

**Comparison of Customers' Perceptions of Service Quality between Different Management
Forms in Fast Food Restaurants**

by

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A thesis submitted to the Graduate Faculty of
Auburn University
in partial fulfillment of the
requirements for the Degree of
Master of Science

Auburn, Alabama
August, 06, 2011

Keywords: Service Quality, Franchised, Licensed, Fast Food Restaurant, Customer Satisfaction

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Abstract

This is an empirical study to assess customer perceptions of service quality in a national-brand fast food restaurant and to explore the differences in the outcomes of service quality between two forms of management, franchising and licensing, both of which are under the control of the same national brand restaurant chain. Moreover, this study has identified whether there are significant differences of perceived service quality among customers. Possible reasons for the disparities between different management forms have been explored.

Mixed approaches were applied in this study, both qualitative techniques consisting of interviews and fact sheets, and quantitative techniques including questionnaires. In depth interviews with managers from three different managerial units were conducted. The questionnaire was developed using three sources: interview responses of the managers, the restaurant's online survey and literature review. The item scales for the questionnaire were developed using DINESERV. Several changes were made to fit this instrument to the fast food restaurant context. Specifically, some questions that did not fit in this study were deleted, such as the questions that asked about the parking areas. Moreover, four food variables were added based on the restaurant's self-online survey.

Additionally, the relationship between demographic information and the overall perceived quality was examined. Confirmatory factor analysis was adopted to check the

variables falling into the five dimensions of the SERVQUAL instrument. The reliability of each dimension is examined using Cronbach's Alpha. From the perspective of different management forms, five dimensions of service quality were compared using ANOVA. The measurement of service quality in the restaurant context will offer insight in understanding the service quality under different management forms.

Acknowledgments

I would like to express my most sincere gratitude to my committee members Dr. Kyungmi Kim, Dr. Martin O'Neill, and Dr. David Martin for their support throughout the writing of my thesis. In addition to my committee members, Dr. Douglas Murray has provided great help and has sparked my interest for this research, and special thanks to him for his support, guidance, and encouragement.

I would also like to express my grateful appreciation to Dr. Douglas White, and Dr. Kevin Huggins for their support of my survey. Grateful appreciation is expressed to Dr. Seul Gi Park, who helped me for statistical analysis assistances.

Finally, I also wish to express my deepest appreciation to my parents for their love, constant support, and encouragement. My deepest thank to my husband, George for his love, understanding, and unconditional support.

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Chapter 1 Introduction

Background

Studies have shown that service has become the leading element of the global economy over the last three decades, and most importantly, service quality is a precondition to survive and succeed in today's increasingly heightened competitive environment (Jin, 1999; Sung, Yeong, Yonghee & Geon, 1997). As the hospitality industry grows worldwide, consumers' expectations and demands for quality are rising. The competition among firms has intensified, attracting new competitors to each facet of the service industry (O'Neill, 2000). In this environment of growing consumer expectations, distinct market segments demand high-quality service (Parasuraman, Zeithaml, & Berry, 1985) (PZB). Consequently, looking for ways to excel in superior service has become crucial for corporate managers to survive in the service industry (Lee, Kim, & Yun, 2004; McColl & Palmer, 1998; O'Neill & Palmer, 2001).

Many previous studies have indicated that perceived quality has a strong relationship to customer satisfaction in the restaurant context (Gilbert, Goode, & Moutinho, 2004; Kim, Ng, & Kim, 2009; Lee, Lee, & Yoo, 2000; Qu, 1997; Stevens, Knutson, & Patton, 1995). In particular, companies with perceived high-quality goods and services normally have "higher market share, higher return on investment and higher asset turnover than companies with low perceived quality" (Kim, Lee, & Yun, 2004, p.

288). In other words, the most important factor affecting business performance is the quality of products and services offered by the organization (Juran & Gryna, 1993). Therefore, perceived quality is now a chief differentiator in satisfying customers' needs and is no longer optional for hospitality organizations who seek to win market share.

In recent years, service quality has received increased attention in both academic research and practical implementation, and it has become a strategic issue for hospitality organizations (Buttle, 1996). It is an abstract and elusive construct with four characteristics unique to services: intangibility, heterogeneity, inseparability of production and consumption, and perishability (Parasuraman et al., 1985). Service quality is particularly important in the restaurant industry, which has experienced a tremendous increase in sales over the past three decades (Qin & Prybutok, 2008). Total restaurant sales are projected to reach \$604 billion in 2011 and equal 4 percent of the US gross domestic product (National Restaurant Association, 2011). Over 50 percent of total annual domestic restaurant sales are accounted for by the leading chain restaurant organizations (National Restaurant Association, 2005).

Despite the robust growth and the popularity of fast food restaurants, the profit margins of fast-food restaurants are actually very slight, ranging from 4% to 7% (Nessel, 2010). Moreover, as in other service industries that are greatly influenced by the economic environment, restaurant managers cannot be optimistic about their business since the restaurant industry has been experiencing intense competition in recent years. The intense competition is partly caused by the world-wide economic recession and partly by the overload capacity of the fast-food restaurant industry (Min & Min, 2011).

With this problem in mind, in order to retain their customers, fast-food restaurant managers need to seek ways to differentiate themselves from others by their superior service performance.

To keep the competitive advantage, fast food restaurants benchmark their performance against their own standards as well as compare their own performance to others. Johnson and Chambers (2000) found that out of three benchmarking methods, internal, external, and functional, the most widely used method in the food service sector was internal benchmarking within the corporation. Keehley, Medlin, MacBride and Longmire (1997) also suggested that internal benchmarking is a good start for organizations with little or no experience with benchmarking.

In today's business environment, more and more fast food corporations make multiple investments using different management forms. Franchising and licensing are the two management forms that are most common in fast food restaurants. Comparing the effects of these two licensing forms is necessary for improving service quality. With the high-speed expansion of fast food restaurants, the competition among units under the same brand becomes intense. At the same time, communication among units, especially the units that are applying different management forms, becomes more difficult. This environment makes internal benchmarking more necessary and important.

It is also essential to identify which management form leads to the highest level of customer satisfaction, because customers are not conscious of the different management forms when they experience the service encounter. From customers' perspective, any unit that provides poor service quality holds back the general perception of the whole brand.

Purpose of the Study

This study has several purposes with the primary objective being to assess customer perceptions of service quality in a national-brand fast food restaurant and to explore the differences in the outcomes of service quality between two forms of management, franchising and licensing, both of which are under the control of the same national brand restaurant chain. The second purpose of this study is to identify whether there are significant differences of perceived service quality among customers based on their demographics. The third purpose is to explore the possible reasons for the disparities of service quality observed in restaurants with different management forms. Finally, from the managerial perspective, this study provides practical management implications for the fast food industry, especially the fast food chains with different management forms.

Significance

With the restaurant industry's steady growth and expansion over the past 50 years, research interest in perceived quality in the industry is increasingly high (DiPietro, 2005). Despite this fact, few studies have focused on the effect of competitive benchmarking on customers' perception of service quality in fast food restaurants (Min & Min, 2010). Surprisingly, none of the research specifically compares the aspects of customers' perception of different management forms. This is an empirical study that examines customers' perspectives of the service quality under two different management forms: franchising and licensing. This study fills a gap in the literature because it is among the first that systematically investigates the service quality in licensed versus franchised fast food restaurants. This study is also unusual because of its cross-sectional

research comparing fast food outlet locations such as medical centers and campus dining centers. The results of this study will help to create a starting point for chain restaurants to evaluate customer service quality from differently managed units and their different management influence. Moreover, this study will benefit the industry by enhancing the communication among units and benchmarking among different ownership categories under the umbrella of the same brand.

Definitions

Franchising

Franchising is a business structure in which the franchisor grants a person or group of individuals (the franchisee) the right to market a product or service using the brand name and operating methods and charges certain fees for the privilege (Knott, Corredoira, & Kimberly, 2008). The franchise agreement normally includes mentoring and training for the franchisee (Cockburn, *n.d.*).

Licensing

Licensing is an authorization by a licensor to another individual or a company (licensee) to use licensed material. In license agreements, there are usually no training procedures, no product development strategy, and limited marketing support (Cockburn, *n.d.*).

Research Questions

This research primarily compares customers' perceptions of franchised and licensed units in the same fast food chain. Other themes being examined in this study include the customers' behavioral intentions, customers' perceptions of different locations under the control of the same brand, and customers' perceptions according to the respondents' demographic information.

To address the purposes of this study, the following four research questions are examined: (1) Are there any significant differences of perceived quality between two different management units (franchising and licensing)? (2) Are there any significant differences of perceived quality associated with different consumer demographics such as student and non-student populations, income, gender and age? (3) Are customers' return intentions different between the two management forms? (4) Are there any significant differences among customers' perception of service quality based on fast food outlet locations such as university dining centers, medical centers, independent units, and shopping malls?

Summary

This chapter discussed the background and foundation of the service quality in fast food restaurants. The purpose of this study and its significance were explained. Also, the research questions were identified. Terms that are used in this study were defined.

Chapter 2 Literature Review

Overview

This chapter is a literature review relating to the service quality in fast food restaurants. The key factors involved in this literature include service quality, customer satisfaction, and behavioral intentions. It is important to understand the service quality in fast food restaurants and its measurement, assessment, improvement, and relationship to behavioral intentions. This study provides a new perspective in understanding customers' perceived service quality between different management forms, franchising and licensing.

Quality and Service Quality

Quality is widely defined as the performance of product or service (Churchill & Surprenant, 1982). As O'Neill (2001) stated, "Quality is defined only by customers and occurs where an organization supplies goods or services to a specification that satisfies their needs" (p. 160). Therefore, quality is in the eye of the beholder (Martin, 2005). As for service quality, it is generally agreed that "service quality is an attitude or global judgment about the superiority of a service" (Robinson, 1999, p. 23). Moreover, perception of service quality is an overall attitude towards a service firm and customer

satisfaction is specific to an individual service encounter (Bolton & Drew, 1991; Parasuraman, Zeithaml, & Berry, 1988).

Parasuraman et al. (1991) contended that the gap between expectations and perceptions provides a way to analyze the level of service rendered, so that effective actions can be taken to enhance service quality. According to Zeithaml et al. (2006), customers hold different types of expectations about service: the highest expectation can be termed “desired service” - the level of service the customer hopes or wishes to receive. They explained that the threshold level, or the bottom level of acceptable performance of service, is called “adequate service.” According to Johnson (1994, p. 47), “The service quality/disconfirmation model has three states on a variable scale, which are ‘dissatisfaction’, resulting from poor perceived quality (negative disconfirmation), ‘delight’ from high quality (positive disconfirmation) and ‘satisfaction’ from adequate quality (confirmation).” Service performances are heterogeneous in nature and the extent to which customers recognize and are willing to accept the variation is termed the zone of tolerance, or ZOT (Zeithaml & Bitner, 2000).

