

FACTORS INFLUENCING WORD OF MOUTH IN THE RESTAURANT INDUSTRY IN ANURADHAPURA TOWN AREA, SRI LANKA

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Abstract

Tourism and Hospitality industry ranks as one of the major industries contributed to Sri Lankan GDP. Among the diversified scope of this industry, Restaurants play a significant role in its sustainable development. Restaurants with limited promotion budgets mainly depend on guests' word of mouth (WOM). This study examines the factors influencing WOM about restaurants and to what extent these factors influence the WOM of restaurant industry in Anuradhapura Town Area. Price, Service Quality, Physical Environment, Guest Interaction, and Food Quality were identified as the independent variables while WOM plays the role of dependent variable. This study falls under descriptive research category as it explores the association between variables. Primary data were collected from 300 customers using google form structured questionnaires which were distributed via social media networks and email. Descriptive, correlation and regression analyses were carried-out to analyzed the collected data. Findings of the study revealed that all the independent variables have significant influence on guests' WOM and price is the most influencing factor among them.

Keywords: *Word of Mouth, Price, Service Quality, Physical environment, Guest Interaction, Food Quality, Restaurant Industry*

Introduction

According to a study by Nielsen, 92% of consumers strongly rely on the recommendations from known parties over all forms of advertising. WOM is a statement made by customers about a brand, product or company favourably or unfavourably, influencing others' views, opinions, and decisions. One of the earliest definitions was that put forward by Katz and Lazarsfeld (1966), who described it as the exchanging of marketing information between consumers in such a way that it plays a fundamental role in shaping their behavior and in changing attitudes toward products and services. WOM has been a long-standing focus in relational analysis, particularly in the context of consumer experiences and perceptions. This study delves into the WOM phenomenon in the restaurant industry,

recognizing its significance given the intangible nature of services and the higher associated risk. The restaurant industry remains highly dependent on WOM for customer acquisition and retention. Recent studies investigate how different elements, such as digital presence, food quality, and service innovations, influence consumer behavior and WOM (Bae & Lee, 2021; Kim & Kim, 2020). The study's specific focus is on investigating the factors influencing WOM in the restaurant industry, particularly in the Anuradhapura town area.

Restaurant businesses do not have big marketing budgets usually available to large corporations and international food chains. The presence of a large number of food services organizations in Anuradhapura town area has resulted in stiff competition. Food

service businesses are seeking the most effective means of promoting its services in order to attract and retain customers. Therefore, these types of businesses heavily depend on WOM marketing to accomplish these tasks at least cost. In Sri Lanka, this topic has been infrequently researched and discussed. Anuradhapura, being a significant religious and cultural site, sees a considerable impact of tourism on the local restaurant industry. Recent studies look at how tourism influences consumer experiences and WOM in this context (Perera & Rajapakse, 2021; Jayasinghe & Kumara, 2020). To the best of the researchers' knowledge, there is dearth of research on this topic in Sri Lanka, particularly covering Anuradhapura district. Therefore, this study is carried-out in this area to bring-out more valuable ideas and suggestions to improve the performance of restaurant businesses. Moreover, this research will be helpful to the restaurant industry and business practitioner to develop proper strategies to induce WOM communication. And importantly, this research will be significant in developing the tourism and hospitality industry through the developments in restaurants and ultimately it will be a great support for the government to enhance its revenue under the service sector.

Literature Review

Word of Mouth and Restaurant Industry

WOM is one of the predominant factors in consumer decision making process (Hawkins et al., 2004). Cost effectiveness makes WOM as the most influencing advertising tool (Godes et al., 2005). WOM means an opinion about the product experience, which is shared and informed to others through personal communications or other tools (Brown et al., 2015). But, WOM is difficult to manage unlike regular advertising (Chevalier and Msyzlin, 2006). People use to talk about products and services as a part of their conversations with one another (Silverman, 2001) and about 15 percent of our daily conversations have some product or service-related content (Jalilvand and

Samiei, 2012). WOM network makes consumers feel comfortable in engaging about products or services (Balter, 2008). Customers undoubtedly believe WOM as a time saving tool, because they do not have the time for sorting through the information overload. In contrast, the lack of positive experience with a product is usually the single greatest factor holding it back from greater and faster acceptance. Ha and Jang (2010) revealed that WOM is a consequence of customers' emotional responses to consumption experiences. The nature of services appeals the need to rely on others' opinions to evaluate the service before purchase (Jalilvand et al., 2014). As a result, WOM communication within the service industry plays a vital role and has been recognized as being more influential element (Jalilvand, 2016; Mokhtaran et al., 2014). In restaurant industry, the intention toward eating out in a particular place increase when positive recommendations are made, affecting referent beliefs (Fakharyan et al., 2014).

Price

Price plays an important role in customer's satisfaction and influences to create positive WOM about restaurant and make consumers willing to visit more. The perception of price fairness has a significant effect on the reactions of customers to strategic decisions related to pricing (Sinha and Batra, 1999). Campbell (1999) considered price fairness is a key in influencing brand image. In contrast, perceived price unfairness may lead to negative word of mouth and switching behaviour (Campbell, 1999; Rothenberger, 2015).

