IMPACT OF PERCEIVED SERVICE QUALITY ON CUSTOMER LOYALTY: EVIDENCE FROM CASUAL DINING RESTAURANTS OF PESHAWAR

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ABSTRACT

A growing trend of dining out in recent years has giving birth to a multitude of Casual Dining restaurants in Pakistan. The dining experience of every customer is unalike and evaluated differently. Such a variability of experience renders the course of service purchase and delivery very difficult for both the customer and seller. This research investigates the effect of perceived service quality on customer loyalty in casual dining restaurants of Peshawar. Using a validated self-administered questionnaire, quantitative data was collected from a sample of 400 casual restaurant diners with a response rate of 79.50%. Customers were asked to evaluate the service quality on the basis of a modified SERVQUAL scale. Tangibility, Reliability, Responsiveness and Assurance were taken into account and their relationship with customer loyalty was measured. Results showed a strong positive relationship between service quality dimensions and customer loyalty. Assurance was strongly related to loyalty while tangibility had the weakest relationship with loyalty. Basing on the results, it is therefore, recommended to the managers of casual dining restaurants to formulate strategies that shall instill trust in their customers to gain their loyalty and retentiveness.

Keywords: Service Quality, Customer Loyalty, Customer Satisfaction, SERVQUAL, Restaurant Sector, Hospitality industry

INTRODUCTION

The hospitality industry of Pakistan is flourishing by virtue of escalating economic activity specifically as regards to the China-Pakistan Economic Corridor, CPEC (Siddiqui, 2016). This emergence is also complimented by revamped law and order situation throughout the country.

According to Farrukh, (1999) it is estimated that more than 11 million people dine out regularly in Pakistan and this trend of eating out at restaurants with families, colleagues and friends is gaining strength. The hosts prefer to take guests to restaurant rather than serving them at home (Malik, Jaswal, Malik & Awan, 2013). Hence, such a growing trend has given birth to a plethora of Full and Limited-Service restaurants in Pakistan. This study tends to focus on Casual Dining restaurants only which are an off shoot of Full-Service restaurants. According to Jones (2014) Casual-dining restaurants have a laid back, relaxed environment with a lot of room for seating. The food items are priced higher than fast-food restaurants.

Given the plenty of restaurants at hand, restaurant goers revisit a restaurant basing on their own reasons. According to Waters (1998) when it comes to eat out, for a majority of food lovers, service quality proves to be an inevitable element. While, some of them evaluate their dining decisions on certain standards, for instance, quality of food, price, promotions, and endorsements (Harrington *Ottenbacher & Kendall, 2011*).

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A research conducted exclusively on casual dining restaurants found the quality of food and tangibility exhibiting positive impact on re-patronage or future behavioral intentions for restaurants (Kincaid *et al*., 2010). So, for that matter, a food lover looks for the easiest information available and that is word-of-mouth. Word-of-mouth is an organic way to promote or damage the image of any business. Longart (2010) found satisfaction with food and drink propagates positive word-of-mouth significantly. Its impact is so strong that 91% of a restaurant's customers who are dissatisfied will never re-visit and consequently tell eight to ten more customers about their bad experiences (Plymire, 1991).

Hence, in order to retain a customer, a business should strive to win their loyalty, an important factor for a restaurant's success. According to Eliwa (2006) there is a relation between customer satisfaction, customer loyalty and customer retention. Therefore; by employing modified SERVQUAL scale, this study endeavors to measure the customer loyalty with respect to the quality of services perceived by the customers at casual dining restaurants of Peshawar.

LITERATURE REVIEW

Nowadays, cooking a meal at home has become an extra thought rather than a planned activity (Mogelonsky, 1998). People get hungry but find no time to prepare food; consequently, they eat out and which in turn is flourishing the restaurant industry (Andaleeb & Conway, 2006). Realizing this massive trend, every company is trying its best to get an edge over the other. Such growing competition has pushed many services and retail businesses to pursue profitable ways to distinguish themselves from their rivals. A strategy that has been successful in business is the provision of high service quality (Rudie & Wansley, 1985; Thompson *et al*., 1985).