If actual service falls below the zone of tolerance, customers will be dissatisfied and frustrated (Zeithaml et al., 2006). If service performance is higher than the zone of tolerance, customers will be very pleased or satisfied. Thus, the zone of tolerance can be considered to be the range in which customers do not particularly notice service performance (Gronroos, 1990; Zeithaml et al. 2006). Thus, ZOT would be one key determinant of overall service quality that leads to overall customer satisfaction (Bolton & Drew, 1991).

Martin (2005) used the example of airport travelers to illustrate how different customers have different zones of tolerance. Travelers who have a tight schedule tend to have narrow zones of tolerance. Travelers who are running late are probably more likely to be angry about long lines at check-in counters. Other travelers who arrive at the airport much earlier tend to have larger zones of tolerance.

In addition to the differences among customers, zones of tolerance also show variance based on different service dimensions. The more important the service dimension is, the narrower the zone of tolerance is (Martin, 2005). In the context of a fast food restaurant, customers perceive quick service as important, so they are less likely to tolerate slow service (Heung, Wong, & Qu, 2000).

Service quality is an abstract and elusive construct with four characteristics unique to services: intangibility, heterogeneity, inseparability of production and consumption, and perishability (Parasuraman, et al., 1985). Service quality is an overall attitude exhibited by a service firm, and customer satisfaction is specific to an individual service encounter (Parasuraman et al., 1988). Some experts disagree on the role of expectations in service satisfaction. Parasuraman et al. (1988) suggested that the perception of service quality is derived from a comparison of expectations with performance. Other researchers, however, believe that service satisfaction stems from perceptions of performance compared to ideal standards (Teas, 1993). Most researchers agree, however, that it is the customer's perception of the service that is the final determinant of success.

Parallel to the growth of the hospitality industry worldwide, consumer expectations and demands for quality are rising (Takeuchi & Quelch, 1983). These increased expectations make competition among firms intense, both nationally and internationally, and hospitality managers are required to get as close to the consumer as possible to anticipate and therefore meet their needs, wants and expectations during each and every service encounter (O’Neill, Williams, & Groves, 2000)

Service Profit Chain

Many researchers have indicated that service quality can lead to customer loyalty and attract new customers; increase employee satisfaction, customer satisfaction, customer retention, and positive word of mouth; enhance corporate image; reduce costs; and increase business performance (Boulding et al., 1993; Reichheld & Sasser, 1990). In particular, companies with perceived high-quality goods and services normally have “higher market share, higher return on investment and higher asset turnover than companies with low perceived quality” (Kim et al., 2004, p. 288). In other words, the most important factor affecting business performance is the quality of products and services offered by the organization (Juran & Gryna, 1993). Therefore, quality is now a main differentiator in satisfying customers’ needs, and it is no longer optional for hospitality businesses that seek to increase profitability (Palmer & O’Neill, 2003).

Jones and Sasser (1995) stated that the competitive environment in the service industry can influence the link between customer satisfaction and loyalty. In particular, customer satisfaction improves customer loyalty and influences customers’ re-purchase intentions and behaviors (Verhoef, 2003). In a relatively mature and highly competitive

market such as the fast food market in the United States, customers are provided with many alternative products and services from which to select. Because the cost of switching is low, customers will not remain loyal unless they are fully satisfied (Yee et al., 2010). This fact further indicates that customer satisfaction is a critical factor for hospitality organizations to gain a competitive advantage and improve organizational performance

Most researchers concur that it is customers who define quality, and, in turn, that quality creates customer satisfaction, which leads to an improved competitive position (O'Neill, 2000). According to Heskett et al. (1994), in order to enhance business performance, companies need employees deliver high levels of service quality to satisfy customers. Employees who are in a superior internal working environment are more likely to provide excellent service, meet and exceed consumer expectations, achieve competitive advantage, and maintain exceptional organizational performance (Heskett, Sasser, & Schlesinger, 1997). Specifically, happy employees who are satisfied with their work environment are more likely to remain loyal, resulting in lower turnover and better financial performance for their organizations. This loyalty has an advantage of bringing down the costs of recruiting and training new employees (Chi & Gursoy, 2009). Satisfied employees are more likely to produce satisfied customers, and satisfaction helps to develop customer loyalty. This loyalty, in turn, is likely to have a significant impact on repurchase behavior and customer retention (Chi & Gursoy, 2009). Consequently, customer loyalty can help increase a company's profitability, because retaining an existing customer costs significantly less than attracting a new one (Chi & Gursoy, 2009). Hence, employees are one of the most important resources for hospitality organizations to

understand and cultivate. Again, research has demonstrated the significance of service quality in the hospitality industry.

Considering all these factors, service quality is critical for hospitality organizations, yet it is actually very difficult to evaluate, especially when the service quality is “high in experience properties to evaluate,” and “high in credence properties” (Parasuraman et.al., 1985, p. 48). The service process involves complicated and highly interactive transactions that should be delivered upon demand and in the presence of the customer (Gowan et al., 2001). Because of the intangible nature of service, “most of the services cannot be counted, measured, inventoried, tested, and verified in advance of sale to assure quality” (Parasuraman, et al., 1985, p. 42). Therefore, it becomes extremely difficult to consistently provide high levels of process control when the customers are deeply involved.

This problem is particularly difficult in the hospitality industry, which is characterized by constant fluctuation in demand. On the one hand, demand constantly changes during the season, the week, and even the day. On the other hand, because of the perishable nature of service, customer demand can only be satisfied within the property’s available capacity (constraints include time, labor, equipment, and facilities). Therefore, one cannot talk about consistent delivery of service quality without talking about capacity management, which seeks to create a balance between demand and capacity.

Specifically, two types of strategies are utilized in capacity management. One is “chase demand,” the other is “level capacity” (Armistead & Clark, 1993, p. 7). Chase demand encompasses strategies for flexing capacity to match demand, such as cross-

training employees, hiring part-time employees, and renting or sharing facilities (Armistead & Clark, 1993). Level capacity, on the other hand, is a set of strategies for shifting demand to match capacity, such as offering incentives to customers for usage during nonpeak times (Armistead & Clark, 1993). One example of this strategy is restaurants offering drink special hours during the afternoon in order to shift the high demand in busy hours to non-busy hours. Other methods also include using signage to communicate busy days and times to customers, and charging full price in the peak hours.

Measures of Service Quality

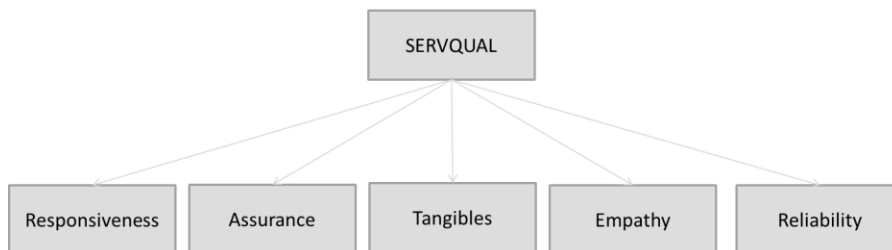
Hospitality organizations cannot improve what they cannot measure (O’Neill, 2001). Numerous measuring techniques are offered for contemporary managers to choose from; however, many of these are not empirical, which makes them difficult to implement in real industry (O’Neill, Palmer, & Wright, 2003).

Therefore, finding the most appropriate methods for measuring service quality is a critical process for hospitality managers (Ford & Bach, 1997). Measurement methods include qualitative and quantitative approaches. Morrow (2005) defined qualitative research as research that “embraces multiple standards of quality, known variously as validity, credibility, rigor, or trustworthiness ensuing from a variety of disciplines, paradigms, and epistemologies” (p. 250). Qualitative techniques consist of various subjective observations, such as interviews, focus groups, customer role-play, and observation research (Patton, 2005). Qualitative research can add depth and richness to quantitative investigations (Morrow, 2005).

Quantitative techniques, on the other hand, include face-to-face surveys: indirect surveys, such as over the phone, and anonymous surveys, such as customer feedback mail boxes (Bernard, 2006). Newman and Benz (1998) described quantitative techniques as methods that “tend to emphasize that there is a common reality on which people can agree” (p.2). These methods are relatively more objective, measurable, reliable, and practical (O’Neill, 2003). Moreover, the majority of the quantitative techniques have adopted the confirmation-disconfirmation paradigm, which seeks to record the gap between a customer’s expectations before purchasing and the actual perceptions after the service encounter (Parasuraman et al., 1988). There has been a disconnection between quantitative research and the actual behavior of consumers. One example of observational research is a visit to the chain restaurant headquarters (the one investigated in this study), where the manager introduced one observational customer survey from the perspective of anthropological research. The manager gave an example of one of the drawbacks of quantitative techniques: when businesses ask what recommendations the customers have for the menu items, many customers say they want to have more options for healthy, organic, and low-calorie foods. However, when the suggested foods are actually launched, more often than not, the customers still choose the normal menu items. This discrepancy is perhaps reasonable due to people’s psychological perspective. Eating healthily is merely their mission, the same as being on a diet. However, when they face the reality that healthy food, which mainly consists of vegetables, neither tastes as pleasant as meat, nor is offered in a normal serving size, the disconnection between what people say and what people actually do becomes evident. Because of the limits of quantitative techniques, qualitative surveys can be a valuable tool for researchers.

Parasuraman et al. (1985) suggested that service quality derives from disconfirmation or “a comparison of expectations with performance and perceptions” (p. 42). Other researchers, however, argue that service quality stems from perceptions of performance compared to ideal standards (Teas, 1993). Furthermore, Cronin and Taylor (1992) have stated that “service quality should be measured by performance-based alone scale” (an example of this type of scale is SERVPERF, an instrument in which customers are asked to rate only the performance of a particular service encounter) (p.64). As O’Neill et al. (2003) stated, “Researchers have utilized both inferred and direct disconfirmation techniques” (p. 284). Specifically, the inferred disconfirmation technique seeks to explore the size of the gap between the customer’s expectations and the actual performance received. The direct disconfirmation approach, however, provides a measure based solely on performance (O’Neill et al., 2003). It seeks to measure how well the service has been performed on the basis of the customer’s perception during the service encounter.

Figure 1 PZB’s (1988) Five Dimensions of SERVQUAL



SERVQUAL, SERVPERF and DINESERV

A number of measurement instruments have been developed to assess service quality (O'Neill, 2001). Such instruments include SERVQUAL, SERVPERF, and DINESERV, all of which have had a significant impact on both hospitality organizations and academic research (O'Neill, 2001). SERVQUAL is perhaps the most frequently used service quality measure; it has had a significant impact on both hospitality organizations and academic research. In the original SERVQUAL model, Parasuraman, Zeithaml, and Berry (1988) defined five dimensions of service quality (Figure 1). Reliability is the ability to perform consistent, on-time, and accurate service; assurance is defined as competency, courtesy, and having the ability to convey trust and effective communication; tangibles include physical elements of the service setting, equipment, and appearances of the facilities; empathy means the provision of caring, individualized attention, and approachability; responsiveness consists of promptness, convenience, and accessibility (Gets, O'Neill, & Carlsen, 2001; Parasuraman et al., 1988).

