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Contributing Factors to Customer Loyalty in Fast-Food Restaurants: A Study of KFC

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ABSTRACT

KFC is known globally as one of the largest fast-food chains. It raises the issue of how they managed to survive years after years, although the fast-food industry's rivalry has grown rapidly with many leading brands in the market. For KFC to survive the severe competition, they need to retain the values that keep their loyal customers. This research aims to investigate the contributing factors to customer loyalty. A total of 100 respondents from Malaysia have participated in the survey. The results indicated that food quality, convenience, and price and value are the important factors that lead to customer loyalty. The findings may be useful for the management of KFC Malaysia to sustain their business through the competitive industry.

Keywords: Customer Loyalty, Fast-food Restaurant, KFC, Malaysia

INTRODUCTION

Fast-food can be outlined as food that is served on demand and instantly. Fast-food can also be defined as any food that contributes a little or zero nutrient value to the diet, but instead provides excess calories and fat (Elkhateeb & Alrshidi, 2018). However, fastfood is well-known to be the fast-moving food industry worldwide due to recurrent choice, convenience provided to customers, and tastiness with a reasonable price. Fast-food restaurants can be found everywhere nationwide as compared to other industries. It has been increasing speedily and emerging to be very favored. The positive development in the fast-food industry has caused the changes in food consumption patterns of many people (de Rezende & de Avelar, 2012). Due to the idea of having limited time because of daily hustling activities such as long working hours, busy lifestyle, career, and family, people tend to choose fast-food as an option for meals (Habib, Dardak, & Zakaria, 2011). Besides, the changes and transitions in people's lifestyle and dietary habits have caused an increasing number of people from different age groups, especially younger generations, to prefer to consume fast-food. Therefore, fast-food restaurants have become the most preferred choice for the majority of Malaysians because quick-serve meals allow them to consume within a short period. The fast-food industry in Malaysia

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has a great opportunity to further expand their businesses as a result of the transforming lifestyle of customers (Xiao, Yang, & Igbal, 2019).

Fast-food restaurants are known as one of the most notable developments in Malaysian food service industry. Some fast-food restaurants that are popular among Malaysians are KFC, McDonalds, Pizza Hut, Subway, Burger King, and many more. The severe competition of fast-food restaurants in the present market and the saturated market share of those fast-food restaurants have caused the competition to be more intense (Al Masud, Haque, & Azam, 2018). Despite the rivalry and competitive environment in the fast-food industry, many leading brands of fast-food restaurants in Malaysia still continue to grow rapidly. The question arises on how these brands survive in the competitive food industry. One of the leading indicators as to how these fast-food restaurants manage to maintain their organizational long-term success is customer loyalty (Akhter, Abbasi, Ali, & Afzal, 2010). This is because fast-food restaurants with large groups of loyal customers can capture the majority parts of the market and dominate other competitors (Al Masud et al., 2017). Therefore, all the players in the fast-food industry in Malaysia have to fully-observe the contributing factors to customer loyalty in fast-food restaurants.

In this research study, we are going to focus on the contributing factors to customer lovalty in KFC. KFC which stands for Kentucky Fried Chicken is an American originated fast-food restaurant chain founded by Harland Sanders commonly known as Colonel Sanders. KFC is well-known with its trademark of "finger-licking good" fried chicken. KFC currently serves over 600 restaurant outlets in Malaysia nationwide. KFC in Malaysia has begun since 1973 where its first outlet is opened in Jalan Tuanku Abdul Rahman, Kuala Lumpur and KFC has grown over the years by being one of the most leading brands in the Malaysian fast-food industry. Many KFC customers love the signature craveable taste of their chicken and their love for the brand has helped KFC to grow from year to year. Being one of the top fast-food chains that keeps growing in Malaysia, KFC also confronts high competition with other brands to keep their customers loyal to their brand. This is because nowadays, many fast-food chains are facing some challenges with the speedy growth of the industry that might be hampering purchasers to revisit their restaurants (Al Masud et al., 2017). Therefore, KFC will need to identify the elements that create loyal customers to survive in this competitive industry. Some studies have researched KFC in the Malaysian context (Husna et al., 2020; Lim, Kee, Teoh, low, & Ong, 2019; Zain Asman et al., 2020). This research aims to analyze the key determinants that add to this customer loyalty of KFC by highlighting the contributing factors such as food quality, convenience, and price and value.

