’s product repeatedly after evaluating the products and feeling satisfied (Salem & Chaichi, 2018).

3. RESEARCH METHODOLOGY

Likert scale 1-5 measurement was used in the study and questionnaires were distributed to 250 customers of food and beverage products restaurants in Kenya. The researcher used non probability sampling, where rules of thumb were used to determine the sample size. The reliability and validity test of questionnaires were done. For sampling process; this research uses non probability sampling. The data was analyzed using SPSS 20.0 and the path analysis. Normality, multicollinearity and heteroscedasticity tests have been done.

3.1 Conceptual Framework and Hypotheses Development

Fig. 1 shows the structure of the proposed study of this paper.

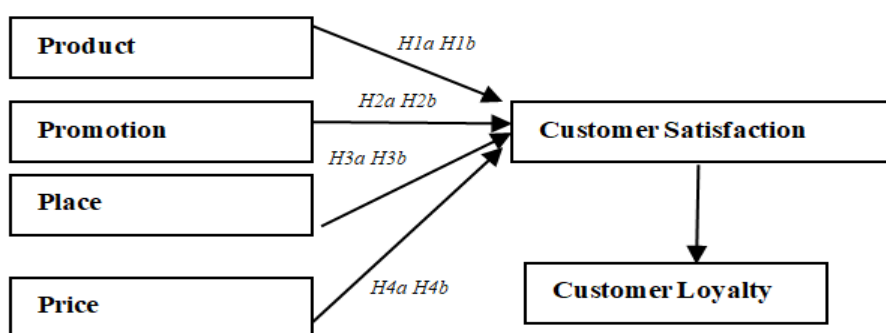


Fig 1: Conceptual framework

3.1.1 Product and Customer Satisfaction Linkage

Potential customers are attracted and competitive advantage gained due to customer satisfaction brought about by products quality (Nuseir & Madanat, 2015). As emphasized by Alipour et al., (2018) product marketing mix variable involves ideas such as innovative services that add value in a company. Product quality led to customer satisfaction (Al Muala & Al Qurneh, 2012). According to Sukamto and Lumintan (2015), proper use of marketing mix especially product will increase customer satisfaction. Products have positive impact on customer satisfaction, this is according to previous studies (Kadhim et al., 2016; Bawa et al., 2013; Mustawadjuhaefa et al., 2017).

H1a: Product has a positive impact on customer satisfaction of food and beverage restaurants in Kenya.

3.1.2. Promotion and Customer Satisfaction relationship.

Promotion involves the introduction and promotion of products or services to customers (Nuseir & Madanat, 2015). This process should be straightforward, informative, transparent and sincere to effectively meet customers' needs and thus achieve customer satisfaction (Niharika, 2015). Researchers also show the relationship between promotion and customer satisfaction (Kadhim, et al., 2016; Bawa et al. 2013; Alipour et al., 2018; Wahab et al., in 2016; Verma and Singh, 2017).

H2a: Promotion has a positive impact on customer satisfaction of food and beverage restaurants in Nairobi Kenya.

3.1.3 The Relationship between Place and Customer Satisfaction.

The supply chain of an organization includes suppliers, producers, wholesalers, retailers and consumers, who make it possible for a company to efficiently achieve customer satisfaction (Nuseir & Madanat, 2015). Though the organization can also be influenced negatively if the business is located in an inappropriate place for customers which leads to customer dissatisfaction (Niharika, 2015). Organizations can use the services it offers as a means of achieving customer satisfaction. These statements were echoed by the previous researchers (Kadhim et al., 2016; Bawa et al., 2013; Alipour et al., 2018; Wahab et al., 2016).

H3a: Place has a positive impact on customer satisfaction of food and beverage restaurants in Nairobi Kenya.

3.1.4 The Relationship between Price and Customer Satisfaction

Price is an important determinant for customers feedback of the value of products (Nuseir & Madanat, 2015). Customer satisfaction is achieved when product quality is greater than customers' spending. Other researchers emphasized the r

Usually customers feel satisfy if quality of the products exceeds costs that spent by customers. Any researches emphasized the relationship between price and customer satisfaction (Kadhim et al., 2016; Bawa and Shameem; 2015; Alipour and Pour et al, 2018).

H4a: Price has a positive impact on customer satisfaction of food and beverage restaurants in Nairobi Kenya.

3.1.5. The Relationship between Product, Customer Satisfaction and Customer Loyalty

Customer loyalty is achieved by customer satisfaction level which is determined by the product quality. Good product brand equally leads to customer satisfaction. This means that a growth in customer loyalty is affected by a growth in customer satisfaction (Nuseir & Madanat, 2015). Nikhashemi et al. (2017) argued that satisfied customers who buy high quality products will never buy substitute products from competitors. The previous researchers are in support of these assertions that customer satisfaction is positively affected by product quality and finally leading to customer loyalty (Muala & Qurneh, 2012; Wahab et al., 2016; Sukamto & Lumintan, 2015).