One of the main benefits of the SERVQUAL measurement is the flexibility it offers researchers in examining numerous service industries such as healthcare, banking, financial services, and education (Nyeck, 2002). As O'Neill & Palmer (2001) stated, SERVQUAL analyzes customers' reactions in order to maximize satisfaction and identify customer priorities through the use of the individual dimensions described above. Moreover, SERVQUAL aids hospitality organizations in setting performance standards that can be clearly communicated to staff and patrons (O'Neill & Palmer, 2001). Last but not least, SERVQUAL helps identify discrepancies between customers' expectations and

actual experiences with the providers and their product, findings which can help organizations to reduce their gaps (O'Neill & Palmer, 2001).

SERVQUAL has also received considerable criticism. Some researchers have concurred on certain flaws in this tool, including the fact that respondents may get confused about the difference between expectations and perceptions (Iacobucci, Grayson, & Omstrom, 1994). Moreover, because SERVQUAL is widely implemented in different contexts in the service industry, situations in these areas can be quite different, resulting in different item loadings in the five dimensions (Parasuraman et al., 1994). However, Landrum (2004) argues that measuring the dimensions according to importance may mislead managers into emphasizing some items that are rated low in importance but belong to a high-rated dimension while omitting the opposite items. In addition, another SERVQUAL weakness is its failure to measure product quality. The quality of the product has been shown to be especially important in the restaurant sector (Young & Jang, 2007).

SERVPERF is an instrument in which customers are asked to rate only the performance of a particular service encounters (Cronin & Taylor, 1992). Cronin and Taylor's (1994) study found that SERVPERF explains more of the variance in ad hoc measures of service quality than SERVQUAL. Cronin and Taylor (1994) also stated that it is possible to assess consumers' disconfirmation through mathematical means, but that "consumer perception, rather than calculations, governs behavior" (p. 126).

DINESERV is another type of quality service instrument which was first proposed by Stevens, Knutson, and Patton (1995) to assess service quality in the

restaurant sector. DINESERV uses 29 items which respondents rate on a seven-point Likert scale. Stevens, Knutson, and Patton (1995) surveyed 598 customers from fine-dining, casual-theme, and quick service restaurants. Their results showed that reliability was the most important dimension of the service quality in the restaurant sector, followed by tangibles, assurance, responsiveness, and empathy, respectively. DINESERV has been widely used in restaurants, because it helps to measure, evaluate, and manage the service quality (Heung et al., 2000). However, similar to SERVQUAL, a major weakness of DINESERV is that it fails to measure the quality of the product, which is an important aspect in the restaurant sector.

In general, because of the inevitable flaws of both qualitative and quantitative measurements, a mix of the two has been implemented by hospitality managers. This approach combines feedback through observations as well as communication. As Robinson (1999) has stated, “The nature of service quality is of prime importance, and as yet is unresolved” (p. 29). Because there is no one-size-fits-all measurement, the most reliable method for future studies and applications may be to develop and implement combined instruments based on the context.

Perceived Quality, Customer Satisfaction and Return Intention

In marketing literature, satisfaction is defined as “an evaluative, affective, or emotional response” (Oliver, 1989, p. 1). Many researchers have defined customer satisfaction as customers’ overall assessment of their interactions with the brand in the purchase and consumption situation (such as Engle et al., 1993; Johnson et al., 1995; Krugman, 1965). As an essential component in a service corporation, the level of

customer satisfaction can indicate a corporation's past, present, and long-run performance (Johnson & Fornell, 1995, Oliver, 1999); hence, it has been studied extensively both academically and pragmatically. Customer satisfaction plays an important role in the marketing literature because it reflects customers' perceptions of their consumption experience (Cronin & Taylor, 1992).

Another critical element discussed in the marketing literature is perceived quality (O'Neill, 2000), which is defined as a consumer's judgment about the direct experience of a product or service (Zeithaml, 1987). Assael (1995) defined perception as "selection, organization, and interpretation of marketing and environment stimuli into a coherent picture" (p. 185). As a general view of the conceptualization of service quality, the most popular concept in modeling customer satisfaction is the discrepancy disconfirmation model. According to this model, perceived service quality is generated through customers' comparison of their expectations and the perceived performance after the purchase or service encounter. In other words, if perceived service quality exceeds a customer's expectation, then a positive disconfirmation is created, which means the customer is satisfied. In contrast, if perceived service quality falls below the customer's expectation, then a negative disconfirmation is created, which means the consumer is dissatisfied (Young & Jang, 2008).

With this background in mind, customer satisfaction and service quality are closely related. They are both fundamental elements in effective service management (Rust & Oliver, 1994). However, their relationship has long been controversial among scholars (Bitner & Hubbert, 1994; Bolton & Drew, 1994; Gronroos, 1993; Lee et al.,

2000; Rust & Oliver, 1994). The relationship is neither straightforward nor simple (Bitner, 1990; Bitner & Hubbert, 1994; Taylor & Baker, 1994), but previous literature has come to the consensus that there is a causal direction between the two constructs. There are two main views about their relationship. One is PZB's (1988) view that incidents of satisfaction lead to perception of service quality. The second view is that perceived service quality is an antecedent of customer satisfaction (Cronin & Taylor, 1992). Combining the two main arguments by PZB and Cronin and Taylor, Lee et al. (2000) concluded that "customers may perceive the service quality immediately after service consumption as well as at a later time and compare their perceptions with their expectations" (Lee et al., 2000, p. 222); in other words, perceived service quality results in satisfaction.

As previously stated, keeping existing customers is critical for service industries, which means that managers need to understand customers' behavioral intentions. Zeithaml, Berry, and Parasuraman (1996) pointed out that two methods for a service producer to produce profits are raising customer retention or decreasing the rate of customer defection. They further demonstrated that positive behavioral intentions are connected to the ability of a service producer to lead its customers to 1) spreading positive word of mouth, 2) recommending the company to others, 3) staying loyal to the company, 4) being willing to spend more, and 5) being willing to pay price premiums (Zeithaml et.al, 1996).

The interrelationships among service quality, customer satisfaction, and behavioral intention have taken center stage in the literature (Rust & Oliver, 1994).

Service quality can lead to customer loyalty, attraction of new customers, employee satisfaction, customer satisfaction, customer retention, positive word of mouth, enhanced corporate image, reduced costs, and increased business performance (Boulding et al. 1993; Reichheld & Sasser, 1990). Moreover, Cronin, Brady, and Hult (2000) concluded that service quality and satisfaction are directly linked to behavioral intentions. Specifically, the relationships are interpreted as “antecedent, mediating, and consequent” among the three variables (Cronin et al., 2000). Though the exact nature of the relationships has been controversial, the strong links among the three variables have been widely recognized among scholars.

Theoretical Foundations of Franchising and Licensing

Franchising is a business form: a parent firm (the franchisor) sells the rights to products or services using its brand name to a second firm (the franchisee) (Combs, Michael, & Castrogiovanni, 2004). Franchising is the chief management form in fast food restaurants, which are the largest type of restaurant in gross sales (US \$64 billion), and make up 47% of all sales of food and beverage away from home (Michael, 1996).

Two key theories are used in understanding franchising: Resource Scarcity Theory and Agency Theory. According to Resource Scarcity Theory, which was first proposed by Oxenfeldt and Kelly (1969), firms consider franchising due to the need to expand at a rate beyond the limits of their capital resources. Agency Theory, on the other hand, proposes that franchising helps to reduce monitoring costs while also maintaining the investment in the brand under geographic dispersion (Combs et al., 2004). This theory identifies two major problems that companies need to solve: vertical agency and

horizontal agency (Combs et al., 2004). Vertical agency is the multiple conflicts that may occur between a firm and its outlet managers. Horizontal agency, alternatively, is the potential risk for one franchisee to take advantage of other franchisees (Combs et al., 2004).

In the case of fast food restaurants, agency theory has its practical interpretations in the internal benchmarking procedure. One classic example of these practical interpretations is that the restaurants with different management forms are under the same brand, so they will share the brand's reputation, whether good or bad (see Combs et al., (2004) as an example). Therefore, because of the shared benefits, some franchisees, may exploit others instead of taking efforts themselves to uphold the standard service quality. For instance, restaurants that have few repeat customers, such as airport fast food restaurants, may not care as much about their service quality as others do, and their poor service quality will affect other units as well. When units are under the same brand, whenever there are problems, customers have poor perceptions about the brand, rather than the individual unit. As a result, firms with multiple management forms cannot focus only on one particular form if they want to improve their service quality. Instead, corporate managers should get a comprehensive view of all forms of management.

Licensing is also a common management form in chain restaurants. Fast food units are licensed by the licensor to a management team or a company. This management form is especially common when the restaurants use other parties' property, such as the fast food restaurants in university dining centers, airports, or medical centers. The licensee (a management team or company) usually purchases the rights to the whole

dining area and operates several brands at the same time. Franchising, in contrast, is more common when the franchisee owns or partially owns the property.

In contrast to franchising, licensing is a central headquarters contract that allows local units the use of priority technology or equipment but does not monitor or control the behavior of these units (Knott, 2008). According to Macho-Stadler, Martinez-Giralt, and Perez-Castrillo (1996), licensing contracts contain “a fixed fee, which must be paid independently of the output produced, and a variable fee (royalty), which depends on the volume of output (or on sales)” (p. 43). The licensor does not monitor the licensee’s operating processes. Therefore, licensing has potential problems that may interfere with consistent performance. Knott et al. (2008) pointed out that “licensing is less comparable than franchising to the corporate-owned management form, and licensing has severely limited potential compared to franchising and corporate-owned” (p.108). Moreover, in licensed restaurants, it is difficult to identify what features of the operating process are ineffective, to test the efficiency of new methods, and to estimate potential licensees that are effective in the system (Knott et al., 2008).

Table 1 Comparing the Management Forms

Performing Dimensions	Licensing	Franchising
Initial routine	Comparable	Comparable
Brand	Represents approach	Represents approach + outcomes
Performance level	High: perfect incentives only	Higher: perfect incentives + controls
Performance consistency	High variance (no controls)	Narrow variance (monitoring +learning)
Improvement in routine	Low: lack outcomes data	High: exploit outcomes data to increase mean
Government endorsement	Difficult: no outcomes data	Good: high-level and low- variance outcomes data
Growth of system	Hard to attract new units: no outcomes data	Good: have good and improving unit outcomes

Source: Knott et al. (2008), p. 107

Table 1 shows Knott et al.'s (2008) comparison of the performance dimensions between the two management forms. At the performance level, the two management forms show the remarkable variances between them; franchising has good incentives and control, and licensing has only incentives. These variances may lead to actual differences in their performance of service quality. Moreover, because of the lack of outcomes data

for the licensing form, attracting new units also becomes difficult. In contrast, the franchising form has good unit outcomes, thus helping to attract new units.