Customer loyalty is very crucial for establishing strong customer relationships (Al Ansi, Olya, & Han, 2018). Customer loyalty is also considered as one of the most important elements contributing to the success of restaurant business (Al Masud et al., 2017). Lim et al. (2020) reported a good organizational culture can lead to customer loyalty. Customer loyalty is related to the tendency behavior of preferring one brand over the others, because of the satisfaction with product or service, its convenience or performance, or the familiarity and comfortability with that brand (Hufford, 2016). In the fast-food industry, customers will typically repeat purchases once they are attached to the restaurant and their experience with the restaurant is positive and memorable (Shamsudin, M. F., Nayan, S., Ishak, M. F., Esa, S. A., & Hassan, 2020).

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The most significant aspect in determining customer loyalty in many businesses is customer satisfaction (Al Masud et al., 2017). Customer satisfaction is a key element for every organization wishing to increase customer loyalty and create a better business achievement (Khadka & Maharjan, 2017). Customer satisfaction can be expressed as how customers appraise the production after utilizing the product and how they evaluate the services of production by comparing with similar products from other companies within the same industry (Xiao et al., 2019). Customers will be satisfied if the performance of the product meets their expectations and vice versa. Theoretically, customer satisfaction is positively correlated with customer loyalty (Kandampully & Suhartanto, 2000). A satisfied customer resulting from great experiential value with the associated brand is a guarantee for customer loyalty. Highly satisfied customers tend to be more loyal than the customers who are merely satisfied (Khadka & Maharjan, 2017). This is because when a person is satisfied with a certain brand, they tend to share their satisfaction with others while remaining loyal (Al Masud et al., 2017).

Due to high level competition from day to day, customer loyalty should become the prime focus for business organization to survive in the industry. Hence, every organization should focus on achieving customer loyalty to grow profits while maintaining feasibility in the business market (Al Masud et al., 2017). A business that gains customer loyalty may have achieved competitive advantage which later brings success in the future (Aksu, 2006). Every organization should always satisfy their customers by gaining their trust and keeping good bonds with them. This action could turn a regular customer into being a loyal customer that can help the ongoing progress of the business (Al Masud et al., 2017). As there is speedy growth in the fast-food industry, all fast-food restaurants need to better understanding and information on the aspects that attract loyal customers. Learning the vital points that create loyalty in customers can help them retain their loyal customers and protect their market shares against other competitors in this industry.

Customer loyalty can be defined as measuring customer willingness to continue engaging in and purchasing a business product or service (Ripton, 2021). According to Griffin (2002), loyalty edifice requires the company to focus on the value of its product and services. Subsequently, the product or food quality is a powerful stance for establishing a relationship with a customer as the said relationship is equally essential in customer loyalty (McDonald & Keen 2000).

Essentially, as can be cited from Zhong & Moon (2020), food quality is very significant in determining customer satisfaction and loyalty. A high level of food quality is a crucial marketing strategy that can satisfy and retain customers and provide a happy purchasing experience. Although no research directly links food quality to customer loyalty, a few studies discuss the link of food quality with customer satisfaction. For example, food becomes one of the primary factors of the restaurant experience, and there is no hesitation that the food at least has a positive effect on customer satisfaction and return patronage (Namkung and Jang, 2007). Several studies have provided evidence of the firm having a direct link of satisfaction with loyalty, consistent with the concept of overall evaluations that the satisfaction has influenced customer behavior (Johnson, Anderson, Cha, & Bryant, 1996). In achieving loyal customers and repeat purchases, customer satisfaction should be the critical objective of business achievers (Sulek & Hensley, 2004). As a link exists between food quality with customer satisfaction and customer satisfaction to customer loyalty, a hypothesis is developed:

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H 1: Food quality has a positive impact on customer loyalty.