H1b: Product has a positive impact on customer loyalty through customer satisfaction of food and beverage restaurants in Nairobi Kenya.

3.1.6 The Relationship between Promotion, Customer Satisfaction and Customer Loyalty.

Promotion focuses to demonstrate the relationship with customers or impact customers 'perception (Pourdehghan, 2015). Aggressive promotion attracts customers to the offered products. Customers loyalty will be achieved when a suitable promotion technique is used . Customer satisfaction and customer loyalty are positively affected by promotion (Verma & Singh, 2017; Mustawadjuhaefa et al., 2017; Sukamto & Lumintan, 2015).

H2b: Promotion has a positive impact on customer loyalty through customer satisfaction of food and beverage products of restaurants in Nairobi Kenya.

3.1.7 The Relationship Place, Customer Satisfaction and Customer Loyalty.

Marketing mix element of place is directly related to customer loyalty (Nuseir & Madanat, 2015). According to Pourdehghan (2015) "A Good representation of the store leads to growth in customer satisfaction and customer referrals". Place has a remarkable effect on customer satisfaction and customer loyalty (Al Muala & Al Qurneh, 2012; Wahab et al., 2016; Verma & Singh, 2017).

H3b: Place has a positive impact on customer loyalty through customer satisfaction of food and beverage Products of restaurants in Nairobi Kenya..

3.1.8 The Relationship between Price, Customer Satisfaction and Customer Loyalty

The customer satisfaction and loyalty are affected by pricing; this brings out the importance of pricing. The organization doesn't want to lose its customers by overpricing and also they would like to make profits (Auh and Johnson, 2005). Customers don't accommodate poor products quality standards simply because they are satisfied (Nuseir & Madanat, 2015). Therefore customers' satisfaction and loyalty can be affected by price (Al Muala & Al Qurneh, 2012; Wahab et al., 2016; Sukamto & Lumintan, 2015).

H4b: Price has a positive impact on customer loyalty through customer satisfaction of food and beverage products of restaurants in Nairobi Kenya.

3.1.9 The Relationship between Customer Satisfaction and Customer Loyalty

Satisfied customers spread the positive word of mouth to prospective customers. As explained by Khadka & Maharjan, (2017) high customer satisfaction leads to high customer loyalty. Customers' expectations are measured using their satisfaction whereas customer loyalty shows the buying behavior and future buying trends. To be specific, customer loyalty is achieved through customer satisfaction. Previous studies reveals that customer satisfaction positively affects customer loyalty(Awan & Rehman, 2014, Iqbal & Shah; 2016, Ganiyu, 2017, Nguyen et al.; 2018).

H5: Customer satisfaction has a positive impact on customer loyalty of food and beverage products of restaurants in Nairobi Kenya.

4. RESULT

4.1 Demographic Profile

The synopsis of the individual features of respondents in this research is shown on Table 1 below. From the findings, male respondents were 42% while female were 58%. In reference to age, 74% of respondents were young individuals with less than 25 years of age. A bigger portion of respondents were young single people who were mostly students. Additional information is found in Table 1 below;

Table 1: Respondents Demographic profile

Demographics	Respondents	Frequency	Percentage (%)
Gender	Male	105	42%
	Female	145	58%
	Total	250	100%
Age	Less than 25 years	185	74%
	26-35	45	18%
	36-45	12	4.8%
	46-55	6	2.4%
	More than 56 years	2	0.8%
	Total	250	100%
Occupation	Students	170	68%
	Teachers	18	7.2 %
	Engineers	4	1.6 %
	Entrepreneurs	15	6%
	Office Employees	17	6.8 %
	Others	26	10.4%
	Total	250	100%
Race	African	140	56%
	Indian	60	24%
	Chinese	10	4%
	Others	40	16%
	Total	250	100%
Education	Secondary Level	80	32%
	Bachelor	125	50%
	Masters	25	10%
	PhD	4	1.6%
	Total	250	100%
Marital Status	Single	210	84%
	Married	40	16%
	Total	250	100%
Family size	0 children	212	84.4%
	1 Child	18	7.2 %
	2 Children	6	2.4 %
	More than 2 Children	14	5.6 %
	Total	250	100%
Types of local food and beverage of restaurants in Nairobi that customers Tasted mostly	Snacks	92	36.8%
	Coffee	52	20.8%
	Tea	32	14.4%
	Traditional food	42	17.6%
	others	26	10.4%
	Total	250	100%

Source: Researchers fieldwork 2018/2019

4.2 Descriptive Analysis

This is used to analyze examine and learn about variables in this research gotten from respondents. Product's mean score is 3.44, promotion is 3.15, place is 3.36, price is 3.20, customer satisfaction is 3.25 and customer loyalty is 3.16.

4.3 Hypothesis Test

4.3.1 Hypotheses test for direct effect

The measurement of hypothesis test in the research is based on significant value. The hypothesis test is for direct effect.