Service Quality

Zeithaml (1988) defined service quality as customers' subjective quality judgment comparing what they expected and what they received. Service quality is as important as food quality and it plays a critical role in positive perceptions of a restaurant and their dining experience there (Chow, et al., 2007; Namkung and Jang, 2008). Berry and Bendapudi (2003) revealed that the quality

of employees' service positively influences customer perceptions of restaurant quality and their intentions to revisit the restaurant.

Physical Environment

Physical environment refers the physical vibe of the service experience (Rust and Oliver, 1994). Since services are immaterial, the physical environment significantly influences consumer satisfaction level (Saleh and Ryan, 1992). Bitner (1992) defined the physical environment as objects and physical factors which can affect employees and customers. Physical environment undoubtedly leads to customer satisfaction (Seo, Kim, and Choi, 2015). The dimensions of the physical environment in restaurants are service personnel, facility aesthetics, layout, ambiance, table layout and lighting (Tuzunkan and Albayrak, 2016; Ayazlar and Gun, 2017).

Guest Interaction

Interactions can take place in various forms, including verbal communication, eye contact, facial expressions, appearance, and body language. Restaurants serve large volume of guests and deal with numerous interactions. Quality of service, responsiveness of front-line employees, and convenience significantly influence customer satisfaction (Davis and Vollmann 1990; Dube, Renaghan, and Miller 1994; Kivela et al., 2000; Sulek and Hensley 2004; Iglesias and Yague 2004; and Andaleeb and Conway 2006). Garmaroudi, King, and Lu (2021) discovered that guest interactions embody the brand image, guests can easily

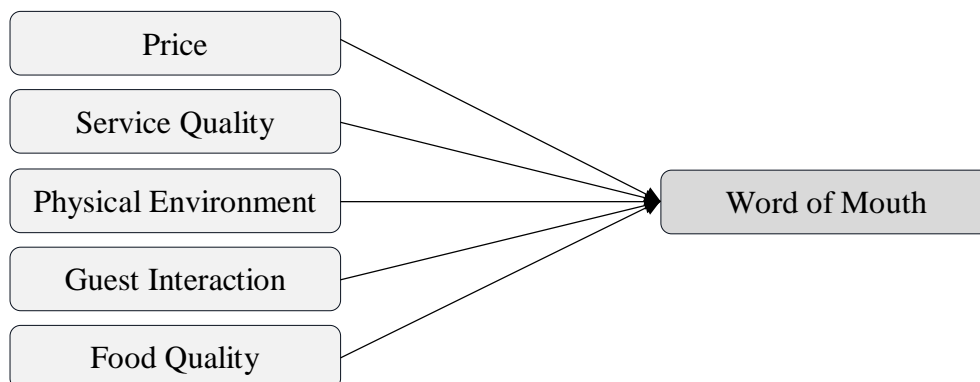
understand the brand and develop more favorable brand perceptions. Employees' appearance and mannerism help customers in gathering critical brand information (Wu et al., 2019).

Food Quality

Food quality is one of the key factors in choosing a restaurant (Hyun, 2010; Namkung and Jang, 2008; Raajpoot, 2002; Ryu and Han, 2010). Taste of the food is one of the most important aspects in customer restaurant selection because of positive sensory experience and emotional satisfaction during their dining experience. Increasing attention toward healthy lifestyles demands not only food taste but also nutrition and food safety issues (Knight, Worosz, and Todd, 2007). Consumers judge not only the taste but also the presentation of food (Sulek and Hensley, 2004).

Methodology

This study is descriptive and deductive in nature as it attempts to explore the factors affecting WOM in restaurant industry. Primary data were collected using Five-Point Likert scale structured questionnaires. Researcher covered the customers of restaurants in Anuradhapura town area as the population. 300 samples were chosen using random sampling technique to carry-out the quantitative survey. Descriptive, reliability, correlation, and regression analyses were used to analyzed the collected data for this study. The conceptual model developed for this study is portrayed in Figure 1.



Source: Hanaysha and Pech, 2018; Choo et al., 2016; Lopez, Cazares & Perez, 2022

Figure 1: Conceptual Framework

H₁: Price has a significant impact on WOM in restaurant industry.

H₂: Service Quality has a significant impact on WOM in restaurant industry.

H₃: Physical Environment has a significant impact on WOM in restaurant industry.

H₄: Guest Interaction has a significant impact on WOM in restaurant industry.

H₅: Food Quality has a significant impact on WOM in restaurant industry.

Results and Discussion

Sampling Profile

Table 1 illustrates the demographic composition of the study sample, showcasing

the distribution of participants across various categories such as age, gender, educational level, and occupation. Approximately half of the participants fall within the 18 to 25 age group, as this demographic tends to favor dining at restaurants. The distribution between male and female participants is relatively equal. In terms of educational attainment, the majority of participants have completed secondary education. Furthermore, 58% of the sample is comprised of students within the occupation category.