Service Quality: Customer is considered as the key person who describes the service quality being experienced (Zeithaml *et al*., 1996). The word service quality and perceived service quality is interchangeably used. Perceived Service quality can be defined as the degree to which a service caters customers' needs or expectations (Asubonteng *et al*., 1996; Dotchin & Oakland, 1994; Barbara & Mitchell, 1990; Wisniewski, 1996). Whereas according to Zeithaml (1987), perceived service quality is the consumer's evaluation about an organization's overall superiority and excellence. Customers' perception of service quality is engendered from an evaluation of service expectations with their practical service experience. According to Parasuraman *et al*. (1991), there are two levels of customer's service expectation: desired and adequate. Desired level of expectations is the level of service, a customer desired to be performed, while the adequate level of expectation is the "acceptable" level of service by the customer. This connotes perception must surpass the expectation to satisfy a customer because a greater service quality will lead towards higher and positive customer repurchase behavior and customer loyalty (Boulding *et al.,* 1993; Brodie *et al*., 2009; Leisen & Prosser, 2004).

Customer loyalty: Customer Loyalty, since the last decade, has become an essential construct in marketing, and particularly in the expanding arena of customer relationship management (Ball *et al*.,

2004). Different definitions of loyalty have been put forward such as: *Endorsement willingness*, the willingness of a consumer to recommend the service as experienced to other prospective customers (Butcher *et al*., 2001; Javalgi & Moberg, 1997; Zeithaml *et al*., 1996); *Cognitive exclusiveness*, the degree of exclusivity while considering a respective service source to be the only choice (Dwyer *et al*., 1987; Ostrowski *et al*., 1993); *Repurchase intention*, the customer's intent of connecting and re-availing the service from the same service provider (Jones *et al*., 2000; Zeithaml *et al*., 1996) and; *Identification* defined as the sense of ownership and affiliation with the service provider (Butcher *et al*., 2001). Thus, according to Chaudhuri, (1997) & Oliver, (1999), customer loyalty is the dedication of a customer to repurchase a preferred service or product time and again, endorsing the service source to other people and seeing the provider as the only source when it plans to buy in future.

SERVQUAL: Understanding what the customers' desire and what compels them to return is important for the restaurant managers so that they can enhance their restaurant operations accordingly (Brucks *et al*., 2000).

An exploratory study by Parasuraman *et al*. (1985) was led to provide a theoretical base for exploring service quality and factors affecting it. Insights obtained from that study formed the basis of a service quality model broadly known as SERVQUAL. Most of the works till date has attempted to use the SERVQUAL methodology in their effort to measure service quality (Parasuraman *et al*., 1985, 1988). Initially, the scale had ten determinants (Parasuraman *et al*., 1985) which were later reduced to five (Parasuraman *et al*., 1988) i.e. *Tangibles*, it is fundamentally using every material to contribute perceptibility to service of the organization (Parasuraman *et al*., 2005; Zeithaml *et al*., 2006); *Reliability*, it is the consistency in performing service correctly from the beginning and ability of a firm in fulfilling its promises, consequently creating dependability for a customer (Parasuraman *et al*., 2005); *Assurance*, is the timely provision of service and an ability of protective dealings to induce trust and confidence in customers (Parasuraman *et al*., 2005; Zeithaml *et al*., 2006); *Empathy*, is staff's caring attitude towards the customers, providing them with customized attention and keeping their interest at heart (Parasuraman *et al*., 2005) and; *Responsiveness*, is the willingness of the staff to assist the clients and provide service promptly (Parasuraman *et al*., 2005; Zeithaml *et al*., 2006).

