The Determinants of Customer Satisfaction in Fast Food Industry: The Case Study of KFC Viet Nam

Cuong Nguyen[1], Duy Nguyen[2] & Toan Do[2]

[1] Department of Marketing, Faculty of Business Administration, Industrial University of Ho Chi Minh City, Viet Nam

[2] Faculty of Business, University of Greenwich, UK

Correspondence: Cuong Nguyen, Department of Marketing, Faculty of Business Administration, Industrial University of Ho Chi Minh City, Ho Chi Minh City, 70000, Viet Nam. E-mail: nguyenquoccuong@iuh.edu.vn

Abstract

This primary objective of this study is to identify the determinants of customer satisfaction for KFC in Vietnam. Fast food industry developed rapidly in an emerging economy like Viet Nam. Current competition in Vietnamese fast food has required companies to pay more attention to customer satisfaction. Data is collected from KFC's customers in Ho Chi Minh City, Viet Nam. The research model is adopted from the SERVQUAL model (Parasuraman et al., 1988). The findings show that the main determinants of customer satisfaction of KFC Vietnam are Food Quality, Ambience, Price, Service Quality. Among these determinants, ambiance causes the most impact on customer satisfaction, following up by food quality and price. Managerial implications for KFC and other fast-food companies are discussed to improve customer satisfaction.

Keywords: customer satisfaction, KFC, ambiance, price, service quality, food quality

1. Introduction

KFC is one of the largest fast food franchises in the world. KFC was founded in 1930, has 88 years of history. The headquarter is located at Texas, USA and they have 20.952 restaurants around the world. Revenue of KFC annually is around 23 million USD (KFCVietnam, 2018). Dimbleby and Vincent (2010) mentioned that a fast food restaurant has both good and bad side, however, with the developing countries and busy lifestyle, the benefit of fast food is shining and growing quick. Maze (2017) reported that the rising of the fast food industry directly influences on the growth of KFC in a positive way. According to Business Saigon (2011), Economy of Vietnam started to bloom in 1997 when the government changed the policies, KFC entered Vietnam first in 1997, and they aimed for introducing their franchise first. From 2009 to 2018, KFC brand become more famous, excellent customer satisfaction is the new goal to achieve. Customer Satisfaction is the most critical factor which all fast food franchise needs to improve to create a higher degree of satisfaction for long term business, also keeping a strong relationship with customers and increase customer loyalty (Deng at el, 2009). Wongmontha (2005) states that operators should learn about customer behavior through research to increase customer satisfaction, it helps understanding customer's decision-making process toward one product and operators can manage the business accordingly. Lotongkum (2004) showed that the great acknowledged of customer's behavior always results in better customer's satisfaction and customer's loyalty, increase the relationship between customer and franchise, service. Hence, to achieve high customer satisfaction, fast-food restaurants must do more research on multiple factors that influence on customer's satisfaction.

2. Literature Review and Hypothesis Development

SERVQUAL is the research model that was created by multiple researchers: Parasuraman. A Leonard L. Berry and Valarie. Zin 1988. SERVQUAL has been using for multiple purposes such as researching and measuring the service quality in service sector all over the world.

2.1 Customer Satisfaction

The final result that every restaurant franchise wants to achieve is good customer satisfaction. The level of customer satisfaction is measured by the level which the customer feels the product/service fulfills their expectation. Excellent customer satisfaction will also increase return intention and better profit (Yuksel, 2002). A better fast food business always has better customer satisfaction score (Creel, 2006). Barker (1987) and Xu (2007);

(Parsa, 2014) mentioned that operators should put extra effort on some factors such as food quality, price, ambiance, service quality to improve the customer satisfaction in the restaurant business.

2.2 Food Quality

Food quality is the core factor, and that is the reason for customers to pick one restaurant over another. The Fresh and tasty ingredients play the leading role in food quality of restaurants (Soriano, 2002). Customers usually feel safer, more satisfied when using foods made by fresh materials. KFC can compete with Vietnamese Food because according to Nguyen (2018), fast food from America is more trusted in Vietnam since the current quality of street foods of Vietnam are facing too many unhealthy problems. Therefore, with the cleaner foods and better service quality, KFC can compete with Vietnamese Foods. Clark and Wood (1996) after researched 31 participants and asked them what the most critical factors is between the speed of service, ambiance, foods, scale, environment and so on. Furthermore, 50% of participants picked food quality for their main reason to visit any restaurant. As a result, the first hypothesis of this study is stated as H1: Food Quality is positively related to customer satisfaction.

