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Assessing the Impact of Customer Experience and Service Quality on Profitability of Fast-Food Outlets in Kabarnet Town

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ABSTRACT

The study aimed to assess how customer experience and service quality affect the financial performance of fast-food restaurants in Kabarnet Town, which serves as a developing area within Baringo County of Kenya. The study established four primary goals through which it sought to achieve its objectives. The first goal of the study was to analyze customer experience through service speed and food quality and cleanliness and ambiance and overall satisfaction and their impact on profitability. The second goal of the study was to identify the service quality level that establishes customer loyalty. The third goal of the study was to determine the essential link between customer loyalty and profitability. The fourth goal of the study was to investigate the pricing methods which fast-food restaurants use to determine their product costs. A cross-sectional survey design was used to study 200 employees who formed the target group for the research. A sample of 40 respondents (20% of the population) was selected using simple random sampling. A structured questionnaire was used for data collection. The researchers used descriptive statistics to analyze quantitative data which they presented in tables. Key findings revealed that the workforce is male-dominated (60%) and highly educated (80% with college or university education). Customer experience was rated as having a significant impact on profitability by 80% of respondents. Service quality was rated as very influential on customer loyalty by 60% of respondents. The study found that 60 percent of respondents agreed that customer loyalty creates a direct connection to business profitability. The respondents showed that 80 percent considered pricing strategies to have between moderate and slight impact on their businesses. The study found that both customer experience and service quality determine financial results and customer retention rates. The recommendations for the study establish connections between all study objectives and customer experience improvement and service quality enhancement and customer loyalty management and pricing strategy implementation.

Keywords: Customer experience, service quality, profitability, customer loyalty, fast-food outlets, Kabarnet Town

CHAPTER ONE: INTRODUCTION

Background Information

The fast-food industry has experienced substantial expansion together with heightened market rivalry during the last few years. The people who live in Kabarnet Town and those who visit it have chosen fast-food restaurants as their favorite places to eat. As the market becomes more saturated, fast-food businesses need to focus not only on attracting customers but also on retaining them through exceptional customer experience and service quality (Smith & Jones, 2021). Customer experience refers to the overall impression and perception a customer has during their interactions with a business. According to Zeithaml, Bitner, and Gremler, 2018 the establishment needs to maintain its food quality standards while keeping its premises clean and its staff members professional and its customers served quickly and its surroundings accessible and its environmental design appealing. The business creates a positive customer experience which leads to customer satisfaction and customer loyalty that results in greater profits. Service quality evaluates how well a service gets delivered to customers compared to what they expected. Service quality in the fast-food industry includes responsiveness and reliability and assurance and empathy and all physical aspects which include facilities and equipment. High service quality creates a favorable customer experience which results in higher customer satisfaction (Parasuraman, Zeithaml, & Berry, 1988).

Problem Statement

The increasing number of fast-food restaurants in Kabarnet Town creates multiple problems which will decrease their ability to make profits. First, inadequate staff training leads to inconsistent customer experience (Onyango & Korir, 2022). Second, the service quality provided may not meet customer expectations which results in decreased customer loyalty (Musa et al., 2024). Third, the pricing strategies that the company uses generate suboptimal results for their profit margins. Fourth, limited menu options reduce customer choice. Finally, high competition among fast-food outlets has led to a decline in overall customer experience. The researchers conducted this study to examine how customer experience and service quality affect fast-food restaurant profits in Kabarnet Town.

Purpose of the Study

The purpose of this study was to assess the impact of customer experience and service quality on the profitability of fast-food outlets in Kabarnet Town.

Specific Objectives

The study was guided by the following specific objectives:

1. To investigate how customer experience (service speed, food quality, cleanliness, ambiance, and overall satisfaction) affects the profitability of fast-food outlets in Kabarnet Town.
2. To determine the level of service quality that influences customer loyalty in fast-food outlets in Kabarnet Town.
3. To identify the significant relationship between customer loyalty and profitability in the fast-food industry in Kabarnet Town.
4. To examine the pricing strategies adopted by fast-food outlets in Kabarnet Town and how these strategies impact profitability and customer experience.

Research Questions

1. How does customer experience (service speed, food quality, cleanliness, ambiance, and overall satisfaction) influence the profitability of fast-food outlets in Kabarnet Town?
2. What is the level of service quality provided by fast-food outlets in Kabarnet Town, and how does it affect customer loyalty?
3. Is there a significant relationship between customer loyalty and profitability in fast-food outlets in Kabarnet Town?
4. What pricing strategies are adopted by fast-food outlets in Kabarnet Town, and how do these strategies influence profitability and customer experience?

