

An evaluation of factors influencing customer loyalty in the restaurant industry

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Abstract: The issue of restaurant loyalty is of increasing importance as competition becomes more intense and as consumers become more demanding. Although many authors have written on the factors that influence restaurant choice and repeat purchase behaviour there has been comparatively little research in the restaurant industry that identifies the factors that motivate consumers to not only become regular customers but to move beyond this and become loyal customers. The research that has been undertaken on customer loyalty in restaurants has, almost exclusively, focused on quantitative data and has tended to focus on the aspects that customers identify as the motivators for repeat purchase behaviour.

The research reported in this paper adopted an ethnographic approach and thus provides some insights into customer behaviour in the restaurant context. The motivations that influence customers to become regular purchasers and to move beyond this into loyal customers is reported.

The loyal customers were found to exhibit distinct behaviour characteristics that are beneficial to the restaurant business with them being more tolerant of mistakes, of providing word of mouth advertising and of bringing new customers to experience the restaurant.

Keywords: Restaurants, consumer behaviour, customer loyalty

Introduction

New competition is a common occurrence within all industries and the restaurant industry is no exception. The low entry barriers associated with the restaurant industry encourage the development of new concepts and outlets and, for established restaurants, the issue of customer retention is of considerable importance. It is generally accepted that business performance improves through loyal customers generating higher levels of profits (Reichheld and Sasser Jr 1990) from higher levels of purchase, decreased price sensitivity, positive word of mouth and lower likelihood to switch brands (Buttle 1996; Bowen and Shoemaker 1998; Bowen and Chen 2001). Customer loyalty is an essential component of business success and leads to improved performance (Butcher, Sparks et al. 2001) and assumes increasing significance as competition becomes more intense and as customers become more demanding. Although many authors have written on the factors that influence restaurant choice and

repeat purchase behaviour there has been little research in the restaurant industry that identifies the factors that motivate customers to not only become regular customers but to move beyond this and become loyal customers. The research that has been undertaken on customer loyalty in restaurants has, almost exclusively, focused on quantitative data and has looked at the aspects that customers identify as the motivators for repeat purchase behaviour. These approaches have not explored the nexus between repeat visitation and loyalty. Although there has only been limited application within the restaurant environment there is considerable research evidence that identifies the enhanced profitability arising from repeat and loyal customer behaviour patterns, and therefore the factors causing loyal behaviour are very important to restaurateurs.

This study has adopted an ethnographic approach developing a greater understanding of customer behaviour in the restaurant context and the research provides some insight into the motivations that drive customers to become regular purchasers and to move beyond this into becoming loyal customers.

Literature review

There has been little specific research on consumer choice and loyalty in a hospitality context (Clark and Wood 1999) with loyalty being inferred from assessments of the factors consumers rate as important in restaurant choices. Thus, it is implied that the key to loyal customers is to concentrate on resourcing those attributes that matter most to customers (Clark and Wood 1999)

There has been some consensus amongst researchers in the attributes of importance for customers in restaurant selection. In early research food quality was identified by Lewis (1981) as the most important attribute and this has been supported by a range of researchers over the intervening years including Auty (1992), Dube, Renaghan & Miller (1994), Almanza, Jaffe, & Lin (1994) and Lam & Heung (1998). Even in fast-food restaurants food quality and menu variety are seen as the most important attributes (Quinton, 1991, Pettijohn, Pettijohn, & Luke 1997).

Other researchers have suggested that customers' choice variables vary considerably with demographic differences and that the order of importance of the choice variables also changes according to the dining occasion, age, and income segment. For example, Auty (1992) suggested that age and income are the most important discriminator of style and, in turn, of restaurant choice but, within the choice set, food type and quality are the primary influencers of choice. Kivela (1997) supports this by suggesting that while food type and food quality appear to be the most important variables for restaurant selection, ambience prestige, location, and cost of food are also important in the final selection process.

