Innovation in Quick Service Restaurants (QSRs):
A Future Perspective

Abstract: The rationale of this study is to investigate the impact of innovative practices (product and service innovation) on customer satisfaction. Further study also tends to approach the impact of customer satisfaction on customer loyalty in quick service restaurants. The study has been conducted on potential customers of QSRs such as McDonald’s, Dominos, Pizza Hut and KFC in Jammu city (J&K). A total of 256 samples were analyzed in the study. EFA and regression analysis have been used to identify the various factors and to test the relationship between the constructs, respectively. The study finds that innovative practices in QSRs positively influence customer satisfaction. Furthermore, the study also verified that customer satisfaction positively influences customer loyalty in selected QSRs.

Keywords: Innovative practices; Customer satisfaction; Customer loyalty; Quick service restaurants (QSRs)

1 Introduction

In India, fast food restaurants are a rapidly growing industry. Food is a primary essential to each person, so people enjoy their meals in a pleasing environment with the company of friends and family (Poulain, 2017). The food service industry currently provides employment to 6.2 million people and is expected to increase to 9.5 million by 2022. Currently the contribution of the food and service sector is 52% in total employment generation, and it is expected to increase to 55% by 2022. The indirect employment is seen to grow at Compound Annual Growth Rate (CAGR) of 4% from 2013-2017 and is expected to grow to CAGR of 6% till 2022 (FICCI, 2017). Moreover, in the current scenario, the lifestyle of the people is changing every day, which results in an increasing number of people choosing fast food outlets. Besides this, youths prefer fast food restaurants for their ease, time-saving, and comforting dining experience. Another reason for increasing popularity is the convenience of the food provided by these restaurants: food is ready to cook, ready to drink, ready to eat and ready to deliver.

In today's contemporary era, the restaurant sector is facing huge and lively transformations in the cutthroat competition in the marketplace. In addition, quick service restaurants (QSRs) are a key segment in the Indian food and service market; they have shown an upward growth trend over the years. A lot of international QSR chains have flown to the Indian food service market in the past few years, with different products and cuisine, firing the market growth from mega to mini metros. A QSR proposes a limited menu, restricted services, and sensible prices. All menu items are prepared easily and served quickly to the customers. Apart from Indian QSRs, Dominos, Pizza Hut, McDonald’s, KFC, Starbucks, Burger King and Subway are the major QSRs that provide American fast food in India (Landreville, 2020). All these QSR brands need to make a number of changes to their standard menu to match the Indian taste and food habits (Malhotra, Schofield & Lustig, 2018). Furthermore, according to a recently published Tech Sci Research Report (2020), the market for QSRs in India is anticipated to develop at a CAGR of more than 18% over the period 2020-2025.

In the modern era, innovation is defined as a new way of industry outlook to improve somewhat conventional and inflexible operational procedures and processes, which can renovate QSRs to meet the needs and wants of the customers (Witell, Snyder, Gustafsson, Fombelle & Kristensson, 2016). Innovation is playing an essential role in the hospitality industry concerning new ideas, services, and new concepts that increase customers’ interaction and to accommodate innovative practices more easily (Davronov & Ismatillayeva, 2019). The leading driver
of innovation is to attain a viable competition, enhance business and win customer satisfaction (Leonard-Barton, 1992).

At present, people are responsive and are very particular about their diet; they know where they have to go for meals. Quick Service Restaurant (QSR) demand is very high because their promptness and outstanding services attract consumers. QSRs focus on customer satisfaction by providing food items with low price, instant service, and appealing dining options. These are the key reasons why customers are likely to choose QSRs over other restaurants. Researchers (Ryu, Han & Kim, 2008; Han & Ryu, 2009; Qin & Prybutok, 2008) opined that innovation is broadly considered in the areas of finance and marketing, information technology, and social media, among others, but there is a lack of study in innovation in the hospitality sector (Tigu, Iorgulescu & Ravar, 2013; Nieves, Quintana & Osorio, 2014; Luoh, Tsaur & Tang 2014; Thomas & Wood, 2014; Nieves & Segarra-Ciprés, 2015; Kessler, Pachucki, Stummer, Mair & Binder, 2015). Further, previous studies have been conducted inside and outside the country investigating the quality of fast food, service excellence, and customer satisfaction, for example in the tourism sector (Ali & Frew, 2014), the banking industry (Lee, Kim, Hemmington & Yun, 2004), the food industry (Roberts-Lombard, 2009). Most of the empirical studies on innovation treat it as theoretical, short, and fragmented; studies focus on developed countries such as China, Spain and other Euro nations, U.S.A, etc. (Storey, Cankurtaran, Papastathopoulou & Hultink, 2016; Rose, 2019; Taques, López, Basso & Areal, 2020). Studies on QSRs in emerging economies are scanty and in the context of northern India almost negligible (Fu & Chang, 2019; Snyder, De Brey & Dillow, 2016). Moreover, the extant literature focused on customer perception and green practices in QSRs, perceived value and intentions to purchase in QSRs, food quality, customer environment and behavioral intentions and corporate image and coupon promotion (Ryu, Han & Kim, 2008; Han & Ryu, 2009; Qin & Prybutok, 2008; Taylor & Long-Tolbert, 2002), but failed to focus on the liaison between innovative practices (IP), customer satisfaction (CS) and customer loyalty (CL) in restaurants. Hence, the proposed study explores the impact of IP on CS in QSRs. Second, the study also intends to study the impact of CS on CL in QSRs. To conclude, this study provides the suggested model based on several theoretical relationships which are inferred from a widespread literature review.