Significance of the Study

The study holds important value because it proves multiple research benefits. The study shows fast-food restaurant managers how customer experience and service quality impact restaurant profits. The study adds to existing academic research on service marketing in small Kenyan urban areas. The study presents execution strategies which help organizations achieve customer loyalty and better financial results. The study shows how fast-food restaurants contribute to local economic growth which will help create development policies for Kabarnet Town.

Scope of the Study

The research examined fast food restaurants situated throughout Kabarnet Town in Baringo County which is located in Kenya. The study assessed five customer experience dimensions which included service speed and food quality and cleanliness and ambiance and customer satisfaction. The study assessed three service quality dimensions which included reliability and responsiveness and assurance and empathy and tangibles and needed customer loyalty and pricing strategies and profitability assessment. The study operated from January to July 2024 and targeted workers at chosen fast-food restaurants throughout the research period.

CHAPTER TWO: LITERATURE REVIEW

Customer Experience and Overall Satisfaction

Numerous studies have explored the relationship between customer experience and profitability in the fast-food industry. Customer experience research shows that improved customer experience leads to increased sales and customer loyalty and better financial results (Ryu & Jang, 2008). Quick service delivery results in better customer satisfaction which leads to increased customer return rates. Food quality serves as a critical factor that determines how customers feel about their experience and whether they will continue to visit a restaurant (Namkung & Jang, 2008). A clean environment enhances customer perceptions and instills confidence in food safety (Sulek & Hensley, 2004). The ambiance of a fast-food outlet, which consists of seating comfort and décor and lighting and music, has a major effect on how customers experience the restaurant and their level of satisfaction (Andaleeb & Conway, 2006). Customers who experience high satisfaction levels will likely return to the fast-food outlet and recommend it to others (Bitner, 1990).

Service Quality and Customer Loyalty

Research has shown that meeting or exceeding customer expectations on service quality dimensions positively affects customer loyalty (Zeithaml, Berry, & Parasuraman, 1996). The SERVQUAL model identifies five dimensions which include reliability and responsiveness and assurance and empathy and tangibles (Parasuraman et al., 1988). Studies indicate that customers value reliable service and they will display loyalty when their expectations are met throughout all service interactions. Fast-food outlets that are responsive to customer needs and complaints tend to foster higher levels of customer loyalty (Kim, Lee, & Park, 2020).

Relationship Between Customer Loyalty and Profitability

The literature suggests a positive relationship between customer loyalty and profitability. Loyal customers bring three main benefits to businesses which include increased sales and decreased marketing expenses and enhanced financial results over time (Reichheld & Sasser 1990). The main factors that create customer loyalty include service quality and food quality and value for money and convenience and emotional connections with customers (Lee 2021). The first 5% boost in customer retention results in profitability growth which ranges from 25% to 95% (Reichheld Sasser 1990).

Pricing Strategies in Fast-Food Outlets

The fast-food industry depends on pricing strategies because they determine both business profits and customer satisfaction levels. Establishments employ various pricing strategies, including value-based pricing, penetration pricing, bundle pricing, and dynamic pricing (Sharma & Kumar, 2022). The implementation of the correct pricing strategy results in increased business profits. Dynamic pricing based on demand fluctuations can increase revenue and profits (Parker & Scrinis, 2022). Value-based pricing enhances customer satisfaction and loyalty.

Literature Gaps

The literature review discovered multiple research deficiencies. First, there is a lack of studies specifically focusing on the fast-food industry in Kabarnet Town. Second, some studies concentrate on customer experience and service quality but fail to study their effect on profitability. Third, local cultural elements may affect these relationship connections. Fourth, most studies focus on short-term effects, with limited research on long-term sustainability (Mwangi, 2023

CHAPTER THREE: RESEARCH METHODOLOGY

Research Design and Study Area

The study collected data through cross-sectional survey design which enabled researchers to gather information from participants at one specific moment according to Bryman. The researchers selected Kabarnet Town as their study location because it served as the administrative center of Baringo County in Kenya and the region experienced rapid growth of fast-food restaurants.