Service Quality in Fast Food Restaurants

Cronin and Taylor (1992) suggested that studies of service quality variables should be conducted under a specific service industry. For example, in a high-interaction industry such as medical care, the variables are different than in low-interaction industries such as fast food restaurants. Therefore, the following literature review focuses specifically on research conducted in the fast food industry.

With its high popularity in the United States, the fast-food industry is a hot topic in academic literature (Min & Min, 2011). Service quality in fast food restaurants has been widely studied in recent years (Min & Min, 2011). Previous literature about fast food restaurants has emphasized perceived quality, customer satisfaction, behavior intention, and the interrelationships among them (Qin & Prybutok, 2008). Moreover, other themes that have received researchers' attention include customer perceptions and their relationship to cultural differences (Brady, Robertson, & Cronin, 2001), campus dining (Kwun, 2011), and determinants of customer satisfaction (Ladharia, Bruna, & Morales, 2008). In addition, several studies have examined the relationship of perceived quality with different management forms, such as franchising (such as Michael, 2000; Min & Min, 2011).

Brady, Robertson, and Cronin (2001) studied the behavioral intentions of service quality, service value, and satisfaction in fast food restaurants in the United States and

Ecuador. Using a composite model of SERVQUAL adapted for this study, the researchers evaluated a sample of 425 fast food customers. They concluded that compared to Latin American customers, American customers tended to pay more attention to the balance between what they received in the service encounter and what they had to sacrifice to obtain the benefit. In contrast, Latin American customers placed more emphasis on the affective satisfaction judgment. The results provided empirical evidence that fast food restaurant managers in the United States need to pay more attention to the overall value of the product including the expenditure and the quality of service. Because the fast food industry has experienced intense competition and the profit margin is very slim (Min & Min, 2011), providing superior service quality is becoming more critical for competition because price-decreasing options are limited, especially when material costs are increasing.

Similar to Brady et al. (2001), Gilbert et al. (2004) conducted a cross-cultural study in fast food restaurants in four English-speaking countries. This study compared service satisfaction among five globally-recognized franchised chains in four countries: the United States, Jamaica, Scotland, and Wales. Using a five-point Likert scale, this study sampled 22,000 customers representing fifteen industries. Using factor analysis, this study revealed two cross-cultural fast-food customer satisfaction dimensions: satisfaction with the personal service (intangibles) and satisfaction with the service setting (tangibles). This study helped the industry by providing a measurement of customer satisfaction among franchised brands' fast food restaurants, and by making efforts to break the boundaries across countries to assess the service quality.

Min and Min (2011) conducted a longitudinal study by benchmarking the service quality of fast food franchised restaurants in the United States. Using analytic hierarchy process and competitive gap analysis, this study developed a set of benchmarks that aid the fast-food industry in monitoring their service-delivery process. The results revealed that customers perceived the taste of the food as the most important attribute of service quality in fast food restaurants, and this preference has not changed over time. This finding is reasonable since the food is the primary product that a restaurant sells. This study also found a correlation between the overall customer satisfaction and a restaurant's word-of-mouth reputation. In addition, Min and Min (2011) found that there was a significant, positive correlation between the quality of the service provided and individual restaurants' popularity. The researchers emphasized active benchmarking as an "effective way of sustaining service excellence" (Min & Min, 2011, p. 294).

Michael (2000) conducted a cross-sectional study of the effect of organizational form on quality in both the restaurant industry and the hotel industry. This study included chains that franchised partially or wholly and ones that did not franchise. The results showed that in the two industries, overall system quality is negatively related to the percentage of franchising in the chain. The results suggested that franchise contracts increased the problem of free-riding (units that do not make efforts and depend on others) and decreased quality in service chains. Moreover, this study revealed practical insights for future study comparing franchising to other organizational forms (Michael, 2000).

Campus dining is also a topic in the restaurant literature that received researchers' attention. For instance, Kim, Ng, and Kim (2009) studied the effects of DINESERV on

customer satisfaction, return intention, and word-of-mouth in institutional food services. This study investigated the relative importance of institutional DINESERV factors such as food quality, atmosphere, service quality, convenience, price, and value. Using a web-based survey, this study sampled 4,659 students in a public university, and the results showed that all institutional DINESERV factors had a significant positive effect on overall customer satisfaction and revisit intention. The results showed a difference of service perception according to age groups: university students aged 25 or above reported a higher overall satisfaction compared to those under 25. The results also revealed that food quality was the strongest indicator of customer satisfaction and return intention, a finding which was consistent with the studies of Pettijohn, Pettijohn, & Luke (1997) and Sulek and Hensley (2004). Also, Kim et al.'s (2009) study proved that customer satisfaction is positively related to both return intention and word-of-mouth endorsement.

Studies of restaurants in airports have also been conducted. For instance, Heung, Wong, and Qu (2000) applied the SERVQUAL and the DINESERV instruments to assess four different types of restaurants in the Hong Kong airport. The researchers analyzed the perceptions of service quality of 630 travelers dining in Chinese, casual-dining, full-service, and quick-service restaurants in the airport. The study measured customer expectations and perceptions, service adequacy, and service superiority. The researchers concluded that the key element of service quality in airport fast food restaurants is timely service. Moreover, in the study of Heung et al. (1997), the factors that diners in airport restaurants rated the highest were prompt, quick service, and convenient open hours. This finding is understandable because travelers in airports rush to catch a flight.

Although most studies have employed SERVQUAL or DINESERV as their research instrument, Qin and Prybutok (2008) used a modified SERVPERF instrument to examine the determinants of perceived service quality in fast food restaurants and their relationship to customer satisfaction and behavioral intentions. In this study, the sample was college students in a southwestern university and the results showed that food quality was a significant factor in customer satisfaction. The authors suggested that fast food restaurant managers should pay attention to monitoring and improving service quality and food quality because better service quality stimulates repurchase. Once again, the results of this study highlighted the most important factors in fast food restaurants: the food quality and service quality. Moreover, the five dimensions of service quality positively influence the perception of service quality.

Previous studies in fast food restaurants literature emphasize themes such as the food quality (Kim et al., 2009; Min & Min, 2011; Qin & Prybutok, 2008), the service quality (Heung et al., 2000; Kim et al., 2009; Qin & Prybutok, 2008), determinants of the perceived quality (Kim et al., 2009; Qin & Prybutok, 2008), and their relationships to customer satisfaction, return intention, and word-of-mouth effect. Fast food restaurants are differentiated from other kinds of restaurants, such as fine dining restaurants, by their unique characteristics such as prompt service, relatively low service interactions, and low price range. Moreover, fast food restaurants have their own management forms, usually franchising and licensing. Several studies have examined the relationship of perceived quality to management forms such as franchising (Michael, 2000; Min & Min, 2011). Other studies have investigated service quality in fast food restaurants in airports or

university dining facilities; however, surprisingly, none of these cross-sectional studies examine the service quality in licensing fast food restaurants.

Summary

This chapter reviewed previous literature about service quality and its measurements as well as the theoretical foundations of franchising and licensing. In addition, service equality in fast food restaurants was briefly reviewed. This review summarized the literature regarding service quality, customer satisfaction, perceived quality, return intentions, and their interrelationships. Strong links among these three variables have been found.

Chapter 3 Methodology

Research Consideration

As mentioned previously in the literature review, the two management forms, franchising and licensing, have distinct characteristics. These two management forms differ in their management structure, recruiting process, and training procedures. These differences directly influence service quality. For this reason, the headquarters of the restaurant chains need to pay attention to the consistency of the service quality across all the units. The results from this study will lead to the improvement of service quality across different management forms in fast food restaurant chains.

Research Questions

The main purpose of this study is to better understand customers' perceptions of service quality as it differs according to the different management forms, and to contribute to the growing body of restaurant literature by analyzing service quality as it relates to management forms. The following research questions are addressed:

RQ1: Are there any significant differences in perceived quality between the two different management forms (franchising and licensing)?

RQ2: Are there any significant differences of perceived quality based on customer demographics such as student and non-student populations, income, gender and age?

RQ3: Are there any significant differences in customers' return intentions between the two management forms?

RQ4: Are there any significant differences in the way customers perceive service quality in different restaurant settings of the same brand, such as restaurant locations in university dining centers, medical centers, independent units, and shopping malls?

In an effort to fit the fast food restaurant context, an instrument to measure the customers' perceived quality was needed. Several methods have been previously developed to measure the service quality in various settings. DINESERV (Stevens et al., 1995) is a widely used instrument that was developed specifically for research in the restaurant sector. DINESERV is derived from SERVQUAL (Parasuraman et al., 1988). SERVQUAL used 22 items divided into five dimensions and used a Likert 1-5 rating scale, with 1 being "highly dissatisfied" and 5 "highly satisfied." To better fit the restaurant context, DINESERV developed and used 29 items, which were also divided into five dimensions and using 5-point Likert scale. The research instrument for this study was based on DINESERV.

Research Instrument

To ensure the validity and the reliability of this study, a mix of qualitative and quantitative approaches were applied using various sources: interviews with managers, a self-administered online customer survey, and the service quality literature.

Qualitative approaches consisted of three in-depth interviews to examine restaurant managers' understanding of their standards and values. The first interview was of a manager from corporate headquarters; the second of a manager from a franchised store, and the third of a manager from a licensed store. Three managers were very cooperative in granting a brief interview, which took approximately 20 minutes.. Their responses provided some important information to the researcher, such as the fact that the restaurant chain appealed more to females than to males.

In general, all the answers that the three managers gave were highly relevant to the context of corporate culture, providing valuable information for the study. For example, a manager from headquarters introduced the fact that the restaurant chain appealed more to females than to males (with 57% of customers being females and 43% males). Moreover, the headquarters manager gave a general view of the whole company and explained the main differences between the two management forms of the stores, including differences in the monitoring system, the empowerment of staff, and the expectations of the stores. Two other managers, one from the licensed store and one from the franchised store, answered specific questions concerning their daily routines.

As a quantitative research method, this study used a questionnaire that was developed using DINESERV, with several changes being made in order to fit this instrument to the fast food restaurant context. Specifically, DINESERV includes five variables out of 29 which did not fit this study: attractive parking areas, attractive dining area, dining area easy to move around in, comfortable seats, and accurate guest check. These five items were not used in the questionnaire for this study. Explanations are that

some of the locations surveyed, such as malls and campus dining, do not have parking or formal dining areas. Along with that they do not provide the seating in such setting either.

Moreover, both SERVQUAL and DINESERV have limitations because they do not include the food quality (the product itself), which proved to be an important variable in the restaurant sector. As a result, three questions about food quality were added to the questionnaire for this study. These questions came from an online survey that was developed and used by the corporate office. Specifically, these variables included “the food is hot and fresh,” “the food is tasty and flavorful”, and “menu has good variety and in stock”.

As such, the revised questionnaire included all the aspects in the restaurant’s self-administered online survey. The final questionnaire collected customers’ perceptions ratings of 24 items, including demographic information, customers’ return intentions, and their recommendations to others. Measurements of the 24 variables were based on a 5-point Likert scale ranging from 1-5, 1 being highly dissatisfied and 5 being highly satisfied.

