BA (Hons) Business Management

Contemporary Issues in Business Management

6BUSS012C.2

Impact of Service Quality on Customer Retention of Fast-Food Restaurants

in Sri Lanka – Colombo District

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W1761012

2019150

Word Count – 4,252

Supervised by Mr. Prasanna Pathmanathan

Abstract

Fast-food industry in Sri Lanka was going through an increasingly challenging period with so much of problems in the country. Multiple factors affect customer retention of fast-food restaurants. Out of those factors, service quality plays a big part on retaining customers and elevating its brand reputation while attracting new customers.

SERVQUAL model (Parasuraman et al., 1988), GAP theory of service quality (Parasuraman et al., 1985), SERVPERF model (Cronin and Taylor, 1992), and Customer loyalty framework (Lin and Wang, 2006) were used to examine the theoretical implications of service quality and customer retention.

Positivism philosophy and the deductive approach are used to conduct the research. Quantitative data gathered via online survey questionnaire. The data gathered from random 250 individuals were put together and analyzed using the SPSS software. The hypothesis testing went on to prove the correlation between each independent- and the dependent variable.

After putting together all analyzed data, a model was constructed to measure the correlation between service quality and customer retention. Limitations and recommendations which can be adopted by fast-food restaurants are discussed.

Key Words: Fast-food Restaurants, Customer Retention, Tangibles, Empathy, Reliability, Assurance, Responsiveness