Target Population, Sample Size, and Data Collection

The study focused on a population of 200 workers who operated across multiple departments of fast-food restaurants located in Kabarnet Town. A sample size of 40 respondents was calculated as 20% of the target population, in line with Saunders, Lewis, and Thornhill (2019). The researchers employed simple random sampling to choose study participants because this method gave all staff members an equal opportunity to be selected. The research team created a structured questionnaire that contained closed-ended questions to assess customer experience, service quality, customer loyalty, pricing strategies, and profitability indicators.

Data Analysis and Ethical Considerations

The researchers employed SPSS version 26.0 and Microsoft Excel to conduct their analysis of quantitative data through descriptive statistics which included frequency counts and percentage values. The results appeared in tables and figures which helped to present the findings in an understandable format. The study maintained ethical standards through its complete implementation of three requirements: informed consent collection from all participants, confidentiality protection with guaranteed anonymity, and data management procedures which included management approval before data collection and secure data storage to maintain participant confidentiality.

CHAPTER FOUR: FINDINGS AND RESULTS

A 100% response rate was achieved (40 out of 40 questionnaires returned).

Demographic Characteristics

Table 4.1: Gender of Respondents

Gender	Frequency	Percent
Male	24	60.0
Female	16	40.0
Total	**40**	**100.0**

The research discovered that most survey participants were male because 24 of the 40 participants (60.0%) identified as male and 16 participants (40.0%) identified as female. The data indicates that fast-food establishments in Kabarnet Town employ more male workers than female workers.

Table 4.2: Educational Background

Level	Frequency	Percent
Secondary	8	20.0
College	16	40.0
University	16	40.0
Total	**40**	**100.0**

The research shows that 80% of participants had completed post-secondary education while 40% of participants held college diplomas and 40% of participants possessed university degrees. The results show that only 20% of respondents reached secondary education as their highest educational achievement which demonstrates the high level of education among workers in Kabarnet Town's fast-food restaurants.

Table 4.3: Marital Status

Status	Frequency	Percent
Married	24	60.0
Single	16	40.0
Total	**40**	**100.0**

The research discovered that 60 % of participants were married while 40 % of participants remained single. The study demonstrates that most fast-food workers in Kabarnet Town maintain family obligations which affect their job performance and their financial decision-making.

Table 4.4: Age Distribution

Age Group	Frequency	Percent
18–25 years	8	20.0
26–35 years	16	40.0
36–45 years	8	20.0
46 years and above	8	20.0
Total	**40**	**100.0**

The results demonstrate that most employees in the study are under 30 years of age, while 40% of participants belong to the 26-35 age group and 20% of participants belong to both the 18-25 and 36-45 and 46 plus age groups. The fast-food restaurants in Kabarnet Town maintain a workforce that consists of young employees who demonstrate both energy and flexibility to learn new customer service and sustainability methods.

Table 4.5: Job Designation

Designation	Frequency	Percent
Manager	8	20.0
Supervisor	16	40.0
Cook	8	20.0
Waiter/Waitress	8	20.0
Total	**40**	**100.0**

The findings show that supervisors made up 40% of the sample while managers cooks and waiters/waitresses each made up 20% of the sample. The distribution shows that all operational levels receive adequate representation but supervisory staff who implement customer experience and service quality standards show greater presence.

Objective 1: Customer Experience and Profitability

Table 4.6: Impact of Customer Experience on Profitability

Level of Impact	Frequency	Percent
Very significant	8	20.0
Significant	24	60.0
Moderately significant	8	20.0
Total	**40**	**100.0**

The majority of respondents (80%) rated customer experience as having a significant or very significant impact on profitability. This supports the literature by Ryu & Jang (2008) and Namkung & Jang (2008).

Objective 2: Service Quality and Customer Loyalty

Table 4.7: Influence of Service Quality on Customer Loyalty

Level of Influence	Frequency	Percent
Very influential	24	60.0
Moderately influential	16	40.0
Total	**40**	**100.0**

All respondents agreed that service quality influences customer loyalty, with 60% rating it as very influential. This aligns with Zeithaml, Berry, & Parasuraman (1996).

Objective 3: Customer Loyalty and Profitability

Table 4.8: Relationship Between Customer Loyalty and Profitability

Response	Frequency	Percent
Strongly agree	8	20.0
Agree	16	40.0
Neutral	8	20.0
Strongly disagree	8	20.0
Total	**40**	**100.0**

A combined 60% agreed or strongly agreed that a significant relationship exists between customer loyalty and profitability, consistent with Reichheld & Sasser (1990).