Pilot Study

A pilot study using the well-established DINESERV scale was conducted to compare the differences between customer perceptions of the service quality of the franchised store and the licensed store. The organization sampled for this study is a fast food chain located mainly in the southern area of the United States. The customers were

mostly college students from a college town in the Southeast of the United States, which was typical of the customer population for the franchised and licensed stores in this area.

The data were obtained from a total of 87 respondents (53 from the licensed store and 34 from the franchised store). The questionnaires for the pilot study were considered valid if one or two questions were left blank. For example, some respondents did not answer the question about the cleanliness of the restroom because they did not visit the restroom. However, some questionnaires were considered invalid because all the questions on the back of the survey were omitted.

Based on the results of the pilot study, several changes were made to the final survey instrument. These changes included adding three food quality variables. Other changes included editing some of the questions and part of the format according to the modified DINESERV measurement. All of these modifications were designed to make the measurement setting as reliable as possible.

The Research Sample

The results of the pilot study were applied to the revised questionnaire, and a new data collection was conducted from a larger population. The questionnaire was distributed to fast food restaurant customers under the same brand name in Alabama and Georgia. Incomplete questionnaires were deleted from the sample collected. Of the questionnaires collected, 462 were usable and were coded into the Statistical Package for Social Sciences (SPSS) 18.0. Five locations representing two management forms (franchised and licensed) were selected for the purpose of this study. The licensed

restaurants were located at the student center of a medium-sized university in Alabama and at the café of a medical center in Georgia. Of the three franchised restaurants, two were located in two shopping malls in Alabama and Georgia, and one was an independent unit in Alabama.

Recruiting Process

At each location, customers were asked to participate in the survey during different times of the day. The respondents were first informed of the purpose of the study, and then asked to fill out the questionnaire and return it to the researcher immediately after completion.

In order to measure whether the fast food restaurant provides consistent service quality on a daily basis, the service quality perception questionnaire was distributed to customers who had just finished their meal during four different time periods: earlier than 10:30a.m.; 10:30a.m. - 2:00p.m.; 2:00p.m. - 5:00p.m.; and after 5:00p.m. Some surveys were conducted in classrooms where students were regular visitors of the student center. The questionnaires were distributed during different time periods to ensure the reliability by measuring service quality consistently across time, individuals, and situations.

Data Analysis

The returned questionnaires were coded into the Statistical Package for Social Sciences (SPSS) 18.0. Descriptive and frequency analysis, analysis of variance (ANOVA), reliability analysis, and confirmatory factor analysis (CFA) were used.

ANOVA was employed to compare the differences between the student group and the non-student group and the differences among different age ranges.

In addition, interviews to the restaurant managers were employed to ensure the content validity of this study, which is the degree to which a study measures what the researchers intend to measure (Kerlinger, 1973). Also, the restaurant's online survey was considered in the revision of the questionnaires. Cronbach's alpha was used to test the reliability of variables retained in each factor of five dimensions. After a CFA was performed, ANOVA was employed to identify any difference in the identified factor's means (five different dimensions) between demographic groups and organizational forms. If statistically significant differences were found among customers' demographic groups, then further analysis (Tukey test) of specific variables considering items was conducted.

Summary

This chapter described the methodology of the instrument design and the sampling and data collection. Both qualitative and quantitative measurements were employed to ensure the validity of this study. Questionnaires were designed based on DINESERV, and several changes were made according to the company's self-online survey and the feedback from three in-depth interviews. Customers were recruited outside the restaurant when they had just finished dining. Finally, this chapter briefly introduced the data analysis.

Chapter 4 Results

Overview

This chapter presents the results obtained from the hard copy questionnaires. First, demographic information of the respondents is presented. Second, the relationship between demographic information and the overall perceived quality is examined. Confirmatory Factor Analysis is adapted to check the variables falling into the five dimensions of the SERVQUAL instrument. From the perspective of different management forms, five dimensions of service quality are compared using ANOVA. The reliability of this study is examined using Cronbach's Alpha. Lastly, the summary reviews the overall results.

Demographics

Table 2 reveals the demographic information of the fast food restaurant customers, among which approximately 341 were female (73.8%) and 121 were male (26.2%). This gender imbalance is consistent with the suggestion of a fast food manager that the chain appeals more to females than to males. Moreover, during the recruitment procedure, female customers, who are often representatives of their families, tended to be more active in participating in the survey.

Table 2: Demographic Profile of the Respondents

Variable	Frequency	Percentage%
Gender		
Male	121	26.2
Female	341	73.8
Age		
19-29	318	68.8
30-39	57	12.3
40-49	39	8.4
50-59	29	6.3
60 or above	16	3.5
Household Income		
15,000 or below	102	22.1
16,000-39,000	70	15.2
40,000-69,000	74	16.0
70,000-99,000	53	11.5
100,000-129,000	38	8.2
130,000 or above	64	13.9
Education		
High School	322	69.7
2 Year College/Summer College	70	15.2
Bachelor	39	8.4
Master or Higher degree	26	5.6

This study sampled mostly college students; therefore 68.8% of the respondents fell in the age range of 19-29. Another 12.3% of respondents were 30-39 years old, 8.4% were 40-49 years old, 6.3% were 50-59 years old, and 3.5% were 60 years old or more. The household annual incomes of the respondents were fairly evenly divided among the five income level categories, with 22.1% falling into \$15,000 or below, 15.2% falling into \$16,000 to \$39,000, 16% falling into \$40,000 to \$69,000, 11.5% falling into \$70,000 to \$99,000, 8.2% falling into \$100,000 to \$129,000 and 13.9 falling into \$130,000 or above. Because the majority of respondents were college students, 68% of respondents replied that they had finished high school, 15.2% had attended two-year college, 8.4% had a bachelor's degree, and 5.6% had a master's degree or higher.

Table 3: Students Sample Grade Level

College Student School Year	Frequency	Percentage
Freshman	83	18.0
Sophomore	71	15.4
Junior	51	11.0
Senior	54	11.7
Graduate	4	.9
Total	263	56.9

Among the respondents who are students, Table 3 shows the students' level in college. The students fell into a fairly balanced division, with 18% freshmen, 15.4% sophomores, 11% juniors, 11.7% seniors, and 0.9% graduate students. In this study, students comprised up to 56.9% of the whole sample, mainly because the location and

nature of the business in a university dining center appeals mostly to students as their customers.

Table 4 shows the diversity of the respondents' origin from 24 states in the United States, mostly Alabama and Georgia.

Table 4 Origins of Respondents

Home State	Frequency	Percentage%
Alabama	251	54.3
Georgia	107	23.2
Florida	14	3.0
South Carolina	3	.6
Iowa	1	.2
Tennessee	6	1.3
Kentucky	1	.2
North Carolina	7	1.5
Maryland	3	.6
Massachusetts	1	.2
Texas	9	1.9
California	2	.4
Oklahoma	2	.4
New York	1	.2
Louisiana	1	.2
Mississippi	4	.9
Wyoming	1	.2
Pennsylvania	1	.2
New Jersey	1	.2
Ohio	1	.2
Wisconsin	1	.2
Rhode Island	1	.2
Illinois	1	.2
United States Without State Description	23	5.0
Foreign Countries	5	1.1

Table 5 presents the locations where the survey was conducted. This cross-sectional study of two management forms, franchising and licensing, analyzes the characteristics of the two forms in four different sets of circumstances according to their

location and purpose. Among them, two units were licensed: one in a university dining center located in a middle-sized university in Alabama and one in a medical center in Georgia. The other three were franchised units: two were in shopping malls located in Alabama and Georgia, and one was a stand-alone unit located in Alabama.

Table 5 Locations of the survey

Survey Locations Percent		Number	
University Dining Center	(Licensing)	185	40.0
Medical Center	(Licensing)	108	23.4
Independent Franchised Unit	(Franchising)	59	12.8
Shopping Mall of Alabama	(Franchising)	101	21.9
Shopping Mall of Georgia	(Franchising)	8	1.7
Missing		1	.2
Total		462	100

In sum, the tables 2-5 exhibit the general demographics of the respondents. Because the sample of respondents from the two management forms was unequal in gender, age, and education levels, further analysis using ANOVA was conducted to determine whether the sample was biased by the uneven percentages among their demographic information.

Table 6 Management Form * Time Visit Cross Tabulation

Time Visited	Count		
	Licensed	Franchised	Total
Before 10:30 a.m.	11	16	27
10:30a.m. to before 2:00p.m.	173	85	258
2:00p.m. to before 5:00p.m.	71	48	119
5:00p.m. or after	34	19	53
Total	289	168	457

$\chi^2=8.167^a$, $p=.043$

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.93.

Table 6 shows the number of respondents during different time periods of the day. Most of the respondents completed the survey between 10:30 a.m. to 2:00 p.m. Understandably, based on the business nature of fast food restaurants, lunch time appeals to the greatest number of customers during the day. The result of χ^2 test confirms that most customers visited the restaurants during the day. Further analysis was conducted to check whether different time periods of the day affected customers' perceived quality.

Confirmatory Factor Analysis

Since PZB's five dimensions of DINESERV is a well-established model which is widely used in the service industry, Confirmatory Factor Analysis (CFA) was more appropriate than Expletory Factor Analysis (Bentler, 1995). This study has modified Stevens et al. (1995)'s model by adding three food quality variables into the tangible dimension. Therefore, CFA is used in this study to test the modified model fit.

Table 7 Confirmatory Factor Analysis Model Fit

CMIN	P	CMIN/DF	NFI	TLI	CFI	GFI
1714.624	.000	7.115	.849	.848	.867	.720

Table 7 presents the statistics of goodness of fit. The results show that the modified model reasonably fit the data (chi-square = 1714.624, $p = .000$, chi-square/df = 7.115, NFI = .849, TLI = .848, CFI = .867, RMSEA = .115).

Table 8 Five Dimensions Confirmatory Factor Analysis

Construct	Item	Items	Regression Weight Item loadings	Cronbach's alpha
Tangibles	T1	Menu is Easy to Read	.745	.935
	T2	Dining Area is Clean	.770	
	T3	Valuable for Price	.701	
	T4	Staff dress clean	.856	
	T5	Menu is Attractive	.803	
	T6	Restroom is Clean	.662	
	T7	Sauces,	.729	
	P1		.759	
	P2	are available	.777	
	P3	Food is hot and fresh Food is tasty and flavorful Menu in good variety and in stock	.754	
Reliability	Rel1	Order is correct and complete	.681	.831
	Rel2	Serve as Time promised	.811	
	Rel3	Quality is dependable & consistent	.871	
Responsiveness	Rep1	Employee shift to help	.832	.865
	Rep2	Employee take extra efforts	.897	
Assurance	A1	Employee are patient	.832	.930
	A2	Greetings and fond farewell	.793	
	A3	Employee are empowered	.844	
	A4	Employee anticipate your wants and needs	.858 .827	
	A5	Willing to provide information	.751	
	A6	Feel personal safe		
Empathy	E1	Employee have best interest in heart	.860 .837	.914
	E2	Employees make you feel special	.893	
	E3	Employees sympathetic		

Table 8 presents the details of adapting a confirmatory factor analysis (CFA) to assess the overall model fit of the measurement model. The alpha values of all five dimensions used in this study ranged from .83 to .93, thus reaching Cronbach's (1954) standard requiring an alpha of .70 or higher. The results of the reliability test showed that multiple measurement items were highly reliable in measuring each dimension (Hair et

al., 1998). Furthermore, regression weight of item loading was conducted with the factor loadings in the measurement model. All the item loadings exceeded .65, which were significant at the alpha level of .01 (Anderson and Gerbing, 1988).