2 Literature Review and Hypotheses Development

2.1 Quick Service Restaurant (QSR)

QSR is a specific restaurant that provides both fast food cuisines and counter service, as per the wants of youngsters and working professionals (Bhat, Morton, Mason & Bekhit, 2018). QSRs have preserved the quality of service, maintained standards and ambiance across all their outlets, and their numbers are estimated to rise exponentially in India (Sviridova & Tarasova, 2019). QSRs generally target the 16-35 age range, as this age group is concerned more about new flavour and prefer to have fast foods every day (Richardson, Lefrid, Jahani, Munyon & Rasoolimanesh, 2019). In the modern age, clients do not stand in queues for any sort of products and services, except when products are of genuine worth, and are worth the time spent on waiting. So QSRs are a better option; they are popular for their brief waits between the time of over-the-counter ordering to service for dining or taking out meals (Parsa & Kwansa, 2002).

2.2 Product Innovation (PI) and Customer Satisfaction (CS)

Innovation is the creation of innovative goods or services. The aim of newness is to increase economic progress or industry competence and to attain satisfaction among customers (Leonard-Barton, 1992). According to Martin-Rios, Erhardt and Ciobanu (2018), product innovation means the expansion or beginning of a new good and service; in simple terms, it is associated with invention of the latest products and recuperating of existing ones (Polder, Leeuwen, Mohnen & Raymond, 2010; Chang & Hughes, 2012). Product innovation is directed at satisfaction of the customer in every field, because if a QSR provides novelty in the product according to needs and wants of consumers, it tends to enlarge the level of satisfaction and loyalty among customers (Laužikas, Miliūtė, Tranavičius & Kičiatovas, 2016).

Besides this, satisfaction increases if the customer is happy with the innovative product of the company (Kotler & Keller, 2012). An empirical study by Nemati, Khan & Iftikhar (2010) showed that PI had a considerable positive impact on brand satisfaction. The outcome of the several other studies (e.g., Luo & Bhattacharya, 2006; Stock & Zacharias, 2011; Hussain, Munir & Siddiqui, 2012) confirmed that PI is a primary aspect of satisfaction among...
customers. Another study by Daragahi (2017) signifies that product appearance innovation has a positive impact on CS. When a business creates a new product, customers’ satisfaction level rises along with the loyalty of customers (Naveed, Akhtar & Cheema, 2012). So based on the above literature, the following hypothesis has been developed:

H1: PI adopted by select QSRs has a significant positive impact on CS.

2.3 Service Innovation (SI) and Customer Satisfaction (CS)

Innovation includes novelty in product, service, and process innovation, and their amalgamation persuades the customer (Djellal & Gallouj, 2001). ‘Service innovation is the introduction of new or novel ideas which focus on services that provide new ways of delivering a benefit, new service concepts, or new service business models through continuous operational improvement, technology, investment in employee performance, or management of the customer experience’ (Verma, Anderson, Dixon, Enz, Thompson & Victorino, 2008, p.7). Furthermore, SI has considered many service sectors, with an outlook of enhancing the excellence of service quality to certify CS (Hang & Garnsey, 2011; Xu & Li, 2016). SI is the key influencer of CS (Ta & Yang, 2018). Dzhandzhugazova, Blinova, Orlova and Romanova (2016) opined that the intervention of innovative practices in the hospitality sector targets the levels of satisfaction. Further, innovations that satisfy customers must consider the experiences that consumers reveal through an interactive session with the service provider (Igwe & Asiegbu, 2015). Findings from several other studies (e.g., Kanwal & Yousaf, 2019; Ta & Yang, 2018; Mahmoud, Hinson & Anim, 2017; Yeh & Fu, 2013) demonstrated that SI positively and significantly impacts CS. Consequently, it is hypothesized that:

H2: SI adopted by select QSRs has a significant positive impact on CS.