Objective 4: Pricing Strategies and Profitability

Table 4.9: Influence of Pricing Strategies on Profitability and Customer Experience

Level of Influence	Frequency	Percent
Very influential	8	20.0
Moderately influential	16	40.0
Slightly influential	16	40.0
Total	**40**	**100.0**

Interpretation: While 80% of respondents rated pricing strategies as moderately to slightly influential, 20% considered them very influential. This suggests pricing is important but may be secondary to service quality and customer experience (Sharma & Kumar, 2022).

CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary of Findings

The research showed that Kabarnet Town fast-food restaurants employed more male workers since through 60% of their interviewees who had completed their higher education studies. The first objective was assessed through the results which showed that 80% of respondents1 rated customer experience1 as a critical factor1 which affects business profitability1 because service speed1 food quality1 cleanliness1 ambiance1 and overall satisfaction1 are essential elements1 which determine financial results. The second objective was achieved when all respondents (100%) recognized that service quality impacts customer loyalty because 60% of participants assessed this impact as highly significant while they showed that customer loyalty depends on five factors which include reliability and responsiveness together with assurance and empathy and tangibles. The third objective was met when 60% of respondents supported the statement which established a positive connection between customer loyalty and business profitability since loyal customers lead to more repeat purchases while businesses spend less on marketing and enjoy higher profit margins. The fourth objective showed that 80% of respondents found that pricing strategies only produced moderate to slight effects which impacted both profitability and customer experience because businesses in Kabarnet Town's fast-food restaurants consider pricing to be secondary to customer experience and service quality as their main drivers of business success.

Conclusions

The study demonstrates that customer experience and service quality lead to higher profitability and customer retention in fast-food restaurants located in Kabarnet Town. The workforce consists of youthful educated professionals who possess the skills needed to execute quality enhancement measures. The restaurant uses pricing strategies as an important factor but applies greater weight to service quality and customer experience when making business decisions. The positive relationship between customer loyalty and profitability confirms existing literature.

Recommendations Aligned with Objectives

The following recommendations are directly aligned with each of the four study objectives.

Recommendation 1

Objective 1: To investigate how customer experience (service speed, food quality, cleanliness, ambiance, and overall satisfaction) affects profitability.

Finding: 80% of respondents rated customer experience as having a significant or very significant impact on profitability.

Recommendation: Fast-food outlets should invest in improving the five key customer experience dimensions:

- Service speed: Implement order tracking systems and streamline kitchen workflows.
- Food quality: Standardize recipes and conduct regular quality checks.
- Cleanliness: Establish daily and weekly cleaning schedules with checklists.
- Ambiance: Upgrade seating, lighting, and music to create a welcoming environment.
- Overall satisfaction: Implement regular customer feedback surveys and act on complaints within 48 hours.

Recommendation 2

Objective 2: To determine the level of service quality that influences customer loyalty.

Finding: 100% of respondents agreed that service quality influences customer loyalty, with 60% rating it as very influential.

- Recommendation: Management should strengthen the five SERVQUAL dimensions:
- Reliability: Deliver consistent service and food quality every time.
- Responsiveness: Train staff to handle customer complaints immediately.
- Assurance: Build customer trust through well-groomed, knowledgeable staff.

- Empathy: Personalize service by remembering repeat customers' preferences.
- Tangibles: Maintain modern, clean physical facilities and equipment.

Recommendation 3

Objective 3: To identify the significant relationship between customer loyalty and profitability.

Finding: 60% of respondents agreed or strongly agreed that a significant relationship exists between customer loyalty and profitability.

Recommendation: Fast-food outlets should implement customer loyalty programs:

- Introduce a digital loyalty card offering a free meal after 10 purchases.
- Create a referral program rewarding customers who bring new clients.
- Use CRM systems to track repeat customers and send personalized offers.
- Measure customer retention rates monthly and correlate with profitability.

Recommendation 4

Objective 4: To examine the pricing strategies adopted by fast-food outlets and how they impact profitability and customer experience.

Finding: 80% rated pricing strategies as moderately to slightly influential; 20% as very influential.

Recommendation: Fast-food outlets should adopt a hybrid pricing approach:

- Value-based pricing: Price meals based on perceived quality and portion size.
- Bundle pricing: Offer combo meals (e.g., burger + fries + drink) at a discount.
- Seasonal dynamic pricing: Adjust prices during peak hours or special events.
- Transparent pricing: Display prices clearly and avoid hidden charges to maintain customer trust.
- Conduct quarterly market research to ensure prices remain competitive yet profitable.

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