There is considerable generic literature on consumer loyalty and this recognises that loyalty is a complex phenomenon (Dick and Basu 1994). Some researchers have defined loyalty in behavioural terms based on the volume of purchases for a particular brand (e.g., Tranberg and Hansen, 1986) whilst others define loyalty as attitudinal with loyalty being defined in terms of preferences or intentions (Day, 1969; Jacoby & Kyner, 1973). There has been discussion in the literature over the distinction between satisfaction, loyalty and repurchase behaviour (e.g. Oliver, 1999, Butcher, Sparks & O'Callaghan, 2001) and this has some relationship to the work by Dick & Basu (1994) that identifies the distinction between spurious, latent and true loyalty but this has not been fully explored in a service context. There is a consensus that there is distinction between repeat purchase behaviour even if derived through customer satisfaction, and genuine loyalty. Oliver (1999) divides loyalty behaviour into four stages that reflect increasing commitment to the brand, resistance to inducements to transfer to other brands and tolerance of error in performance. These stages are defined as cognitive, affective, conative and action. In brief Oliver (1999) defined cognitive loyalty as reflecting repeat purchases based on price and benefits, and also commented this was phantom loyalty. Affective loyalty is stronger but is vulnerable to underperformance whilst conative loyalty will allow some episodes of underperformance. Finally the action stage reflects the definition of true loyalty by Dick & Basu (1994) with the consumer having "a deep commitment to repurchase" (Oliver, 1999).

Other research has indicated customers familiarity with the service provider is an important element in the service experience (Garbarino 1999) and that service loyalty is more dependent on the development of interpersonal relationships (Bloemer, de Ryter et al. 1998).

Research Design

In contrast to the majority of studies on customer choice and loyalty in restaurants this study adopted a qualitative approach. The use of a qualitative approach provides a new dimension to the previous research in the restaurant context that has mainly adopted quantitative approaches to the investigation of selection, satisfaction and loyalty. The use of a qualitative approach allows the corroboration of previous research whilst also providing new insights into the reasoning behind the actions of customers.

The study included both participant observation and in depth interviews with customers perceived as loyal and was primarily conducted in a popular high quality Chinese restaurant located in the suburbs of Brisbane, Australia. The restaurant selected was not the "best" restaurant in the region but was a good quality ethnic restaurant that is believed to be reasonably typical of its genre. It is not suggested that this restaurant is representative of all suburban restaurants, as ethnic restaurants enjoy a distinct niche that is not common to all restaurants, but the customer behaviour is thought applicable to many small and medium suburban restaurants.

Extensive participant observation was undertaken with field notes being collected over a period of almost six months. In all a total of 104 restaurant service periods were observed with the observer dressing as a member of wait staff to avoid being conspicuous but avoiding, where possible, interaction with customers although over time it became harder to maintain a non participant stance and the observer developed from a non participant to participant role that also supported interaction with the customers. At no stage of the observation process was the purpose of the observation identified to the customers and the full background information was only supplied at the interview stage. The information gained from participant observation was then guided into in-depth interviews. During the participant observation loyal customers were identified with focus being given to their behaviours through watching, listening, and interacting with them, twelve customers from the original restaurant were selected for interview together with eight customers identified as loyal from other restaurants to provide contrast. The participant observation allowed the identification of new themes that were investigated through the interviews.

Results

Analysis of the data suggested five prominent themes associated with loyalty. The data indicated there are three dimensions to loyalty, behavioural, affirmitive and attitudinal, that loyal customers are more forgiving and understanding, bring more people and recommend the restaurant more frequently. These latter elements can be construed as dimensions of loyalty although in this section they have been identified separately as there are associated managerial implications. It was also identified that food is a gatekeeper and that interpersonal relationships are a cultivator of loyalty.

Three-dimensions of Loyalty

Three dimensions of consumer loyalty emerged from the data, behavioural, affirmitive and attitudinal.

Behavioural loyalty consists of repeated purchases over an extended period of time with the following comments being representative of this dimension

Loyalty is keeping coming back over time. (JH)

and

I think, it's making a consistent choice to go to that restaurant. (DJ)

The second dimension of loyalty is an affirmative feeling about the restaurant with this being described in a variety of ways:

Loyal customers like all the things about a restaurant. The service, the way they treat you, the way they cook and everything. So you keep going back. (NC)

and

It's being happy to go back and being happy to recommend it to friends. (GP)

As these comments show affirmative loyalty includes both repeat purchase behaviour and a favourable attitude including recommending it to others. A third dimension includes the above but goes beyond this to also showing support and concern for the business and the statement below exemplifies this.

