

“The Influence of Perceived Price Fairness and Customer Satisfaction on Restaurant Loyalty”

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Abstract: This research study explores the combined influence of perceived price fairness and customer satisfaction on the loyalty of restaurant customers. In an increasingly competitive restaurant industry, retaining loyal customers has become a crucial objective for sustained business growth and profitability. The concept of price fairness—also referred to as perceived price justice—reflects a customer’s belief that the pricing of products or services is reasonable, transparent, and offers value for money. This perception plays a key psychological role in shaping how customers evaluate their overall dining experience and make decisions about future patronage.

Using a quantitative research design, data were collected through structured questionnaires administered to 300 restaurant customers in Gwalior, India. Respondents rated their experiences using a five-point Likert scale. Statistical tools, including regression analysis and Sobel testing, were applied to examine the relationships between perceived price justice (PPJ), customer satisfaction (CS), and customer loyalty (CL).

The findings reveal that perceived price fairness has a significant and direct positive effect on customer loyalty, whereas customer satisfaction alone does not show a statistically significant direct impact. Importantly, the study identifies a mediating effect of price fairness in the relationship between satisfaction and loyalty. This means that customers are more likely to become loyal not merely when satisfied but when they also feel that the pricing is just and aligned with their expectations.

Key Words : *Perceived Price Justice, Customer Satisfaction, Customer Loyalty, Restaurant Industry, Price Fairness, Consumer Behavior, Service Quality, Value for Money, Repeat Patronage, Customer Retention*

Introduction

In an increasingly competitive restaurant industry, building and maintaining customer loyalty is essential for long-term success. Loyalty not only ensures repeat patronage but also contributes to positive word-of-mouth and stable revenue. Among the various factors influencing loyalty, perceived price justice and customer satisfaction have gained significant attention in both academic and practical domains.

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Perceived price justice refers to a customer’s assessment of the fairness and appropriateness of the prices charged for products or services. It encompasses dimensions such as transparency, consistency, and the perceived value received in exchange for the price paid. When customers believe that they are being charged fairly, they are more likely to feel valued and respected, which in turn strengthens their emotional and behavioral commitment to the brand.

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Customer satisfaction, often seen as a direct consequence of perceived value and service quality, also plays a critical role

in shaping loyalty. Satisfied customers are more inclined to revisit the restaurant, recommend it to others, and remain loyal even in the presence of competing options.

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This study aims to explore the combined effect of perceived price justice and customer satisfaction on loyalty in the restaurant context. By understanding how these factors interact and influence customer behavior, restaurant managers can develop more effective pricing and service strategies to foster stronger relationships with their patrons.

1. Introduction and Conceptual Framework

Background:

Consumers constantly seek value in their purchases, especially when it comes to dining experiences. Price, though not the only factor, remains a major influencer of loyalty.

Theoretical Foundation:

Rooted in Equity Theory, Perceived Price Justice is about whether customers feel they're receiving fair value. Unfair prices lead to dissatisfaction and reduced loyalty. In contrast, fair prices enhance satisfaction, revisit intention, and long-term loyalty.

Key Constructs:

- Perceived Price Justice: Fairness in pricing, influenced by reference prices, social comparison, and pricing transparency.
- Customer Satisfaction: The emotional evaluation of a dining experience.
- Customer Loyalty: Includes repeat visits, brand preference, and word-of-mouth advocacy.

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2. Objectives and Hypotheses

Objectives:

1. To examine the effect of PPJ on restaurant customer loyalty.
2. To assess the influence of CS on loyalty.

Hypotheses:

- H01: PPJ has a positive effect on customer loyalty.
- H02: CS has a positive effect on customer loyalty.

3. Research Methodology

- Type of Study: Causal research using a structured questionnaire.
- Sample: 300 individuals from Gwalior, aged 16–50.
- Sampling Method: Non-probability purposive sampling.
- Data Collection: Survey with items on a 5-point Likert scale.
- Analysis Tools: Reliability test, regression analysis, and Sobel test.