Literature suggests, an exceptional quality of service and facility is perceived to be a channel by which a service organization can not only enhance customer loyalty but also retain existing customers, and attract new ones (Lewis, 1993; Smith, 1993). Likewise, it is further suggested that customer satisfaction acts as a precedent to customer loyalty and retention that is to say that customer loyalty is indirectly influenced by service quality through customer satisfaction (Al-Tit, 2015; Choi & Chu, 2001; Kuo *et al*., 2011). There exists a conundrum if satisfaction and loyalty are two different constructs with respect to their association to service quality. Therefore, this study attempts to fill this gap by using a modified SERVQUAL scale in order to measure the perceived service quality and its direct impact on customer loyalty. Furthermore, casual-dining restaurants of Pakistan have not been taken into account explicitly with regards to the stated problem; therefore, this study is centered on casual dining restaurants of Peshawar. Finally, it also aims to determine which dimension of service quality is perceived to be having a high-quality relationship with customer loyalty.

OPERATIONALIZATION OF VARIABLES AND HYPOTHESES

The independent variable in this study was perceived service quality, measured in terms of tangibility, reliability, responsiveness and assurance. Perceived service quality can be defined as the degree to which a service fulfills customers' needs or expectations (Asubonteng *et al*., 1996; Dotchin & Oakland, 1994; Barbara R Lewis & Mitchell, 1990; Wisniewski, 1996).

The dependent variable, customer loyalty was computed in terms of its outcomes. According to (Chaudhuri, 1997; Oliver, 1999), customer loyalty is the dedication of a customer to repurchase a preferred service or product time and again, endorsing the service source to other people and seeing the provider as the only source when it plans to buy in future. It is the identification of customer with service provider that creates cognitive exclusiveness, willingly endorsing the service provider to others and purchasing repeatedly from it in the future.

In order to determine the impact of perceived quality service on customer loyalty, following hypotheses were tested:

> *H1:* Perceived Service Quality have a relationship with Customer Loyalty
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> *H2:* Tangibility has a relationship with Customer loyalty
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> *H3:* Reliability has a relationship with Customer loyalty
>
> *H4:* Responsiveness has a relationship with Customer loyalty
>
> *H5:* Assurance has a relationship with Customer loyalty

METHODOLOGY

The study was cross sectional and descriptive in nature. A total of four restaurants were selected basing carefully on reputation. After taking formal permission from the management, unit of analysis, the customers were selected using convenience sampling. A sample of 400 respondents was determined on the basis of inclusion/exclusion criteria. The sample included adults who were willing to participate and excluded children and hotel staff.

Data was collected through a validated self-administered questionnaire. Around 400 questionnaires, 100 in each restaurant were distributed. Equal distribution was used to generalize the results on population. The questionnaire used in this study had three sections. Section-1 (8 items) sought demographics information. Section-2 (23 items), included four service quality dimensions which were derived from Akbaba (2006) who primarily adopted them from Parasuraman *et al*., (1988) and later modified them for hotels. Whereas Section-3 (15 items) measuring customer loyalty was adopted from Dehghan and Shahin (2011). Since questionnaire was already adopted from a previous study therefore, its validation was not required. Since, it was further contextualized for restaurants; reliability of the questionnaire was computed through Cronbach's alpha, one of the most reliable indicators of measuring internal consistency of the scale items. Whereas, a five-point Likert Scale, ranging from 1=*strongly disagree* to 5=*strongly agree* was used to analyze customer's response against the selected variables.

RESULTS

The data collected was evaluated using IBM SPSS 23. Questionnaire used in this

study was reviewed for content validity by the managers of four restaurants under study. A pilot study of 20 customers was also carried out to measure the reliability and quality of questionnaire through Cronbach's Alpha. According to McMillan, (1996) alpha value of 0.70 is acceptable for internal consistency for each of the constructs.

Table 1 below, displays the alpha scores for service quality dimensions ranging from 0.821 (reliability) to 0.905 (responsiveness) whereas, cumulative alpha score for Perceived service quality is 0.841 and Customer Loyalty is 0.941. All these scores are strong and within the acceptable range (Sekaran, 2003).