Table 1: Sampling Profile

Description	Category	No. of Respondents	Percentage
Age	18-25	162	54%
	26-35	51	17%
	36-45	78	26%
	Over 46	09	3%
Gender	Male	144	48%
	Female	156	52%
Educational level	Primary	24	8%
	Secondary	108	36%
	Diploma	84	28%
	Degree	27	9%
	Post Graduate Degree	57	19%
Occupation	Student	174	58%
	Employed	66	22%
	Retired	24	8%
	Housewife	21	7%
	Unemployed	15	5%
Ethnicity	Sinhalese	132	44%
	Tamils	74	25%
	Muslims	88	29%
	Burgher	06	2%

Descriptive statistics

Table 2 shows mean and standard deviation values based on sample responses. The mean ratings for price, service quality, physical environment, guest interaction, and food quality are 3.79, 3.82, 3.80, 3.81, and 3.79,

respectively. The corresponding standard deviations for these variables are 0.4933, 0.4348, 0.4276, 0.4188, and 0.4273, reflecting moderate variability in customer responses.

Table 2: Mean and Standard Deviation Values

Variables	N	Mean	Std. Deviation
Price	300	3.79	0.4933
Service quality	300	3.82	0.4348
Physical environment	300	3.80	0.4276
Guest interaction	300	3.81	0.4188
Food quality	300	3.79	0.4273
Word of Mouth	300	3.84	0.3066

Source: Surveyed Data (2023)

Reliability Analysis

Table 3 specifies the value of the Cronbach’s alpha for each variable between the ranges from 0.803 to 0.839, which are above 0.7,

which specifies that the scales used in the questionnaire satisfactorily measured the constructs & suggested good internal consistency of the items.

Table 3: Reliability Test

Dimension	No. of Questions	Cronbach’s Alpha
Price	03	0.809
Service quality	03	0.827
Physical environment	03	0.814
Guest interaction	03	0.823
Food quality	03	0.812
Word of Mouth	04	0.809

Source: Surveyed Data (2023)

Correlation Analysis

Table 4 displays the correlation between the independent variables (price, service quality, physical environment, guest interaction, and food quality) and the dependent variable (Word of Mouth). As per the results of

Pearson correlation analysis, all the independent variables have significant positive relationships with WOM. Notably, among these independent variables, price exhibits a particularly robust association with WOM.

Table 4: Pearson Correlation Analysis

		PR	SQ	PE	GI	FQ
WOM	Pearson Correlation	0.732**	0.654**	0.326**	0.411**	0.276**
	Sig. (2-tailed)	0.000	0.000	0.003	0.002	0.007
	N	300	300	300	300	300

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

Source: Surveyed Data (2023)

Regression Analysis

Regression analysis elucidates how independent variables impact the dependent variable. As depicted in Table 5, price, service quality, physical environment, guest interaction, and food quality exhibit a significant influence on Word-of-Mouth

(WOM), with adjusted R-squared values of 0.695, 0.348, 0.362, 0.391, and 0.505, respectively, at a 0.05 significance level. Price is the most influencing factor among all others. All hypotheses were accepted based on these findings.

Table 5: Regression Analysis

Dependent Variable	Independent Variable	R Value	R Square	Adjusted R Square	Sig.
WOM	Price	0.834	0.696	0.695	.000
	Service quality	0.592	0.350	0.348	.000
	Physical Environment	0.603	0.364	0.362	.000
	Guest Interaction	0.627	0.393	0.391	.000
	Food quality	0.712	0.507	0.505	.000

Dependent Variable: WOM

Predictors: (Constant), Price, Service Quality, Physical Environment, Guest Interaction, Food Quality

Source: Survey Data (2023)

Conclusion and Recommendation

This study analyses the variables influencing Word-of-Mouth (WOM) in the restaurant industry in the Anuradhapura town area, with a specific focus on the impact of price, service quality, physical environment, guest interaction, and food quality on WOM. The outcomes indicated that all these independent variables significantly influence WOM within the restaurants in Anuradhapura town, Sri Lanka. Notably, the study highlighted price and food quality as the foremost influential factors on WOM, underscoring consumers' expectations of high quality at reasonable prices.

Moreover, the research established a significant positive relationship between all independent variables and WOM. The empirical validation of the hypotheses in the research model demonstrated the statistically significant impact of these factors on WOM. Given that price exhibited the highest correlation and regression values, it can be inferred that price is the most decisive factor compared to service quality, environment,

guest interaction, and food quality. In terms of relative influence, service quality and environment were found to have a comparatively lower impact on WOM among consumers in the Anuradhapura town area. The findings of this study suggest that Sri Lankan restaurants should prioritize setting competitive product prices and ensuring food quality over other considerations.

Despite potential cultural and perceptual variations among consumers from different districts of Sri Lanka, this study sought to generalize its findings to the entire Sri Lankan restaurant industry, encompassing diverse ethnic groups within its samples. The exclusion of foreign visitors aimed to prevent ambiguous results. Consequently, the study's insights can offer valuable guidance for policymaking and revisions within the field, particularly in relation to product pricing and food quality. Future research endeavors could explore the distinctions between local and foreign consumers in determining the factors influencing their WOM.

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