Loyalty is that you stay with them through hard times. We've been going to this restaurant since they started. When they first started there was not much business. Sometimes my husband and I were the only people in the restaurant and the boss used to worry. But we always encouraged him not to worry. We've been telling other people about the restaurant and asked them to go and try there. Now they have really really good business there. (PP)

This illustration goes beyond a favourable attitude to commitment to the restaurant possibly associated with some ego involvement associated with the business success.

Forgiveness and Understanding

Despite a restaurant's best efforts, service can sometimes falter or simply fail to please. Sometimes people walk in and are angry, unhappy or upset, and thus become intolerant of the smallest failure in the service delivery. Loyal customers, perhaps because they have experienced multiple good experiences, understand the dynamics and are tolerant of poor experiences.

As examples two incidents concerning loyal customers reflect this tolerance of error. One (busy) night, a couple had to wait a long time for drink service and finally reminded one of the staff.

Waiter: "I'm so sorry."

Diner: "It's okay. You've been busy tonight."

Waiter: "Yes. It's almost a full house tonight."

Diner: "Yes. I can see that." (Field note)

In another incident a family received a wrong dish and the customer explained it to the manager. The manager sent the dish back to the kitchen and apologized to the customers who received the right dish a few minutes later:

Manager: (as he puts the dish on the table) " Sorry about this, again."

Diner: "No worries. It's not a big deal". (Field note)

It is apparent loyal customers feel comfortable with a restaurant and believe that the established relationship will lead to an overall satisfactory experience. In addition the established relationship facilitates conversation between staff and customers allowing complaint without tension. One woman explains:

You've got a good rapport with a restaurant so you know if there were some mistakes maybe you could quite comfortably and happily bring it up and voice it and no one will get upset. (ED)

and another customer agrees:

I always talk to Jack. He sort of looks after us. I mean, I feel free to talk about mistakes. And I don't have to get angry. I know Jack will take care of us and there's no problem. (BH)

This reflects the findings of Bejou & Palmer (1998) who suggested the relationship may lead customers to be more forgiving and to rationalize failures on the basis of "Just a bad day" (Bejou & Palmer, 1998). Several respondents support this idea:

If you did have a bad experience once, we'll still come back because it's just one bad night or whatever. I wouldn't stop going to my regular restaurant because of one bad experience. (LP)

and

When we went there, the service was really slow and we received two incorrect entrées. It was Saturday night. There were a lot of people at the restaurant and it was so busy. So we talked to the manager and he sent the wrong entrées back. And we had to wait but one occasion I mean all the times we've been there that's the only occasion I can think of. It does not always happen. (GJ)

Word of Mouth Promotion

Loyal customers provide word of mouth promotion through recommendations and become an unpaid advocate for the business. Not only do they gladly use the business but they are so pleased they tell other people (Reichheld, 1996).

One night regular patrons came into the restaurant with four other customers and the husband explained to a waiter:

"These students came from China two weeks ago and they're boarding at my neighbour's. And this couple showed me the concern that they don't know how to cook Chinese food but they wanted to feed some Chinese food to these students. So I said I know one good Chinese restaurant so we decided to come together." (Field note)

Loyal customers give a lot of business to a restaurant. Not only do they bring more people to the restaurant they also introduce parties, functions and weddings. During the data collection a total of 9 large functions originated from recommendation by loyal customers with over 1000 guests in total.

Favourable word-of-mouth comments by one loyal customer can lead to many other loyal customers. People who are recommended or brought in the restaurant by other loyal customers often become loyal customers themselves. Two respondents illustrate this:

Word-of-mouth is probably the best advertising. That's how we got on to it. My neighbour always told us about the restaurant. They always say how good it is. And these people know a lot about the restaurants. They're in the wine industry. So they eat out a lot, probably more than at home. They really gave it a good plug. (SP)

Food Is the Gatekeeper

People go to restaurants and develop loyalty to restaurants for many reasons. Food is only one of them, however it is a very important one. Loyalty only develops if the food quality is satisfactory, that is, if a restaurant does not serve good food customers will not go back.