Table: 1 Reliability Statistics

No.	Variables	No. of Items	Alpha (α)
1	Tangibility	07	0.868
2	Reliability	06	0.821
3	Responsiveness	05	0.905
4	Assurance	05	0.864
6	Perceived Service Quality	23	0.841
7	Customer Loyalty	15	0.941

The descriptive statistics explained the demographic aspect of the respondents in terms of their age, gender, marital status, education, occupation, income, frequency of visit and preference to visit with. A response of 332 customers was received whereas a final sample of 318 respondents was analyzed after deleting incomplete questionnaires thereby representing a response rate of 79.5%.

Table 2 below, exhibits a total number of 318 respondents of which 140 (44.0 %) were male and 178 (56.0%) were females. Majority of the respondents fall within the age groups of 18-24 (44.7%) followed by 25-34 (34.3%) and least (6%) in the age group of 45 and above which could be due to a reason that old people tend to go old traditional restaurants. As regards to the marital status, most of the respondents (56.9%) were single followed by married ones (43.1%). Education wise, quite a majority of respondents (48.7%) held masters and higher degree followed by bachelors (33.6%). Employment status of respondents' states, majority (41.5%) was employed followed by the students (33.0%).

As for income status, majority of the respondents (49.1%) were earning was more than Rs.50000 followed by respondents who earn less than Rs. 25000 (38.8%). Within this section, a question for not applicability of income was raised by a few respondents. Moreover, as for the question of frequency and preference to visit with, majority of the respondents (40.6%) visit once a month followed by those (25.8%) who visit once a week. While most of them (51%) prefer to visit with friends and some (40.6%) visit with families.

Table: 2 Demographic Statistics

Demographic Variables	Restaurants (N=4), Respondents (n=318)	
	Frequency	Percentage
Education		
Middle/Secondary	16	5.0
Intermediate	40	12.6
Bachelors	107	33.6
Masters and above	155	48.7
Employment Status		
Employed	132	41.5
Self Employed	44	13.8
Unemployed	33	10.4
Retired	04	1.3
Student	105	33.0
Monthly Income		
Less than 25000	98	30.8
25000-50000	64	20.1
More than 50000	156	49.1
Frequency of Visit		
More than once a week	73	23.0
Once a week	82	25.0
Once a month	129	40.6
Once a year	34	10.7
Preference to visit with		
Friends	163	51.3
Family	129	40.6
Alone	09	2.8
Office Colleagues	17	5.3

Tables 3 & 4 below are portraying descriptive statistics for the independent variable, Perceived Service Quality in terms of its dimensions and their respective items.

Table: 3 Customers' Evaluation of SERVQUAL Dimensions and Their Means

Dimensions	Items	Responses (*f*, %)					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Means
	1	11 (3.5)	7 (2.2)	46 (14.5)	177 (55.7)	77 (24.2)	3.94
	2	11 (3.5)	35 (11.0)	56 (17.6)	125 (39.3)	91 (28.6)	3.78
	3	9 (2.8)	10 (3.1)	28 (8.8)	169 (53.1)	102 (32.1)	4.08
Tangibility	4	7 (2.2)	19 (6.0)	62 (19.5)	156 (49.1)	74 (23.3)	3.85
	5	12 (3.8)	29 (9.1)	37 (11.6)	144 (45.3)	96 (30.2)	3.88
	6	37 (11.6)	52 (16.4)	60 (18.9)	120 (37.7)	49 (15.4)	3.28
	7	9 (2.8)	17 (5.3)	32 (10.1)	158 (49.7)	102 (32.1)	4.02
	8	12 (3.8)	16 (5.0)	50 (15.7)	176 (55.3)	64 (20.1)	3.83
	9	11 (3.5)	18 (5.7)	43 (13.5)	167 (52.5)	79 (24.8)	3.89
	10	17 (5.3)	12 (3.8)	46 (14.5)	162 (50.9)	81 (25.5)	3.87
Reliability	11	13 (4.1)	3 (0.9)	37 (11.6)	148 (46.5)	117 (36.8)	4.11
	12	12 (3.8)	22 (6.9)	78 (24.5)	113 (35.5)	93 (29.2)	3.79
	13	10 (3.1)	21 (6.6)	59 (18.6)	137 (43.1)	91 (28.6)	3.87
	14	17 (5.3)	34 (10.7)	22 (6.9)	161 (50.6)	84 (26.4)	3.82
Responsiveness	15	22 (6.9)	27 (8.5)	59 (18.6)	130 (40.9)	80 (25.2)	3.68
	16	27 (8.5)	20 (6.3)	96 (30.2)	114 (35.8)	61 (19.2)	3.50