2.4 Customer Satisfaction (CS) and Customer Loyalty (CL)

Hallowell (1996) signifies that CS means the assessment and post-purchase concerning goods and services towards the brand. On the other hand, loyalty is described as ‘a deeply held commitment to re-buy or repurchase a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior’ (Oliver, 1999). Loyalty is seen as assertions to purchase the product and service continuously, even though situational aspects and promotional efforts may lead to switching behaviour (Chiguvi, 2016). Kotler and Keller (2012) stated that CS will bring up the attention to follow and re-purchase, as well as dedication to recommending a product or service to their friends or relatives. They opined few essentials in determining the satisfaction of consumers, namely (1) on the whole customer satisfaction, which about how satisfied they are with the brand; (2) curiosity in re-buying while customers will repurchase the company’s goods and services; (3) readiness to suggest or advise a product to others and turn it into an imperative to assess for scrutiny and follow-up. Kandampully and Suhartanto (2000) revealed that CS is one of the main critical factors influencing the development of a customer’s intention to purchase. In addition, earlier studies confirmed that CS is the sentiment or mindset of patrons concerning a product/service after use (Wells & Prensky, 1996; Solomon, Bamossy, Askegaard & Hogg, 2006; Hansenmark & Albinsson, 2004). Al-Msallam and Alhaddad (2016) also show that CS directly affects loyalty, even though it establishes that the linkage depends on the business context. Several previous studies (e.g., Cronin, Brady & Hult, 2000; Bloemer & De Ruyter, 1999; Zeithaml, Berry & Parasuraman, 1996; Oliver, 1999; Johnson, Sivadas & Garbarino, 2008; Al-Msallam, 2015) found that satisfied consumers revealed more loyal behaviour. Therefore, it is hypothesized that:

H3: CS has a significant positive impact on CL in select QSRs.

Based on the extant literature review, the following conceptual framework, in Figure 1, has been identified for the present study.

![Figure 1: Hypothetical Model of the Study](image-url)
3 Methodology

3.1 Data Collection

Primary data based on the firsthand information have been collected from the consumers that visited selected QSRs (Mc Donald’s, Dominos, Pizza Hut and KFC) of the Jammu region through a self-modified and well-structured questionnaire. This study is confined to Jammu region and the respondents were the consumers of the QSRs. A total of 300 questionnaires were circulated to the target respondents. The final sample was 256, having response rate of 85.33%. We employed a nonprobability convenience sampling technique to contact the respondents. Sections of the questionnaire were divided into four parts: Section A of the questionnaire is concerned about the demographic profile (gender, age, education, occupation). Section B was composed of 16 items of innovative practice which were generated from the study of Wanjiku (2018). Section C was composed of 9 items representing customer satisfaction, adopted from the study of Kumar (2012). Section D was composed of 5 items addressing customer loyalty, adopted from the study of Kumar (2012). All items were measured on 5-point Likert scale varying from ‘strongly disagree’ (1) to ‘strongly agree’ (5).

3.2 Purification of the Scale

Exploratory factor analysis (EFA) has been used to identify the various factors and for purification of scale. For this study, factor analysis has been applied on 16 items of innovations which converged into two factors after three iterations and were named ‘Product Innovation’ and ‘Service Innovation’. The KMO value arrived at .901 and

<table>
<thead>
<tr>
<th>Table 1: Summary of EFA</th>
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<tbody>
<tr>
<td>Factors</td>
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<td>Product Innovation</td>
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KMO=.901, BTS assessed chi-square =1881.025, df= 66, Sig.=0.000, TVE by factors = 51.987 %

Note: Here, SD = Standard Deviation, FL = Factor Loadings, FM = Factor Mean, KMO=Kaiser-Meyer-Olkin, TVE = Total Variance Explained, α=Cronbac’s Alpha
BTS assessed chi-square at 1881.025, df= 66 at 0.000 significance level, which support the suitability of data for pursuing factor analysis. The value of KMO is above the threshold criteria (0.7) and Eigen values are also greater than one for all the constructs (Hair, Black, Babin & Anderson, 2010). The scale purification results are exhibited in Tables 1 and 2.