Good food, I mean, excellent food, that's the big reason. If the food were ordinary we wouldn't be regular customers. (GP)

and

I think basically the food has to be more important than anything else because that's what we pay for, that's what we are going for. (BS)

Food is the primary initiator of customer loyalty but it is not the only reason. Even though customers give more emphasis to food, good food alone is not sufficient enough to develop loyalty if other factors are not adequately satisfied.

Even though food is the most important thing to me if service is truly awful I'm not going to go back or recommend the restaurant. (WG)

and

We went to this restaurant and the food was really, really good. So we started going back and we used to go a lot. But there was always no service. And it got worse and worse. It was so bad and hopeless sometimes. So we stopped going there. (GJ)

Customers tend to agree that there are a number of factors that should come together to gain loyalty as well as food quality.

I think you look at things as a whole package. You tend to look at the number of factors not just one factor. Even though you like the food there if you are not happy with other things, say, the staff or the price, décor or something like that you may not go back. Because dining out to me is an experience. (MD)

Thus, customers indicate several factors in the overall dining experience are important for creating loyalty. People become loyal customers at a restaurant which serves good quality food but good food alone is not enough to develop loyalty.

Interpersonal Relationship - a Cultivator to Loyalty

Familiarity in the restaurant experience with recognition both by and of staff is important. Customers feel good when they are familiar with the employees and they are recognized by them as it makes them feel special.

We know the guys there, and they know us. They know what drinks we are having. It's so much different when you know someone there. (BG)

and another customer states:

It is nice to be recognized. It's very warm and welcoming. I know it's very hard to know people's name and I think that's something very personal. You know someone's name and it makes you feel good. (BS)

Rapport and friendship between customers and employees over an extended period of time can build a relationship that extends beyond the meal experience.

He tells jokes and asks about my work. We always have a nice conversation. He always welcomes you and is courteous. (GP)

The sense of belonging within the restaurant provides credence to the customer and allows ego enhancement through familiarity. This reflects the concept of the social self (Malhotra, 1988) that reflects the person as I believe others see me. Loyal customers not only feel they belong to a restaurant but that the restaurant belongs to them. As an example a loyal customer sitting with a group of people introduced each of the staff to his friends. When each staff member came to the table to serve them, he pointed to them and said:

"This is skinny Linda. She's studying at UQ (University of Queensland)"

"This is Hiap, my favourite waiter. He's a legend"

And he continued: "You see the man at the counter. He's the boss. He's been in the restaurant business for more than 20 years." (Field note)

Discussion

This research has provided new insights into the behaviour of loyal consumers in a restaurant context as well as providing support for previous studies outside the restaurant context. In addition the research provides managers with insights into the motivations that affect loyalty and may assist in building the base of loyal customers through new approaches to customer management. The managerial implications are discussed in a later section. The insights gained from this research can be divided into three areas, a better understanding of loyalty in the restaurant context, an extended understanding of the role of food quality as an initiator of (behavioural) loyalty and the role of the customerstaff relationship in developing attitudinal loyalty.

Restaurant Loyalty

The research revealed three dimensions of restaurant loyalty – behavioural, affirmative and attitudinal with there being strong evidence of word of mouth recommendations and a positive relationship that is akin to personal. As mentioned in the literature review the work by Oliver (1999) divides loyalty into four stages of development and has some parallels to the work of Dick & Basu (1994) that identified loyalty within four categories based on attitude and behaviour. This research identified a three-stage model of loyalty that initially would appear to be in contrast to the work by Oliver (1999) but on closer examination has similarities. It is evident that the initial stage of loyalty, cognitive, as defined by Oliver (1999) is absent from this research whilst the other stages affective, conative and action loyalty reflect the aspects identified in this research as behavioural, affirmative and attitudinal. An explanation of the absence of cognitive loyalty lies in the levels of variety and competition within the restaurant industry, that is, customers who were eclectic in their

restaurant selections would not have been identified as loyal customers in this research through infrequency of visitation.