Table9-Table 12 ANOVA Analysis of Demographic Information and Five Dimensions of Perceived Quality

Table 9 Gender

Gender	Male	Females	F	Sig
	N=121	N=341		
Means				
Tangibles	4.18	4.20	.040	.841
Reliability	4.33	4.29	.202	.653
Responsiveness	4.09	4.10	.019	.890
Assurance	4.13	4.05	.488	.485
Empathy	3.96	3.93	.070	.792

Table 10 Age group

Age group	19-29	30-39	40-49	50-59	60+	F	Sig
	N=318	N=57	N=39	N=29	N=16		
Means							
Tangibles	4.26	3.94	4.27	3.71	3.98	3.41	.009
Reliability	4.34	4.14	4.34	3.98	4.37	1.43	.221
Responsiveness	4.14	3.88	4.16	3.77	4.19	1.41	.228
Assurance	4.11	3.93	4.10	3.81	4.18	.82	.507
Empathy	3.94	3.71	4.17	3.84	4.20	1.20	.307

Table11 Education Level

Education Levels	High School	2 Year College	Bachelor	Master or higher	F	Sig
	N=322	N=70	N=39	N=26		
Means						
Tangibles	4.24	3.94	4.13	4.36	2.38	.069
Reliability	4.33	4.09	4.40	4.40	1.74	.157
Responsiveness	4.15	3.80	4.22	4.04	2.35	.071
Assurance	4.09	3.88	4.20	4.25	1.26	.287
Empathy	3.94	3.80	4.05	4.24	1.09	.351

Table 12 Household Income

Household Income	<15,000	16000-39,000	40,000-69,000	70,000-99,000	100,000-129,000	130,000>	F	Sig
	N=102	N=70	N=74	N=53	N=38	N=64		
	Means							
Tangibles	4.26	3.88	4.22	4.33	4.29	4.33	2.69	.021
Reliability	4.29	4.07	4.34	4.46	4.35	4.37	1.49	.190
Responsiveness	4.12	3.87	4.11	4.22	4.16	4.14	.882	.493
Assurance	4.07	3.87	4.07	4.13	4.07	4.18	.759	.580
Empathy	3.94	3.75	3.97	4.01	3.87	3.98	.483	.789

Table 9-12 demonstrates the ANOVA analysis of the demographic information and overall perceived quality. The dependent variable is customers' five dimensions of perceived service quality, which was calculated as the arithmetical means of each variable (adding all variables within the dimension and dividing by the number of variables in the dimension). The independent variables, on the other hand, were the customers' self-identified information such as gender, age range, education level, and household income. The number of the respondents in each category shown above was refined by the ANOVA by deleting the incomplete ones. Means of each category of the overall perceived quality, F and Sig, are displayed in the table. None of the disparities between the customers' perceived quality and customers' gender reached statistically significant differences, but the tangible dimension was found to be significantly different according to the customers' age and household income.

Table 13 ANOVA Test of Time Visit and Five Dimensions of Perceived Quality

Time Visit	Before 10:30am	10:30 to before 2:00pm	2:00pm to before 5:00pm	5:00pm or after	F	Sig
	N=27	N=258	N=119	N=168		
Means						
Tangibles	4.25	4.15	4.21	4.13	.246	.864
Reliability	4.41	4.26	4.37	4.26	.601	.614
Responsiveness	4.20	4.04	4.24	4.00	1.241	.294
Assurance	4.26	4.09	4.15	4.06	.373	.772
Empathy	4.28	3.90	4.00	3.83	1.259	.288

Table 13 exhibits the results of the ANOVA analysis of the relationship between the customers' perceived quality and the visit time. This analysis was used to examine whether service quality is consistent during the different time periods. The results indicated that no statistically significant difference was found among different time periods meaning that the service quality provided to customers was generally consistent throughout the day.

Table 14 ANOVA Test between Student /Non-student customers

Students	Students	Nonstudents	F	Sig
	N=263	N=199		
Means				
Tangibles	4.28	4.07	5.69	.017
Reliability	4.35	4.22	2.44	.118
Responsiveness	4.14	4.04	1.02	.312
Assurance	4.09	4.05	.197	.657
Empathy	3.91	3.98	.364	.547

Table 14 shows the ANOVA analysis used to determine whether there were any differences between the student respondents and non-student respondents in perceived service quality. The results demonstrated that student and non-student respondents did not reach statistically significant differences in the four dimensions of perceived service quality: reliability, responsiveness, assurance and empathy. The tangible dimension, however, was significantly different between student and non-student respondents. Student respondents rated the tangible dimension significantly higher than the non-student respondents did. This finding suggests that the restaurant managers need to pay particular attention to tangible dimensions of service quality, such as physical environment and cleanliness, in order to appeal to non-student respondents.

The results indicated that in most cases, whether or not the customers were students had no effect on their perceptions of service quality in fast food restaurants. This significant finding supports the validity of this study by showing that the high percentage of students among the respondents did not bias the final results.

Customers' Perceived Quality between Two Management Forms

Table 15 ANOVA Test of Five dimensions of Perceive Quality among Locations

Locations	L1	L2	L3	L4	L5	F	Sig
	N=185	N=59	N=101	N=108	N=8		
	Means						
Tangibles	4.14	4.54	4.36	3.83	4.32	8.102	.000
Reliability	4.22	4.64	4.53	4.02	4.33	7.530	.000
Responsiveness	4.00	4.43	4.47	3.74	4.37	8.865	.000
Assurance	3.94	4.48	4.49	3.86	4.27	9.382	.000
Empathy	3.67	4.52	4.36	3.73	4.29	12.528	.000

Table 15 shows the ANOVA test of five dimensions of perceived quality in five different locations (L1 = the University Dining Center, L2 = Independent Unit, L3 = Shopping Mall Alabama, L4 = Medical Center, L5 = Shopping Mall Georgia). The results show that all five locations were significantly different among five dimensions of perceived quality, suggesting that customers perceive the same brand fast food restaurant differently in different locations. For these changes, further Tukey Post Hoc testing was conducted to identify the correlations among the five locations.

Table 16 Tukey Post Hoc Test of Locations-Significance

Tangibles	L1	L2	L3	L4	L5
L1					
L2	.008				
L3	.284	.706			
L4	.037	.000	.000		
L5	.970	.947	1.000	.466	
Reliability	L1	L2	L3	L4	L5
L1					
L2	.007				
L3	.030	.927			
L4	.282	.000	.000		
L5	.997	.855	.965	.850	
Responsiveness	L1	L2	L3	L4	L5
L1					
L2	.033				
L3	.002	.999			
L4	.199	.000	.000		
L5	.833	1.000	.999	.396	
Assurance	L1	L2	L3	L4	L5
L1					
L2	.001				
L3	.000	1.000			
L4	.956	.001	.000		
L5	.855	.974	.963	.736	
Empathy	L1	L2	L3	L4	L5
L1					
L2	.000				
L3	.000	.898			
L4	.988	.000	.000		
L5	.449	.975	1.000	.572	

Table 16 presents the correlation among locations of five dimensions of customers' perceived quality. Among all five dimensions, statistically significant differences were found between L4, a licensed unit, and L2 and L3, the franchised units. Other significant differences among groups included the following: in the responsiveness dimension, L3 was significantly different from L1; in the assurance dimension, L2 was significantly different from L3; in the empathy dimension, L1 was significantly different from L2 and L3. These results clearly showed the differences of customers' perceived quality in different locations, and also the differences between two management forms.

Table 17 ANOVA of Five Dimensions Perceived Quality between two Management Forms

Dimensions	Licensed (<i>n</i> =293)	Franchised (<i>n</i> =168)	F	Sig.
	Means			
Tangibles	4.05	4.48	26.41	.000
Reliability	4.15	4.56	24.79	.000
Responsiveness	3.91	4.45	30.55	.000
Assurance	3.87	4.46	40.75	.000
Empathy	3.69	4.42	49.14	.000

Table 17 shows the ANOVA analysis results of the comparison of the five dimensions between the franchised and licensed units. All of the five dimensions of service quality showed statistically significant differences ($p < .05$) between the two

management forms. Among the five dimensions, empathy showed the biggest difference ($f = 49.14, p < .05$), and the tangibles presented the smallest difference ($f = 19.10, p < .05$), with three dimensions in the middle: reliability ($f = 24.79, p < .05$), responsiveness ($f = 30.55, p < .05$), and assurance ($f = 40.75, p < .05$). Since all of these variables were significantly different, further ANOVA analysis of each dimension was conducted to determine the detailed variable information.

Table 18 ANOVA Tangibles I

Tangible	Licensed	Franchised	F	Sig.
	(n=293)	(n=168)		
	Means			
Menu Easy to Read	4.39	4.61	6.67	.010
Dining Area Clean	3.95	4.30	12.86	.000
Value for Price	3.63	4.29	32.53	.000
Staff dress clean	4.10	4.57	28.10	.000
Menu Attractive	4.13	4.50	15.46	.000
Restroom Clean	3.97	4.25	6.75	.010
Sauces, utensils available	4.25	4.55	11.40	.001

Table 18 shows the ANOVA analysis of the tangible dimension variables within the two management forms. Six of the variables showed a strong difference between franchised and licensed restaurants, including menu easy to read, the cleanliness of dining area, value for price, cleanliness of staff dress, menu attractiveness, and availability of sauces, utensils.

The other two variables, easily read menu and cleanliness of restrooms, did not show significant difference between the two management forms. The two questions regarding the menu, “menu is easy to read” and “menu is visually attractive,” indicate that there were some differences in the design of the menu boards in the two forms. Based on the researchers’ understanding, the menu boards are part of the contrast between franchised and licensed restaurants. The chain restaurant managers of both management forms have little control over this factor, and therefore the difference in the attractiveness of the menu board is due to the limitation of the contracts themselves. Moreover, as for the cleanliness of dining area, the licensing units do not have their own dining areas, therefore, again, they have less control over this factor than franchised units do.