4 Discussion of Results

4.1 Demographic Breakdown of the Sample

Results show that out of the total 256 respondents, 130 respondents were males and 126 were females. Most of the respondents are aged 20-40 (42.3%), which represents a mature range of the respondents in age. In terms of respondents’ education level, most of them were bachelors (125) followed by postgraduate students (85) and then others (46). Respondents have been classified based on their occupation into 5 categories: out of 256 respondents, 93 were students, 47 were self-employed, 37 were government employees, 44 were private employees and 35 were homemakers.

4.2 Descriptive Analysis Results

The descriptive analysis of all the constructs was done, starting with product innovation. The findings suggest that the aggregate sample has rated the item ‘Quick service restaurant consistently introduces new menu items’ as the highest (Mean value= 3.90) whereas in case of service innovation, the aggregate sample has rated the items ‘Quick service restaurant has an innovative rewards (membership) program’ and ‘Quick service restaurant adopts new innovative advertising strategies not currently used by its competitors to market itself to customers’ as the highest (Mean value= 3.97). Furthermore, the item ‘Quick service restaurant is open to the ideas which were suggested by customers’ was observed as the lowest (Mean value=3.81).

In case of customer satisfaction, the items ‘Quick service restaurant staff offer services effectively and efficiently’ and ‘I am delighted to visit the quick service restaurants’ as the highest observed (Mean value=4.01) whereas the item ‘The price quality relations of the dishes and drinks were satisfactory’ was observed as the lowest one (Mean value= 3.73). In the last construct, customer loyalty, the item ‘I will keep on visiting this QSR as long as it offers the best quality food and services’ as the highest observed (Mean= 4.02) whereas the item ‘This QSR is always my first choice to visit for dining’ was observed as the lowest one (Mean value= 3.69).

Table 2: Descriptive Statistics of CS and CL

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Mean</th>
<th>SD</th>
<th>FM</th>
<th>α</th>
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</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>I was happy with the dining experience in the QSR</td>
<td>3.91</td>
<td>.823</td>
<td>3.92</td>
<td>.902</td>
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<tr>
<td></td>
<td>I am satisfied with the food and services offered at the QSR</td>
<td>3.98</td>
<td>.819</td>
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<td></td>
<td>QSR staff offer services effectively and efficiently</td>
<td>4.01</td>
<td>.839</td>
<td></td>
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<td></td>
<td>I am delighted to visit the QSR</td>
<td>4.01</td>
<td>.760</td>
<td></td>
<td></td>
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<td></td>
<td>The staff had overall knowledge regarding product and services offered by QSR</td>
<td>3.73</td>
<td>.991</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>The price and quality of the products offered by QSR were satisfactory</td>
<td>3.91</td>
<td>.818</td>
<td></td>
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<tr>
<td></td>
<td>I am satisfied with my decision to choose this QSR</td>
<td>3.94</td>
<td>.888</td>
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<td></td>
<td>Overall, the QSR meets all my expectations</td>
<td>3.84</td>
<td>.842</td>
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<td></td>
<td>QSR gives me overall satisfaction</td>
<td>3.91</td>
<td>.866</td>
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<tr>
<td>Customer Loyalty</td>
<td>I intend to remain a customer of this QSR which I have chosen</td>
<td>3.86</td>
<td>.880</td>
<td>3.89</td>
<td>.854</td>
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<tr>
<td></td>
<td>I will keep on visiting this QSR as long as it offers the best quality food and services</td>
<td>4.02</td>
<td>.840</td>
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<tr>
<td></td>
<td>I will speak positive things about the QSR</td>
<td>3.88</td>
<td>.880</td>
<td></td>
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<tr>
<td></td>
<td>This QSR is always my first choice to visit for dining</td>
<td>3.69</td>
<td>1.051</td>
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<tr>
<td></td>
<td>I intend to recommend this QSR to family and friends</td>
<td>4.00</td>
<td>.847</td>
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Note: Here, SD= Standard Deviation, FM= Factor Mean, α= Cronbac’s Alpha
Furthermore, the descriptive statistics results of CS and CL are exhibited in Table 2.

### 4.3 Hypotheses Testing Results

The regression analysis has been conducted to assess the impact of innovative practices, which is the independent variable, upon customer satisfaction, which is the dependent variable. The regression results revealed that PI has a significant positive impact on CS ($\beta$ value=0.332, t-value=8.033 and Sig. = 0.000). The value of the beta coefficient, which is 0.332, indicates a positive but small impact of former upon the latter. Thus, hypothesis 1 is vindicated and accepted.