Food quality

Most of the previous restaurant studies have focused on identifying the attributes that determine repeat purchase behaviour with food quality generally being recognized as the most influential factor. This study also found that food quality is important as an initiator of the customer-restaurant relationship and creates behavioural loyalty. The research suggests that consumers begin a relationship with a restaurant through repeat visitation based on food quality. This behavioural pattern would reflect generic customer satisfaction research that recognises that satisfaction is an antecedent of loyalty, in a restaurant context food quality is antecedent to satisfaction and without its existence repeat visitation would not be initiated. However food quality does not overrule dissatisfaction with other aspects such as service standards. This parallels the description of affective loyalty (Oliver, 1999) with loyalty being vulnerable to underperformance.

Interpersonal relationships

The service literature has long recognized the importance of interpersonal relationships in the development of service loyalty (Bloemer, de Ryter et al. 1998; Garbarino 1999). Sharma (1997) identified that customers tend to become more loyal when they feel a positive interaction effect with sales staff. Gronroos (1990) argued that buyer-seller interactions have an immense impact on the future buying behaviour of customers.

The present study found that the interpersonal relationship between restaurant employees and customers is an important element in developing loyalty in the restaurant context. Customers appear to feel more comfortable when familiarity between the customer and a restaurant employee exists and customers value the recognition from restaurant staff. Customers also revealed that they feel a sense of belonging as a result of close relationship with restaurant employees. Customers' comments such as "you feel you are being welcomed and almost like you're at home..." indicate the benefits customers gain from such a close relationship. It therefore seems reasonable to suggest that attitudinal loyalty derives from the intangible elements of the dining experience with the interpersonal relationships between customers and restaurant staff being core to developing attitudinal loyalty.

Managerial implications

It is almost impossible to find a current business article that does not mention the importance of building a relationship with customers. Because of the unique

characteristics of service, it is often suggested that maintaining a good relationship with customers is an important way of keeping customers and creating loyalty (Bendapudi & Berry, 1997). This study also suggests such interpersonal relationship is extremely important in cultivating customer lovalty to a restaurant. As a result there are tactics that may assist managers in developing a tranche of loval customers however these tactics are to a large extent predicated on the issue of staff retention. If, as is suggested above, the cultivation of interpersonal relationships leads to a growth in loyalty at the attitudinal level it becomes essential that staffs be retained allowing the development of such relationships, however this is not always a common occurrence. Keeping the same people at "front stage" can facilitate the development of interpersonal bonds (Suprenant & Solomon, 1987). Research has suggested that when a service provider has a high turnover of customercontact employees this makes it difficult for friendship and familiarity to develop with customers (Bitner, 1990). Keeping employee turnover to a minimum seems to be a crucial way to increase customer-restaurant staff relationships and to foster loyalty. In this study, several respondents indicated that they enjoyed interaction with the restaurant employees each time they visited the restaurant and it was also suggested that these interactions developed into strong relationships.

Restaurant managers should therefore increase customers' opportunities to interact with the same set of employees when they return to the restaurant over time by adopting strategies to reduce employee turnover.

Encourage the Development of Friendship and Rapport

Restaurant employees should be encouraged to develop a rapport and a friendship with customers. It is suggested that loyalty can be encouraged by "getting to know" and "taking personal interest" in customers (Prus, 1987; Haywood, 1988). In the restaurant context spending time with the customer and making small talk can be one way to establish a good rapport with customers. Employees might disclose some personal information such as their names, interests and hobbies. Of course, employees' involvement with the customers should be encouraged only when appropriate and only on acceptable subjects. Going overboard with conversation may be seen as rude and be negative for customers as opposed to strengthening relationships.

Facilitate the Development of Familiarity with Customers

Customers tend to continue to return to a restaurant whose employees are familiar with them and their needs. Restaurants should support the development of staff-customer relationships, learning customer names,

identifying customer preferences and getting personal information is easily done. Employees might learn customer information such as desire for a nonsmoking section, preference for particular tables or a special request for a meal. Information pertaining to personal preferences or special request can be written down on booking notes following customers' reservations and such information should be shared with all the employees.

Further Research

As indicated earlier this study was undertaken in one ethnic restaurant in Australia. There is a need for much further research that replicates the study not only in a range of different restaurant styles in Australia but also replicates the study in a range of cultural contexts.

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