Hypothesis test in this research is measured based on significant value. Here the hypothesis test is for direct effect. As shown on Table 2, significant value of all independent variables is under 0.05, which means the hypotheses are accepted.

Table 2: Hypotheses test of Direct Effect

Hypothesis	Significant Value	Remarks
Product has positive impact on customer satisfaction H1a	0.000	Accepted
Promotion has positive impact on customer satisfaction H2a	0.000	Accepted
Place has positive impact on customer satisfaction H3a	0.000	Accepted
Price has positive impact on customer satisfaction H4a	0.000	Accepted
Customer satisfaction impacts positively on customer loyalty H5a	0.018	Accepted

Source: Researchers fieldwork 2018/2019

4.3.2 Hypothesis test of indirect effect

In order to determine whether there is mediation variable between dependent variable and independent variables. Sobel test is used for indirect effect of hypothesis test. If the calculation of Sobel test (z value) is higher than 1.96, then the hypothesis is accepted. The following formula is used to calculate z value:

$$z = \frac{ab}{sab} \text{ where } sab = \sqrt{b^2sa^2 + a^2sb^2 + sa^2sb^2}$$

Where: a = regression coefficient that represents impact of X toward Y

b = regression coefficient that represents impact of Y toward Z

Sa = standard error of a

Sb = standard error of b

According to the results of Table 3, all hypotheses are accepted

Table 3: Hypothesis Test of Indirect Effect

Hypothesis	Z value	Remarks
Product has positive impact on customer loyalty leading to customer satisfaction H1b	2.02812985	Accepted
Promotion has positive impact on customer loyalty leading to customer satisfaction H2b	2.073270807	Accepted
Place has positive impact on customer loyalty leading to customer satisfaction H3b	2.13862210	Accepted
Price has positive impact on customer loyalty leading to customer satisfaction H4	2.2293272336	Accepted

Source: Researchers fieldwork 2018/2019

4.4. Path Analysis

4.4.1 Analysis of Structural Model 1

This analysis' objective is to determine how the 4ps of marketing mix impact on customer satisfaction.

Table 4

Model 1	Unstandardised coefficient			Standardised coefficient	
	B	Std error	beta	t	Sig.
intercept	.602	1.046		.574	.569
	.167	.041	.182	4.240	.000
	.208	.043	.223	4.739	.000
	.201	.038	.224	5.130	.000
	.326	.044	.350	7.219	.000

Table 4 the results of analyzing the first model Based on the results of Table 4, the structural model 1 of path analysis can be written as follows:

$$Y = 0.182x_1 + 0.223x_2 + 0.224x_3 + 0.351x_4 + e_1$$

Table 5: Determination Coefficient 1

Model	R	R ²	Adjusted R ²	Std error of the estimate
1	.831	.692	.686	2.80278

To calculate path coefficient of e, $e_1 = \sqrt{1 - R^2} = \sqrt{1 + 0.692^2} = 0.722$. The structural model of path analysis used on calculating path coefficient is as follows:

$$Y = 0.182x_1 + 0.223x_2 + 0.224x_3 + 0.351x_4 + 0.722e_1$$

5. CONCLUSION

All the four elements of marketing mix these are product, price, place and promotion affects customer satisfaction positively according to research findings. As per the path analysis result all the marketing mix impacts positively on customer satisfaction.

This finding is agreement with previous research by Al Muala and Al Qurneh (2012), Kadhim et al. (2016), Bawa et al. (2013), Sukamto and Lumintan (2015), Mustawadjuhaefa et al. (2017), Quang (2017), Wahab et al. (2016), Alipour et al. (2018). The finding that customer satisfaction leads to customer loyalty is supported previous researchers such as Awan and Rehman (2014), Iqbal and Shah (2016), Ganiyu (2017) and Nguyen et al. (2018). Based on Sobel test calculation for indirect effect the finding is that all marketing mix elements have maintained positive impact on customer loyalty through customer satisfaction in food and beverage restaurants in Nairobi Kenya. This finding is in consensus with previous researches such as Quang (2017), Wahab et al. (2016), Verma and Singh (2017).

It is evident that restaurants of food and beverage in Nairobi Kenya should give more concentration to pricing, this is according to direct and indirect impact which shows that price has the greatest impact on customer satisfaction leading to customer loyalty. This is followed by place, promotion and lastly product.

Prices that offer the best value to consumers will lead to their satisfaction and therefore making them more loyal to these restaurants for food and beverage. The restaurants to consider the location of their businesses and how they manage their channels of distribution in terms of place strategy. Promotion strategy such as discounts, loyalty programs and contests in Kenya. The production of good quality food and beverages that are delicious and fresh. The product packaging should be

attractive. The finding shows that customer satisfaction affects customer loyalty, the elements of marketing mix equally impacts on customer loyalty by 69.2 %.

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