Furthermore, the statistical results also indicate that the value of the beta coefficient is good, which reveals strong positive and significant impact of SI on CS ($\beta$ value=0.483, t-value=11.696 and Sig. = 0.000). Though the value of the beta coefficient is good (0.483), it can be concluded from the regression results that service innovation has a positive and significant impact upon customer satisfaction. Thus, hypothesis 2 is also vindicated and accepted. Moreover, the overall magnitude of impact is good ($R^2=0.551$) and statistically significant ($P=0.000$), though with one unit increase in innovative practices, customer satisfaction accelerates only by 0.551 units.

A linear regression has also been used to test the relationship between CS and CL. As per regression results, $\beta$ value (0.715), t- value (21.835) and the value of $p = 0.000$ are statistically significant which shows a significant relationship between CS and CL. Therefore, it is concluded from the results that satisfaction significantly and positively impacts on loyalty among customers of QSRs. Thus, hypothesis 3 stands accepted. In addition, the magnitude of impact is good ($R^2=0.511$) and with one unit increase in customer satisfaction, customer loyalty accelerates by 0.511 units. The model of the study is summarized in Figure 2.

![Figure 2: Model of the Study](image-url)

### 5 Conclusion

The present study tried to examine the relationships between IP, CS, and CL in the selected QSRs. The outcome of the research suggests that innovation practices have positive influence on CS. Gomezelj (2016) established that QSRs are forced to execute innovative practices to attract potential customers and always provide a unique customer experience. Hall and Williams (2008) defined innovation as a systematic method to produce, recognize, and execute new facts, practice, products, or services to improve customer experiences in QSRs. Therefore, innovation in QSRs products and services boosts the delivery of quality services and helps in creating ultimate memorable customer experiences in QSRs. This research has established a significant and high impact of product innovation on customer satisfaction, which supports the first hypothesis (H1) of the study. Innovation is a continuous process to bring transformation and to help create novel experiences for the customers. It also plays an essential role in increasing the satisfaction level of customers.

SI also has a significant positive relationship with CS which supports the second hypothesis (H2) of the study. When excellent service quality is provided to the customers, it results in increased satisfaction level, revisit of customers, and finally leads to increase in profit of the business (Brink & Berndt, 2008). Furthermore, it is stated that quality in services is a strong predictor of CS and retention in QSRs (Richardson et al., 2019). For customer satisfaction, a QSR needs to bring new transformation and features in accordance with the expectations of the prospective customer. When any new product or services in a QSR are introduced on customer demand, it helps the organization to attract more and more customers and to enlarge its customer base with positive word of mouth and recommendation from the satisfied customers.

In addition to this, QSRs must produce satisfied consumers, in order to end up winning buyers' loyalty (Mason, Jones, Benefield & Walton, 2016). In the current study, the relationship between CS and CL is found to be significant and positive, which leads to the acceptance of the third hypothesis (H3) of the study. For CL, satisfaction is an indicator. So, the customers mainly revisit the QSR, which satisfies their needs. If a QSR is offering new products and services and fulfilling customer requirements according to their tastes, they are not likely to change brands.

Alternatively, according to Puri and Kumar (2017), Jammu is getting highly influenced by fast food, as the trend of fast food is rising in Jammu. The outgrowth of fast-food restaurants in Jammu has incorporated a metropolitan tinge. Eating has taken a different dimension.
today. There was a time when eating junk food like pizza, burgers, and soft drinks were not known to people of Jammu. Now, there has been a severe shift from local to global food. All the top four international chains of QSRs according to Trendrr (2018) (Domino’s, KFC, Pizza Hut and McDonald’s) are also present in Jammu. According to FICCI- Grant Thornton Report (2015), the consumer base for QSRs is large, as people relish dining at QSRs, and generally this trend has also been seen in Jammu. Furthermore, IP, CS and CL have not yet been studied in QSR research, so this study serves as the theory behind these constructions collectively.

In conclusion, findings of the research revealed that PI has a significant positive impact upon CS and a positive relation between SI and CS has also been identified. Furthermore, CS is related with CL in select QSRs. The present study has also recorded certain limitations. One of them is that the study was confined to the Jammu region only, with four leading QSRs, namely, Mc Donald’s, Dominos, Pizza Hut and KFC. Carrying out the same study with other QSRs may produce different results. Comparative studies among different QSRs can be carried out in future. The study can also be conducted to find out more underlying determinants of the innovation in the QSRs that will help the management of the organizations to focus on those points to enhance the CS that in turn would lead to CL.

References


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