2.3 Price

Price usually comes along with value; all customers expect to see the fair exchange between value and payment. According to Kotler (1980), customers feel satisfied with the business only when the reasonable price can deliver the value they desired. KFC restaurant has the price lower than the traditional luxury restaurant in the USA (American Dining Data, 2017) That is the reason why customers pick KFC instead of other restaurants; the price competition also happens between fast food franchises. It is a challenge to set a reasonable price for all the dishes on the menu. Therefore, the second hypothesis of this study is stated as H2: Price is positively related to customer satisfaction.

2.4 Ambiance

Warren (2008) displayed the ambiance, environment of restaurant and detail's design strongly impact on customer perception and satisfaction; it also affects the recognition level with one brand. The design, concept of the atmosphere is fundamental to build a great fast food franchise (Bitner, 1992). Hence, the third hypothesis is stated as H3: Ambience is positively related to customer satisfaction.

2.5 Service Quality

Service quality stays on the second level of importance in customer satisfaction (Soriano, 2002). It acts as a bridge to connect food quality with ambiance, without good service quality, the ambiance and food quality are disconnected and unrelated. Warren (2008) displayed the strong connection between three factors: service quality, food quality and convenience of restaurants. All three influence on customer satisfaction and that also the reason why customers choose KFC over other franchise. Location and convenience of restaurants also support service quality (Kivela, 2002). Customers think good service quality must go along with near location and convenience (Mattila, 2002). Liu (2008) researched that courtesy of restaurant directly impact on customer feeling about one franchise, with a large number of employee (20.950) of KFC, courtesy, and behavior training are a big challenge. Therefore, the last hypothesis of this study is stated as the following: H4: Service Quality is positively related to customer satisfaction.

3. Method

The primary objective of this study is to find out what determinants have an impact on customer satisfaction of fast food restaurant in Vietnam in the case study of KFC. The data required for this study was conducted from the primary source only; this study collected data by using a structured survey questionnaire. The samples are customers of KFC Vietnam who visit KFC restaurant in Vietnam. Three hundred fifty-eight customers answered the survey, but only 310 results are acceptable. There are two variables discussed in this study, i.e., independent and dependent variables. Customer satisfaction in the fast food industry showing dependency on Food Quality, Price, Service Quality, Ambience. The Likert scale questionnaire was designed for collecting data from 358 customers in Vietnam. The various statistic tools were used to analyze the primary data were Correlation coefficients, Multiple Linear Regressions, ANOVA, Regression Co-efficient. This study used the methodology as the primary research philosophy; research design is descriptive research design; research approach is the inductive approach; research method is a quantitative method.

List 1. All locations were used to collect primary data.

No.	KFC Restaurants	District	Participants (N)
1	KFC Dinh Tien Hoang	Binh Thanh	39
2	KFC Nguyen Van Giai	District 1	62
3	KFC Le Van Viet	District 9	15
4	KFC Linh Chieu	Thu Duc	12
5	KFC Au Co	District 11	23
6	KFC Tan Son Nhi	Tan Phu	49
7	KFC Nguyen Thi Minh Khai	District 1	31
8	KFC Pham Ngoc Thach	District 3	68
9	KFC Hoang Hoa Tham	Tan Binh	59

Some locations received more feedback than other places because it has higher traffic and customers at that place were willing to answer the survey.

4. Data Analysis

The Correlation Coefficients displayed the reliability of data collected from participants. The Cronbach's Alpha results showed that all the data is reliable, and participants answered accurately. Because the variables exceeded from 70% which is the standard of acceptance for reliability (Nunnally and Bernstein, 1994).

Table 1. Correlation Coefficients

Reliability Scale		
No.	Variables	Cronbach's Alpha
1	Food Quality	0.879
2	Ambiance	0.832
3	Price	0.854
4	Service Quality	0.737
5	Customer Satisfaction	0.855

The KMO for the second EFA test results 0.878 and Sig. is 0.000, different from the first EFA. This KMO is still on a good range according to Kaiser's scale (2002), it is over 0.7, and it proved the suitability to apply EFA to all 16 questions (after rejected two questions).