17	19 (6.0)	13 (4.1)	54 (17.0)	141 (44.3)	91 (28.6)	3.85
18	24 (7.5)	34 (10.7)	52 (16.4)	139 (43.7)	69 (21.7)	3.61
19	10 (3.1)	18 (5.7)	63 (19.8)	144 (45.3)	83 (26.1)	3.85
20	6 (1.9)	16 (5.0)	74 (23.3)	154 (48.4)	68 (21.4)	3.82
Assurance **21**	6 (1.9)	19 (6.0)	59 (18.6)	155 (48.7)	79 (24.8)	3.88
22	11 (3.5)	39 (12.3)	42 (13.2)	171 (53.8)	53 (16.7)	3.93
23	28 (8.8)	23 (7.2)	43 (13.5)	145 (45.6)	79 (24.8)	3.70

The tables are not only showing how the services are rendered but also the perception of customers regarding the services of the restaurants. Likewise, *Table 4* below shows the mean average score of Perceived Service Quality derived from the average mean scores of individual constructs. According to the perceptions of customers, reliability was rated highest in service quality dimensions followed by mean score of tangibility, assurance and responsiveness respectively.

Table: 4 Means of Service Quality Dimensions

Construct	Dimensions	Means	Overall Mean
Perceived Service Quality	Tangibility	3.84	3.80
	Reliability	3.89	
	Responsiveness	3.69	
	Assurance	3.78	

Pearson's Correlation analysis was carried out to find the direction and strength of relationships between independent and dependent variables. *Table 5* below delineates the results for Correlation. There is a positive correlation among rater dimensions and their relation with customer loyalty. Strongest correlation (0.789) was found among Loyalty and Assurance followed by Responsiveness (0.715) as compared to weaker correlation of Reliability (0.714) and Tangibility (0.602) with loyalty. In terms of inter variable correlation; tangibility and reliability are strongly correlated (0.767) which implies together they can impact strongly on loyalty.

Table: 5 Correlations

	Loyalty	Tangibility	Reliability	Responsiveness	Assurance
Loyalty	1.000				
Tangibility	0.602**	1.000			
Reliability	0.714**	0.767**	1.000		
Responsiveness	0.715**	0.484**	0.733**	1.000	
Assurance	0.789**	0.536**	0.635**	0.673**	1.000

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

Linear Regression analysis was used to determine the simultaneous effect of independent variables on a single dependent variable. Regression analysis describes how much a dependent variable is affected by a change in the value of one or more independent variables. Model Summary for multiple regression analysis is shown below in *Table 6.* Using all predictors simultaneously, coefficient of correlation (R) is 0.848, R-squared (R^2) is 0.718 and adjusted-R^2 is 0.715. The model explains a variance of 71.8% in overall loyalty predicted by independent variables (tangibility, reliability, responsiveness and assurance).

R^2 value in model renders the predictive ability of model. If the value is closer to 1 better the regression equation fit the data.

Table: 6 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.848[a]	0.718	0.715	0.39120	2.041

    a. Predictors: (Constant), Assurance, Tangibility, Responsiveness, Reliability
    b. Dependent Variable: Loyalty

Moreover, independence of error terms was tested through Durbin-Watson that resulted 2.04 which is within the acceptable range of 1.50 and 2.50 and found significant at p=0.000 level. And also, we can say that there is no first order linear auto-correlation in our multiple linear regression data.