4. Key Findings

Reliability (Cronbach's Alpha):

- PPJ: 0.852 (High)
- CS: 0.850 (High)
- CL: 0.756 (Acceptable)

Regression Results:

- PPJ significantly predicts CL ($B = 0.441$, $p < 0.001$).
- CS does not significantly predict CL ($B = -0.037$, $p = 0.560$).
- CS does not significantly predict CL ($B = -0.037$, $p = 0.560$).

Sobel Test:

- Shows PPJ significantly mediates the relationship between CS and CL (Sobel $z = 16.38$, $p < 0.001$).

5. Implications and Suggestions

Implications:

- Restaurants must emphasize fair pricing as it strongly influences customer loyalty.
- CS alone may not guarantee loyalty unless it translates into perceived fairness in pricing.

Limitations:

- Limited to Gwalior; results may not generalize.
- Future research could expand geographically and explore other variable.

Suggestions:

- Employ advanced analytical models.
- Include more dimensions like service quality or ambiance.

Here is a bar graph showing the impact of perceived price fairness and customer satisfaction on customer loyalty based on the regression coefficients from the study:





Graph Insights:

- Perceived Price Fairness (green bar) has a strong positive impact on customer loyalty (regression coefficient = 0.441).
- Customer Satisfaction (blue bar) shows a very weak and negative impact (coefficient = -0.037), meaning it does not significantly contribute to loyalty on its own.



Important Points:

1. Fair pricing is a key factor in building customer loyalty—customers return when they feel prices are just and transparent.
2. Satisfaction alone isn't enough—without perceived fairness, even happy customers may not come back.
3. Perceived price fairness mediates the relationship between satisfaction and loyalty—it helps convert a good experience into long-term customer commitment.
4. Restaurants should focus on both value-driven pricing and excellent service to retain customers.
5. Transparent communication about pricing and maintaining consistency helps build trust and loyalty.



6. Conclusion

This study provides meaningful insights into the key factors that influence customer loyalty in the restaurant industry, particularly focusing on the roles of perceived price fairness (PPJ) and customer satisfaction (CS). The results underscore the growing importance of fair and transparent pricing in shaping customers' behavioral and emotional loyalty toward restaurants.



The data revealed a strong and statistically significant relationship between perceived price fairness and customer loyalty, indicating that when customers feel they are being charged fairly—relative to the quality of food, service, and overall experience—they are more inclined to return, recommend the restaurant, and form a lasting bond with the brand. On the other hand, customer satisfaction on its own was not found to significantly predict loyalty, suggesting that while a positive dining experience is important, it is not enough unless it is perceived as fairly priced.



This challenges the traditional assumption that satisfaction is the primary driver of loyalty and shifts the focus toward a more nuanced understanding: satisfaction must be accompanied by fairness in pricing to truly convert into customer loyalty. In other words, even a satisfied customer may choose not to return if they feel the pricing was unjust or lacked transparency.



Moreover, the study found that perceived price fairness acts as a mediator between customer satisfaction and loyalty. This means that satisfaction indirectly influences loyalty through the customer's perception of price fairness. A customer may have a good experience, but unless they also believe that they received fair value for what they paid, their likelihood of returning or recommending the restaurant diminishes.



From a managerial perspective, these findings carry practical significance. Restaurants must go beyond simply delivering good service and food; they must also ensure that their pricing strategies reflect honesty, consistency, and clear value. Transparent communication of prices, justification of premium pricing (if any), and competitive benchmarking can all contribute to positive perceptions of fairness and ultimately drive loyalty.



In conclusion, this research reaffirms that perceived price fairness is a more powerful and direct driver of customer loyalty

than satisfaction alone. For restaurants aiming to build lasting relationships with their customers, a dual focus on high service quality and fair pricing is essential. Future studies may build on this by exploring additional variables such as atmosphere, brand reputation, or digital engagement to further understand what keeps customers coming back in today's dynamic and competitive dining environment.

7. References

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