Table 2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.878
Bartlett's Test of Sphericity	Approx. Chi-Square	2525.104
	df	120
	Sig.	.000

Table 3. Communalities

	Initial	Extraction
FQ1	1.000	.639
FQ2	1.000	.817
FQ3	1.000	.628
FQ4	1.000	.729
FQ5	1.000	.690
P1	1.000	.715
P2	1.000	.779
P3	1.000	.667
P4	1.000	.679
AM1	1.000	.685
AM2	1.000	.553

AM3	1.000	.667
AM4	1.000	.762
SQ1	1.000	.556
SQ2	1.000	.587
SQ3	1.000	.731

Extraction Method: Principal Component Analysis.

Table 4. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.507	40.667	40.667	6.507	40.667	40.667	3.355	20.970	20.970
2	1.873	11.707	52.374	1.873	11.707	52.374	2.859	17.871	38.842
3	1.434	8.966	61.339	1.434	8.966	61.339	2.838	17.737	56.579
4	1.070	6.688	68.027	1.070	6.688	68.027	1.832	11.449	68.027
5	.806	5.038	73.065						
6	.669	4.183	77.248						
7	.594	3.711	80.959						
8	.481	3.009	83.967						
9	.467	2.917	86.884						
10	.415	2.596	89.480						
11	.333	2.082	91.562						
12	.325	2.031	93.594						
13	.300	1.875	95.468						
14	.280	1.748	97.216						
15	.273	1.704	98.920						
16	.173	1.080	100.000						

Extraction Method: Principal Component Analysis.

Table 5. Component Matrix[a]

	Component			
	1	2	3	4
FQ1	.751			
FQ2	.699			
FQ3	.692			
FQ4	.633			
FQ5	.762			
P1	.645			
P2	.707			
P3	.676			
P4	.575		.551	
AM1	.618			
AM2	.533			
AM3	.643			
AM4	.652	.501		
SQ1	.531			
SQ2	.562			
SQ3				.646

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

Table 6. Rotated Component Matrix[a]

	Component			
	1	2	3	4
FQ1	.659			
FQ2	.869			
FQ3	.723			
FQ4	.838			
FQ5	.695			
P1		.762		
P2		.816		
P3		.732		
P4		.793		
AM1			.781	
AM2			.711	
AM3			.734	
AM4			.827	
SQ1				.647
SQ2				.667
SQ3				.833

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Table 7. Pearson Correlations

		Customer Satisfaction	FQ	P	AM	SQ
Customer Satisfaction	Pearson Correlation	1	.800**	.777**	.785**	.684**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	310	310	310	310	310
FQ	Pearson Correlation	.800**	1	.557**	.464**	.399**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	310	310	310	310	310
P	Pearson Correlation	.777**	.557**	1	.397**	.381**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	310	310	310	310	310
AM	Pearson Correlation	.785**	.464**	.397**	1	.517**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	310	310	310	310	310
SQ	Pearson Correlation	.684**	.399**	.381**	.517**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	310	310	310	310	310

**. Correlation is significant at the 0.01 level (2-tailed).

The table displays the correlations between variables. The table shows that all the Sig is 0.000 which means the variables are acceptable. The FQ has the strongest of a linear association to customer satisfaction variable since the Sig of FQ is 0.800. The SQ has the least association with Customer satisfaction since the Pearson Correlation is 0.684.

Table 8. The Following Results were obtained after fitting the multiple linear regressions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.996[a]	.992	.991	.03455	2.292

a. Predictors: (Constant), SQ, P, AM, FQ

b. Dependent Variable: Customer Satisfaction

The adjusted R Square in the table showed that the dependent variable (customer satisfaction) is affected by 99.1% by independent variables (food quality, ambiance, price, service quality). It shows that food quality, ambiance, price, service quality is all responsible for customer satisfaction. The overall model was also significant, tested with the help of ANOVA. The results are given in the following table.

Table 9. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	42.587	4	10.647	8919.535	.000[b]
1	Residual	.364	305	.001		
	Total	42.951	309			

a. Dependent Variable: Customer Satisfaction

b. Predictors: (Constant), SQ, P, AM, FQ

According to ANOVA result, F = 8919.535 and Sig. is 0.000 that means this data is acceptable. Moreover, the factors that are affecting independent variables relate to the factors affecting on dependent variable too. Through the table, it is clear that all subfactors: food quality, price, ambiance, service quality are related to customer satisfaction, and the relationship between them is significant.