Similarly, below is *Table 7* which delineates Model Summary for linear regression analysis using Perceived Service Quality as predictor variable.
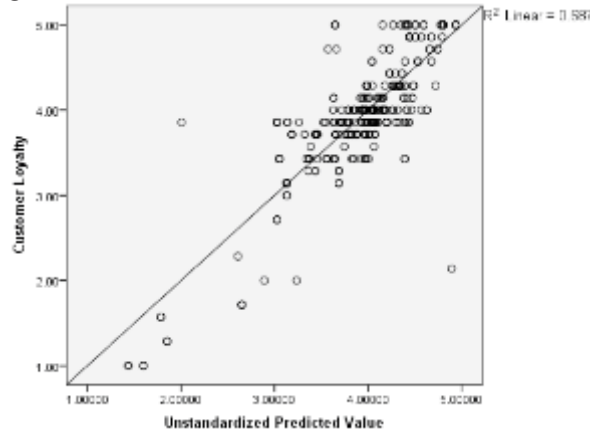
Table: 7 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.829[a]	0.687	0.686	0.41073	1.951

    a. Predictors: (Constant), Perceived Service Quality
    b. Dependent Variable: Loyalty

The correlation coefficient (R) is 0.829; R-squared (R^2) is 0.687 whereas adjusted-R^2 is 0.686. Model states that 68.7% of variation in dependent variable, Customer Loyalty is explained by independent variable, Perceived Service Quality. The Durbin- Watson also resulted in 1.95, which is within the acceptable range. A similar study was conducted by Hau-siu Chow *et al.* (2007) in China where a relationship was found between service quality and repeat patronage. While repeat patronage or repeat purchase is a behavioral loyalty, one of the three constructs on which loyalty was measured. The results are also consistent with (AtifUllah *et al.*, 2016) where perceived service quality was measured to evaluate customer loyalty.

Figure: 8 Multiple Regression Plot

Given above, graph in *Figure 8* for model summary in *Table 7* also shows a positive correlation between perceived service quality and loyalty. The scatter plot depicts a variance of 68.7% in customer loyalty if perceived service quality is changed by one percent. Below are the tables that depict results of ANOVA (Analysis of Variance). *Table 9* displays results using all independent variables simultaneously. The value of F-statistic 199.69 at p=0.000 indicates that there is a linear relationship between the dependent and independent variables. And regression model is predicting the outcome variable, customer loyalty significantly well.

Table: 9 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	122.240	4	30.560	199.694	0.000[b]
Residual	47.900	313	0.153		
Total	170.140	317			

    a.   Dependent Variable: Loyalty
    b.   Predictors: (Constant), Assurance, Tangibility, Responsibility, Reliability

While *Table 10* below displays the result using Perceived Service Quality as a predictor variable. The value of F-statistic 692.69 at p=0.000 indicates a linear relationship between the two variables. Hence, the designed model was a significant predictor of relationship between the two constructs.

Table: 10 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	116.832	1	116.832	692.559	0.000[b]
Residual	53.308	316	0.169		
Total	170.140	317			

    a.   Dependent Variable: Loyalty
    b.   Predictors: (Constant), Perceived Service Quality

Regression coefficients were examined in order to evaluate the strength of relation between dependent and independent variables. Generally, the relationship of the dependent variable with the independent variable will be positive if, beta coefficient is positive. And if, the beta coefficient is negative, the relationship between the dependent and independent variable will be negative whereas, zero value of beta infers that there is no relationship between the dependent and independent variable. As seen from the results in *Table 11* below, all of the four independent variables are having a significant impact on dependent variable. Assurance was found highly significant (β=0.47, t=11.06, p=0.000) followed by Responsiveness (β=0.22, t=4.48, p=0.000) while, Reliability (β=0.15, t=2.58, p=0.010) and Tangibility (β=0.11, t=2.44, p=0.015) are comparatively less significant which can also be confirmed from their Pearson's correlation value with loyalty. Also, the regression results did not find any multicollinearity among the predictors since all the Tolerance values are above 0.10 and the values of Variance Inflation Factor (VIF) are below 10 (Neter at al., 1974). According to Blalock (1963), multicollinearity shall not exist because whenever two independent variables are correlated, it will be difficult to assess their relative importance in predicting dependent variable.