It is interesting to note that for the cleanliness of the restroom, no statistically significant differences were found. This finding means that though licensing units seem to have many constraints that limit their performance, licensed restaurants can still do as well as the franchised restaurants. However, for other physical aspects that managers of licensed restaurants have more control over, management has room to improve. For example, in the area of staff dress cleanliness ($f = 28.107$ $p < .05$), management can do much better to monitor and improve the cleanliness of staff dressing, and thus enhance the service quality from the visual appearance of the staff’s dress.

Table 19 ANOVA Tangibles II-Food quality

Tangible	Licensed Franchised		F	Sig.
	(n=293)	(n=168)		
	Means			
Food is hot and fresh	4.15	4.57	21.58	.000
Food is tasty and flavorful	4.20	4.60	20.35	.000
Menu in good variety and in stock	3.66	4.47	59.74	.000

Table 19 shows the tangible aspects of the food quality. All the three variables exhibited a significant difference between the two management forms ($p < .05$). The variable “menu with good variety in stock and available” demonstrated the widest variation ($f = 59.74, p < .05$), and “food is tasty and flavorful” was the smallest variation ($f = 20.35, p < .05$), with “food hot and fresh” ($f = 21.58, p < .05$) in the middle.

Based on the observation of the researchers during the survey process, the licensed units such as the university dining center and the medical center had limited menu items, with other options unavailable in the store. This difference was perhaps the reason for the low score of “menu with good variety” in licensed units and the strong difference between the two management forms.

For the quality of the food, the two kinds of stores offered a fairly good quality of food, with the licensed units rating a little lower than the franchised units. As for the availability of sauces and utensils, the two kinds of stores were rated high, with licensed means = 4.25 and franchised means = 4.55.

In sum, for the food quality as described under the tangible dimensions, the two management forms displayed statistically significant differences across four variables. Therefore, licensed units need to improve their food quality in order to maintain their brand reputation and benchmark with franchised units.

Table 20 ANOVA Analysis Reliability

Reliability	Licensed (<i>n</i> =293)	Franchised (<i>n</i> =168)	F	Sig.
	Means			
Order correct and complete	4.45	4.61	3.28	.071
Time promised	4.00	4.51	27.02	.000
Quality dependable & consistent	3.98	4.56	34.35	.000

As shown in Table 20, three variables are included in the reliability dimension. One of the variables, “order is correct and complete,” shows no significant difference ($f = 3.282, p > .05$). The other two variables, “the order is in time promised” ($f = 27.02, p < .05$), and “the quality is dependable” ($f = 34.35, p < .05$), show strong differences between the two management forms.

These results indicated that the restaurants of both types met one of the fast food restaurants’ fundamental standards, which is that the food order is correct and complete. With relatively high means of 4.45 and 4.61 in the licensed and franchised units, customers perceived that these restaurants have performed well to achieve the goal of doing things right the first time. But for the other two factors in the table, which are also fundamental for the fast food restaurants, franchised units did much better than the licensed ones.

In fast food restaurants, serving the customers on time and as promised is critical, because fast food customers may not want to spend much time in dining. This finding suggests that licensed restaurants need to improve their efficiency in processing food. Moreover, the variable “quality is dependable and consistent” demonstrated a significant difference ($f = 34.35, p < .05$), with franchised units (means = 4.56) doing better than the licensed units (means = 3.98). Again, this result revealed that the service quality of licensed units was not as consistent and dependable as that of franchised units.

Table 21 ANOVA Analysis Responsiveness

Responsiveness	Licensed	Franchised	F	Sig.
	(n=293)	(n=168)		
	Means			
Employee shift to help	3.96	4.49	26.78	.000
Employee take extra efforts	3.86	4.39	25.05	.000

Table 21 shows the ANOVA results for responsiveness. Both of the two variables were significantly different between the two management forms. For the variable “during busy times employees shift to help each other,” customers perceived the franchised units (means = 4.49) as performing better than licensed units (means = 3.96). In addition, the variable “employees take extra efforts to handle your special requests” had a similar result, with the franchised means of 4.39 and licensed means of 3.86. This variable is directly related to the employees’ performance, which both of the units have control over during the recruiting and training process.

Table 22 ANOVA Analysis Assurance

Assurance	Licensed	Franchised	F	Sig.
	(n=293)	(n=168)		
	Means			
Employee are patient	4.06	4.61	31.37	.000
Greetings and fond farewell	3.57	4.41	53.36	.000
Employee are empowered	3.73	4.42	38.99	.000
Employee anticipate wants	3.75	4.39	35.04	.000
Willing to provide information	3.81	4.42	33.38	.000
Feel personal safe	4.25	4.53	9.10	.003

Table 22 shows the ANOVA analysis of the assurance dimension. All the six variables showed statistically significant difference between licensed and franchised units. The greetings and the farewells showed the most difference between the two ($f = 53.36, p < .05$), and the feeling of personal safety had the least difference ($f = 9.10, p < .05$). The assurance dimension is based on employees' attitude to assure the customers with courtesy, convey trust, and communicate effectively. These dimensions are all things that managers can influence and train employees to improve. Therefore, the management of both licensed and franchised units has control over these factors.

Significant differences revealed a lack of employee training among licensed fast food restaurants; evidence is shown from the greetings and farewells. This factor is perhaps the easiest among all variables for employees to do well and for management to control. However, the results show that the training and monitoring process ignores this

important part, which prevent the employees from effectively communicating to customers. Moreover, the franchised units had a fairly high score in the empowerment variable (means = 4.42), but the licensed management tended not to empower the employees to deal with problems (means = 3.73). As a result, there was a gap between licensed and franchised units ($f = 38.99, p < .05$). As for the employees being sympathetic and reassuring when something is wrong ($f = 35.04, p < .05$), and being willing to provide information ($f = 33.38, p < .05$), the variances were also mainly due to the training process.

Table 23 ANOVA Empathy

Empathy	Licensed	Franchised	F	Sig.
	(n=293)	(n=168)		
	Means			
Employee best interest in heart	3.87	4.50	36.39	.000
Employees make you feel special	3.34	4.27	66.98	.000
Employees sympathetic	3.83	4.44	30.61	.000

Finally, Table 23 shows the empathy dimension, which includes three variables. All three variables showed significant differences ($p < .05$) between licensed and franchised units, which had a fairly high degree of variance. The factor with the greatest variance was the employee making the customer feel special ($f = 66.98, p < .05$), a finding which indicated that the licensed units (means = 3.34) need to substantially improve their performance in identifying and understanding their customers in order to make them feel special.

Behavioral Intentions

Table 24 ANOVA Analysis Behavioral Intentions

Behavioral Intentions	Licensed (<i>n</i> =290)	Franchised (<i>n</i> =164)	F	Sig.
	Means			
The likelihood I will return	4.42	4.63	6.67	.010
The likelihood I will recommend to others	4.21	4.54	11.84	.001

Table 24 displays the results of the relationship between management forms and customers' behavioral intentions. Not surprisingly, statistically significant differences were found between the two forms for the customers' return intention and their recommendations to others.

Both of the two management forms showed relatively high return intentions (the licensed means = 4.42, and the franchised means = 4.63). Still, there was remarkable disparity between the two ($f = 6.67, p < .05$), with the franchised units rated higher than the licensed units. As for the recommendation to others, customers were more likely to recommend the franchised units than the licensed units to others ($f = 11.84, p < .05$), with the licensed units means of 4.21 and the franchised means of 4.54.

It is interesting to note that customers of the two types of restaurant showed a low variance of the return intentions; while on the other hand, they showed a high variance of the willingness to recommend to others. Possible explanations for these results are that the locations of the licensed units, such as the unit in the medical center, provide convenience and customers cannot easily find substitutions. Moreover, the meal plan

provided to university students also partly accounts for the high return intention of customers of the licensed units. Students for the first two years of college have few other options than to dine on campus; therefore, their returns to the restaurant are ensured. However, customers distinguished recommendation to others from the possibility of their return. Licensed units were rated significantly lower than the franchised units, which are obviously less affected by the convenience factor and the meal plan.

Summary

This chapter has illustrated the statistical results of this study. The demographic information of the respondents, including age, income, gender, education, time periods of visit, and the locations that they visited, were presented first. Each of the 24 variables was analyzed to interpret the overall perceived quality, and its relationship to the demographic information was examined using ANOVA. In addition, the confirmatory factor analysis was employed to assess the model fit to check PZB's five quality dimensions. Then the comparison of the service quality between two management forms, franchising and licensing, was assessed based on five dimensions. Lastly, possible reasons for these differences were briefly discussed. The results, addressing the research questions as well as the implications and suggestions for future research, are discussed in the following chapter.

Chapter 5 Discussion

Overview

This chapter addresses the purpose of this study and the research questions. The results of the study are discussed, and possible explanations are given for the differing performance of the two management forms. The implications of the results are examined. Lastly, both academic and practical implications are illustrated, and limitations and future research are discussed.

Purpose of the Research

This study has achieved the primary purpose as proposed in Chapter 1: to provide a better understanding of customers' perceptions of service quality in fast food restaurants, particularly in the differences between franchising and licensing units under the same brand. This study also had several secondary purposes. The second was to examine whether there were significant differences in perceived service quality among customers' self-identified demographics. The third purpose was to explore the possible reasons for the disparities in service quality in different management forms. Lastly, this study was designed to provide practical management implications for the fast food industry, especially the fast food chains with different management forms, from the

managerial perspective, the management forms perspective, and the monitoring process perspective.

Addressing the Research Questions

Each of the four research questions is examined in light of the reported findings of this study. Answers to the following questions are described as follows.

RQ1: Are there any statistically significant differences in perceived quality between two different management units (franchising and licensing)?

Based on the findings of this study, all of the five dimensions of service quality were significantly different according to the two management forms. Specifically, of 24 variables of service quality measured in the survey, only three variables were identified as not significantly different: easiness of menu to read, the cleanliness of restrooms, and correct and complete orders. Of the other 21 variables, the differences between the two management forms were statistically significant. As for the customers' behavioral intentions, no statistically significant differences were found for the customers' return intentions, but customers tended to perceive their willingness to recommend to others differently, with franchised units scoring significantly higher.

Generally speaking, statistical disparities were identified between customers' perceptions of the two management forms. This finding is not surprising since the management settings, physical environments, and the training procedures of these restaurants were very different, even though these units were under the same brand. The

three franchised units surveyed in this study were generally rated higher, ranking first through third. The two licensed units were rated lower, ranking fourth and fifth.

RQ2: Are there any significant differences of perceived quality based on customer demographics such as student and non-student populations, income, gender and age?

Based on the results, the perceived quality of the five dimensions was not significantly different between male and female respondents. This finding is consistent with Lee's (2000) study which showed that perceived service quality was not affected by a customer's gender. Moreover, this study is among the first to analyze the difference between the overall perceptions of students and non-students; the tangibles dimension showed statistically significant differences. In addition, statistically significant differences were found in the tangibles dimension among customers' income level and age range. Restaurant managers need to pay special attention to the tangible variables and make strategies considering this fact. For example, students tend to care less about the tangibles dimension, so the restaurant managers should use other strategies to attract students such as reducing the price. For the non-student customers who tend to perceive the tangible dimension as an important aspect, restaurant managers need to focus on improving the physical environment such as the cleanliness of the dining area and the staff attire.