Table 10. Regression Co-efficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	.085	.020		4.223	.000		
	FQ	.255	.005	.341	50.547	.000	.610	1.639
1	AM	.280	.005	.371	56.523	.000	.645	1.551
	P	.254	.005	.356	54.562	.000	.651	1.535
	SQ	.189	.005	.220	34.583	.000	.685	1.459

a. Dependent Variable: Customer Satisfaction

Customer Satisfaction = 0,085+ β_1(Food Quality) + β_2(Ambience) + β_3(Price) +β_4 (Service Quality) with β_1 = 0,255, β_2 = 0,280, β_3 = 0,254, β_4 = 0,189.

As the table above showed, every factor is significantly related to Customer Satisfaction. The Ambience (AM) effects on the dependent variable (customer satisfaction – CS) the strongest because AM is the variable has the highest scale of Standardized Coefficient Beta at 0.371. AM is followed by P (Price) at the second strongest with the Standardized Coefficient Beta at 0.356. The Food Quality (FQ) also has the third most substantial impact on the dependent variable at 0.341. Service Quality variable (SQ) has the lowest number at 0.220 but it still slightly impacts on the dependent variable (CS). Moreover, the table showed positive values, so the all hypothesis are supported.

4. Conclusion

In summary, this study empirically tests SERVQUAL the model of customer satisfaction of KFC in Vietnamese Context. It is evident to conclude that Food Quality, Ambience, Price, Service Quality are four main determinants impact on customer satisfaction of KFC Vietnam. Moreover, there is a significant positive relationship between the four main factors above with customer satisfaction. The Ambience has the most substantial impact on customer satisfaction; the second strongest is price and the third strongest is food quality. From the research findings, fast food companies can design the appropriate marketing strategy since customers care about ambiance, food quality, and price. Moreover, this study contains information and data for all other fast food restaurants can refer to and improve their restaurant's operation. Prospectively, newly established food restaurants in Vietnam will receive benefits from understanding customers' expectation of service quality. Furthermore, this study also helps the student who wants to start up their new fast food business in Vietnam understand what the most important determinants that impact on customer satisfaction are so that they can focus on research, learning and improve these factors to create competitive values and compete with large brands from foreign countries. For further

research, this study provides empirical results that will be useful for further research in the future with the same topic. It also provides useful literature reviews, information, and knowledge for the restaurant field for researchers who interest in fast food restaurants. These empirical results can be used to compare to other countries' samples and research to understand the differences between KFC Vietnam and KFC's restaurants worldwide.

5. Managerial Implications

Firstly, to improve the business of KFC, they need to focus on the three most influential factors and keep up all three as the competitive value. As mentioned above, the results showed that Ambience, Price, Food Quality of KFC are strong and causing the most impact on customer satisfaction, then KFC should try to enhance these things further to make it become a new level of competitive value. Ambiance can be improved by designing a unique theme and keep customer revisit for the positive environment, create a place for young people taking their picture and food are following the trending in the social network, and it will reward favorable return rates is a good idea. About food quality, combine existing iconic foods of KFC to rice of Vietnam, even Pho is a good idea. About the price, make more promotion and discounts to attract potential customers and decrease the price tag for children. Secondly, KFC should regularly survey to continuously collect customer"s opinion because of the market and trending change fast. By catching the newest information and data about the customer"s behavior, it"s necessary to collect data frequently and analyze to evaluate suitable short term strategy. Thirdly, service quality has a low impact on customer satisfaction in the Vietnam case, but KFC needs to be aware of future change by retraining their employee to improve service quality. In the future when the customer expectation in Vietnam increases higher, the service quality will have more impact on customer satisfaction. Training takes a long time and requires a good long term plan, that"s why KFC should start to do it now. Lastly, The future of fast food in Vietnam is home delivery, a lot of home delivery food company are developing their business in Vietnam such as GoVIET, Grab Food, Foody which delivers food to the customer"s home and very fast serving. That"s why KFC should improve their delivery line and system to deal with new competitors, or they will lose the title "fast" food. These competitors understand the routine and work with many competitors of KFC to deliver food as fast as they can with the same quality as KFC.

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