Table: 11 Coefficients of Regression

Model	Standardized Coefficients β	T	Sig.	Collinearity Statistics Tolerance	VIF
(Constant)		4.453	0.000		
Tangibility	0.118	2.444	0.015	0.385	2.598
Reliability	0.159	2.587	0.010	0.239	4.183
Responsiveness	0.221	4.481	0.000	0.368	2.715
Assurance	0.476	11.068	0.000	0.489	2.057

Similarly, *Table 12* displays a significant impact Perceived Service Quality is having on Customer loyalty (β=0.82, t=26.31, p=0.000). Thus, customer loyalty increases by 0.829% if perceived service quality increases by one percent.

Table: 12 Coefficients of Regression

Model	Standardized Coefficients β	T	Sig.	Collinearity Statistics Tolerance	VIF
(Constant)		4.367	0.000		
Perceived Service Quality	0.829	26.317	0.000	1.000	1.000

This study was led to comprehend the relationship between service quality dimensions and customer loyalty. Basing on the results of analysis in *Table 11 & 12* all the hypotheses, H1, H2, H3, H4 and H5 were accepted.

DISCUSSION

It is of utmost need to determine the factors of service quality that affect the loyalty of customers for casual dining restaurants in Peshawar. Even though, all the dimensions are found to be having a positive impact on customer loyalty, assurance proved to be a strongest predictor of customer loyalty.

In the results, descriptive statistics found majority of females visiting the restaurants where most of them were working professionals and students. In a majority of similar studies, male predominance was observed however, on the contrary, this study showed a female predisposition with respect to customers visiting these restaurants. The result contradicts (Khan *et al*., 2013) where male predominance was found. While interestingly, the result matches with Shah (2016) where female turnout was larger than males in Peshawar. Basing on the results of this and above-mentioned studies, it appears as if the female preponderance increases if we move from fast-food to casual dining restaurants; or it is mainly because the restaurants under study were situated in a locality which is surrounded by schools, colleges and universities; and because women in Khyber Pakhtunkhwa and Pakistan in general are assuming work roles (Farrukh, 1999). A cross-tab analysis of gender and employment depicted 44% of the total females were employed while 40% of them were students. This highlight the trends in Khyber Pakhtunkhwa are shifting. However, a comment for separate ladies section was mentioned by the female customers as they might have felt uncomfortable sitting amongst the men. This might well be related to cultural attribute.

As for the correlation values are concerned, a strongest relationship of assurance with loyalty and the weakest with tangibility was found. Although, within the ranking of service quality dimensions (Table 4), reliability was perceived important followed by tangibility yet in regression analysis, reliability and tangibility did not predict customer loyalty very strongly. On the contrary, assurance and responsiveness strongly predicted customer loyalty which means customers perceive trustworthy, knowledgeable, responsive and quick staff as a vital factor of service delivery that enhances their loyalty towards the restaurant.

From a customer's perspective, apart from ranking of dimensions, the study also analyzed the provision of services with respect constituent items of every dimension (*Table 3*). Tangibility based responses received more agreement towards cleanliness of the restaurants which infers restaurants are clean and customers perceive cleanliness as a vital factor of tangibility. Whereas, car-parking facility for customers received the lowest mean score in the construct and also overall in the model, which means not providing enough facility of car, parking might be causing reduced customer loyalty. While, in Reliability based responses, well cooked food showed a trend towards strong agreement also scoring highest mean in the model which is in accordance with the study done by (Malik *et al*., 2013). This show, customers perceive restaurants being reliable enough to gain customer loyalty when it comes to cooking of food. Whereas, provision of service without any delay received lowest score within reliability, which means customers, perceive it a drawback, which might reduce

customer loyalty. As for Responsiveness based perceptions, willingness of staff to help customers received highest mean score showing a tilt towards agreement. This means, restaurants are responsive when it comes to helping customers with their requests or complaints. On the contrary, restaurants' compensation for inconveniences received lowest mean score within responsiveness, which infers customers perceive restaurants not being responsive for compensating the inconveniences and that may reduce customer loyalty.