RQ3: Are there any significant differences in customers' return intentions between the two management forms?

The findings indicated that there were significant differences in customers' return intentions and their recommendations to others between franchised and licensed units. It is important to note that there was a disparity between the level of the return intention and the likeliness of recommending the store to others. Customers were more likely to return than to recommend the restaurant to others. Return intentions were less affected by the differences of service quality, whereas the recommendation intentions were greatly affected by the disparity of the service quality. Plausible explanations are that licensed units may provide convenience that customers cannot find elsewhere, and that customers are sometimes guaranteed to return because of factors such as the university meal plan in the university dining center.

RQ4: Are there any significant differences in the way customers perceive service quality in different restaurant settings of the same brand, such as restaurant locations in university dining centers, medical centers, independent units, and shopping malls?

This cross-sectional study revealed customers' different perceptions of dining under different circumstances. Though customers were not conscious of the different management forms when dining, their perceptions of service quality showed distinct differences. The independent unit ranked first among the five locations, the two shopping malls followed, and the university dining center and medical center were ranked as fourth and fifth, respectively. The results further revealed that the outcomes of service quality are greatly influenced by the management forms.

Contribution and Significance

This study has several contributions to enrich the academic literature. First, this study is among the first to analyze fast food restaurants in different types of locations and to propose and confirm the impact of different management forms on the perceived service quality. As outlined in Chapter 2, previous studies in fast food restaurants have been devoted mainly to service quality, customer satisfaction, behavioral intentions, and the interrelationships among them.

Secondly, this study is unique in the fast food literature in that it evaluates licensing performance, while previous literature has focused primarily on clinic outsourcing and global marketing. As presented in Chapter 2, there has been a lack of research on the performance outcomes of licensing units, a lack which has negative effects on the licensing units' consistency of performance, improvement in routine, and ability to attract new units.

Thirdly, this study viewed the service quality from a new perspective by comparing the licensing to the franchising management form under the same brand, specifically concentrating on customers' perceptions of service quality. Previous studies have analyzed the service quality longitudinally within one management form such as franchising. This cross-sectional study analyzes the service quality across different management forms, helping the headquarters to design strategies according to the comparison of their performances.

Lastly, in order to better implement the concepts of DINESERV into fast food restaurants, this study modified and tested the measurement items by adding the food quality variables. Investigating the roles that management forms have on the service quality is helpful in getting a better understanding of both the service quality in the fast food restaurant setting and the customers who perceive the service quality.

Implications

This study has provided significant practical implications. It has shown statistically significant differences of service quality between different management forms and has proposed reasons for these differences. One plausible explanation is the difference between management structures. Obviously, franchising and licensing have distinct characteristics in their contracts with headquarters, a distinction which determines their differences in managing as well as operating. As Knott et al. (2008) stated, the licensing managers enjoy the freedom of operating as they like. Some licensees customize the menu items, some change the building design, but few of them pay enough attention to the cleanliness of franchise units. This study has confirmed and further explored these disadvantages of licensing by comparing licensed restaurants' service performance from customers' perspectives.

Fast food managers need to design strategies which take into consideration these remarkable disparities between two management forms. The overall results revealed that licensed units were not providing as good quality service as franchised units. As Johnson and Chambers (2000) stated, "Foodservice directors, regardless of category of foodservice operation, perceive benchmarking as a useful management tool to improve

processes, products, and services” (p. 175) . Managers of licensing units need to realize this fact and take steps to provide better service by benchmarking their performance to others. Suggestions for managerial strategies include monitoring and evaluating service performance and developing better training procedures. As discussed earlier, a vital flaw of the licensing system is that there is a lack of monitoring from the headquarters. It is necessary for the licensing units to evaluate their performance themselves in order to catch up with others. The licensing system has its own advantages, given the fact that licensing units provide great convenience (such as dining facilities in medical centers and airports), and they may have some guaranteed business because of college students’ meal plans. However, considering today’s business environment when competition is ever increasing, licensing units need to improve their service quality to survive before it is too late to improve.

In addition to the strategies developed by licensing units themselves, management from headquarters needs to see this scenario and pay more attention to the licensing units, particularly in their service quality performance, to ensure standardized service quality across all units. Service quality is especially critical when restaurant chains expand globally and consider entry modes for new investments, franchising, or licensing. From the service quality perspective, when compared to franchising, licensing is not a good entry mode that can promote the brand image. Poor service quality may in turn affect the long-term profits of the restaurant chain, though the influences of a single unit may not be obvious in the short term.

Limitations

Like any other study, this study has several limitations. The imbalanced demographic information indicates that this study may not represent the general population. Specifically, the respondents of this study are mainly from the southern states of Alabama and Georgia, so that the findings may not be generalizable to a larger population. In addition, 73.8% of the respondents were females. Although this disparity reflected the customer basis of the chain, it still biased the results in terms of the real population scale.

Moreover, the questionnaires were collected from 293 of the licensed restaurant customers and 168 of the franchised restaurant customers, an imbalance which makes the two less comparable and also biased the results. Also, this research only studied one brand, which made the results less reliable. The brand of the restaurant chain may have its unique characteristics that may not be applicable to other brand chains; therefore, researchers need consider this data with caution.

Future Research

Considering the limitations of this study, several directions are provided for future research. Future research can collect equal amounts of data from different management forms to make the sample comparable and reliable. Moreover, this study examines only two management forms, franchising and licensing. Further studies can compare other management forms such as corporate owned. In addition to the management forms, future studies can also compare different brands to test whether the results are consistent with

this study. Finally, this study has identified a strong relationship between the management forms and the customers' perceptions of service quality. Future studies can further investigate the relationship between the two; for example, do management forms lead to the customers' perceived quality.

Conclusion

This study has identified the perceived service quality in fast food restaurants as it relates to management form. Remarkable differences between the two kinds of management revealed that licensing units need to pay attention to their service quality and learn from the franchising units. In conjunction with Michael (2000)'s study, this study further demonstrated that the licensing system cannot provide as good service quality as franchising. Benefits to the industry include enhancing the communication among units, and benchmarking among different ownership categories. This study advanced the understanding in the service quality literature.

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Appendix A: Survey Instrument

Informed Consent

"The Auburn University Institutional Review Board has approved this document for use
From April 27th, 2011 to April 26th, 2012. Protocol #11-072EX1104."

Information Letter

For a Research Study entitled: Service Quality Comparison of Franchising and Licensing, and Corporate Owned Units in Fast Food Chain Restaurants within the Same Brand from the Customer Perspective

You are invited to participate in a research study to service quality in fast food restaurants. The study is being conducted by Ms. Yang Cao under the direction of Dr. Kyungmi Kim in the Auburn University Department of Hotel and Restaurant Management Program. You were selected as a possible participant because you are customers today and are age 19 or older. If you decide to participate in this research study, you will be asked to complete an anonymous survey (see attached). Your total time commitment will be approximately 3-5 minutes. There are no known risks associated with participating in this study.

Your participation is completely voluntary. You will receive no benefit if you participate. Your decision about whether or not to participate or to stop participating will not jeopardize your future relations Auburn University, the Department of Nutrition and Food Science or the Hotel and Restaurant Management Program. Any data obtained in connection with this study will remain anonymous. We will protect your privacy and the data you provide by not collecting identifiable information. Information collected through your participation may be published in a professional journal, and presented at a professional conference. If you have questions about this study, please ask them now or contact Yang Cao at yzc0014@auburn.edu or Dr. Kyungmi Kim at kkim@auburn.edu. If you have any questions about your rights as a research participant, you may contact the Auburn University Office of Human Subjects Research or the Institutional Review Board by phone (334) 844-5966 or e-mail at hsubjec@auburn.edu or IRBChair@auburn.edu.

HAVING READ THE INFORMATION PROVIDED, YOU MUST DECIDE WHETHER OR NOT YOU WISH TO PARTICIPATE IN THIS RESEARCH STUDY. PLEASE CONTINUE ON TO THE SURVEY.

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1. Your gender is?

- Male Female

2. Your age is?

- 19-29 30-39 40-49 50-59 60+

3. Your home state/country is?

4. What is your average household income ... Please use the following scale (US dollars) or please type your approximate income in your country's currency.

- < \$15,000 \$16 – \$39,000 \$40 – \$69,000 \$70 - \$99,000 \$100 - \$129,000 \$130,000 + _____

5. Where is this Chick Fil-A located that you most recently visited? (Choose One)

- University Dining Center, AL Medical Center, GA Shopping Mall, GA
 Shopping Mall, AL Independent Unit, AL

6. What is your education level completed?

- High School 2 year College/Summer College Bachelor Master or higher degree

7. If you are college students, which year are you in?

- Freshman Sophomore Junior Senior Graduate Student

What time of day was your most recent visit?

- o Before 10:30 AM
- o 10:30 AM to before 2:00 PM
- o 2:00 PM to before 5:00 PM
- o 5:00 PM or after

8. Food is served hot and fresh 1 2 3 4 5

9. The food is tasty and flavorful 1 2 3 4 5

10. The menu has a good variety of items in stock and available

1 2 3 4 5

11. The food order was correct and complete 1 2 3 4 5

12. The availability of sauces, utensils, etc are good 1 2 3 4 5

13. Employees are patient when taking my order 1 2 3 4 5

14. The menu board was easy to read 1 2 3 4 5

15. The employees seem to have the customers' best interests at heart

1 2 3 4 5

16. The dining area is thoroughly clean 1 2 3 4 5

17. I was welcomed with greeting and fond farewell 1 2 3 4 5

18. I received value for price paid 1 2 3 4 5

19. The staff members are clean, neat, and appropriately dressed

	1	2	3	4	5
17. The menu is visually attractive and reflects the restaurant's image					
	1	2	3	4	5
18. Restroom is thoroughly clean and well stocked	1	2	3	4	5
19. Employees make you feel special	1	2	3	4	5
20. I was served in the time promised	1	2	3	4	5
21. The employees are sympathetic and reassuring if something is wrong					
	1	2	3	4	5
22. Employees are empowered to deal with the problems					
	1	2	3	4	5
23. Service quality is dependable and consistent	1	2	3	4	5
24. Employees anticipate your individual needs and wants					
	1	2	3	4	5
25. During busy times employees shift to help each other					
	1	2	3	4	5
26. The staff gives extra efforts to handle your special requests					
	1	2	3	4	5
27. The staff is able to and willing to give you information about menu items, their ingredients, and methods of preparation	1	2	3	4	5
28. I feel personally safe	1	2	3	4	5
29. The likelihood I will return	1	2	3	4	5
30. The likelihood I will recommend it to others	1	2	3	4	5
31. Did anything go wrong, during your visit					

Yes No

32. If anything wrong, which type of problem

Process Food Environment Service

33. If anything wrong, the staff quickly corrects anything that is wrong

1 2 3 4 5