Last, Assurance based responses received more agreement towards staff being professionally skilled to perform the service. Customers perceive professional skills of staff to be an important factor instilling assurance. While on the opposite, despite staff being professionally skilled; complete knowledge of food items received the lowest mean score. Which means staff does not have the complete knowledge of food items to advice customers which might reduce customer loyalty. With performance-support solutions in place, managers shall rest assure that their staff has the knowledge they need right at their fingertips.

In a study done by Shaikh and Khan (2011), only tangibility and responsiveness were studied to measure the service quality of Pakistani restaurants. They found both the dimensions as strong predictor of customer retentiveness with responsiveness being the stronger predictor followed by tangibility. These results are contradictory to the findings of current study where tangibility is the weakest predictor of customer loyalty. Interestingly, this work contradicts with Malik *et al,.* (2011) who used tangibility, reliability and empathy to measure brand loyalty of customers with hotels in Pakistan. They found empathy as an important factor to predict brand loyalty which is in complete contradiction to the current findings. The study also found tangibility as the most important factor to develop loyalty as opposed to the current one where tangibility was the weakest predictor. Likewise, Atifullah *et al.*, (2016) carried out a similar work on hotels of Pakistan. They found all of the five SERVQUAL dimensions impacting customer loyalty where assurance had a significantly negative relationship with customer loyalty. All these differences can be attributed to the multiple factors such as cultural differences and changing trends in hospitality industry which needs further exploration which is also recommended in the future directions' section.

CONCLUSION

The study was lead to comprehend the relationship between service quality and customer loyalty. All the hypotheses were accepted and proven from the analysis and a direct relationship between service quality and customer loyalty was established. Every customer is different and perceives service quality in its own way, therefore, the managers of casual dining restaurants should focus on all the dimensions of service quality, invest in service quality improvement and training of service providers to provide optimal service to their customers in order to create, maintain and retain their loyalty. Pakistan being an underdeveloped country needs to invest in the restaurant industry which will boost its economy as well.

LIMITATIONS AND IMPLICATIONS

This study examined the relationship of four SERVQUAL dimensions with customer loyalty. The major limitation of this study is that it did not take into account of SERVQUAL rather it was modified to four dimensions only. Empathy had negative correlation

(r= -0.089, β= -0.049, t= -1.236, p=0.218) with both customer loyalty and the remaining dimensions. Stepwise regression analysis was also carried out to re-confirm this impact, which also excluded empathy off the model. This suggests that if more useless variables are added to a model, adjusted r-squared will decrease, unlike, if more useful variables are added, adjusted r-squared will increase. Hence, basing on the analysis, Empathy was excluded from the model and a new analysis was carried out on the rest of rater dimensions. It is a unique observation, which leaves space for further research and exploration into the topic.

Another limitation is the selection of restaurants. Only a selected number of restaurants in a specific city were approached for data collection which might pose a threat of sampling error and external validity of this study. Moreover, the questionnaire was self-administered to avoid researcher bias; however, there might be a chance of misinterpretation of the variables while answering the questions.

According to Stevens *et al.* (1995) DINESERV is considered as a reliable and comparatively simple tool to evaluate a restaurant's service quality therefore, it is also recommended to use this tool to address the ambiguities found through this study. And last, the study measured the perceptions of customers only, which by passed the gap analysis. Hence for future, it is strongly recommended to carry out this research in a different city for more comprehensive study, addressing the gap analysis that can lead to more inclusive results and conclusions.

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