Convenience is one of the factors that can cause customers to be loyal (Al Masud et al., 2017). A variety of conveniences provided such as service hours are flexible, location is a convenient place, easy transport facility, parking convenience and drive-thru provided are essential in influencing the customer to be loyal and keep buying the products. Besides having good quality food, a high level of convenience plays an important role for customers to be loyal to the product (Jones, Mothersbaugh, & Beatty, 2002). An article from Al Masud et al. (2018) indicated a good convenience that encourages a high positive level of customer loyalty. Firstly, service hours provided towards KFC are very flexible and one of the factors in fast-food service industries that make it convenient for customers to buy frequently at any time (Ng.Y.N., 2005).

Second, the business's location in a convenient place is essential for the company in influencing customers to keep buying the product, and it is easy for them to find, especially when the customers are in a rush. It will influence customers to be loyal. Furthermore, KFC provided to their customers an easy transport facility and parking place for customers to dine in (Kivela, Inbankaran, & Reece, 1999). They also make it easy for customers to take away by providing a drive-thru. It can attract customers to be loyal by providing a good service (Reichheld & Schefter, 2000) and offering more conveniences. Therefore, service hours are flexible, location is convenient, easy transport facility, parking convenience, and drive-thru are a variety of conveniences that influence customer loyalty (Al Masud et al., 2018). We hypothesize:

H 2: Convenience has a positive impact on customer loyalty.

Price is the one element of the marketing mix that directly influences resources. For this reason, a critical activity for service managers is to set and manage prices (Estalami, Maxwell, Martín-Consuegra, Molina, & Esteban, 2007). The organization needs to set a suitable price in a highly competitive market and understand the customer's response to any price-related issue. According to Yieh, Chiao, and Chiu (2007), when customers perceive fairness and reasonableness of the price provided by the seller, the good impression towards the seller will slowly grow, and these kinds of feelings will eventually develop into behavioral intentions. In research from Ferreira and Coelho (2015), they stated that consumers who are well informed with low prices goods and places are more loyal. With the increasing numbers of organizations, the demand from customers is also increasing, yet the price needs to be reasonable and fair to keep the customer to stay loyal (Al-Tit, 2015). We thus offer the following:

H 3: Price and value have a positive impact on customer lovalty.

RESEARCH METHOD

Research method is defined as the technique or method used to gather and determine the data to be used in the research topic. It allows the researchers to assess the reliability and validity of a study. A plan of action and the base of the research design are very dominant to answer research problems (Aaker, Day, & Kumar, 2001). Our research's main purpose is to study the factors contributing to customer loyalty of KFC. Causal research is conducted to determine customer loyalty.

Data collection is the collection procedure based on a specific topic of target variables

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and sources (Elyh, 2019). For this study, we use a quantitative and deductive research approach to analyze the data that measure the behavior related to customer loyalty. At the same time, the results from a sample population will be generalized. Quantitative research is used to identify the problem by generating numerical data or data transformed into statistics. Besides, a deductive approach is applied to explain the possibility of a causal relationship among variables taken based on existing theory while developing a research theory to test the hypothesis. The primary and secondary data sources were used to obtain adequate information for research. In this research, we collected the primary data through the Google Form questionnaire distributed to the KFC customers in Malaysia. One hundred respondents took part in the questionnaire. The questionnaire consists of a variety of questions related to the objectives of the research. The questionnaire was divided into three sections where the first section is to collect respondents' demographics, the second section is to gather general information related to respondents' behavior towards fast-food restaurants, and the third section is to analyze the perception of respondents towards KFC and determine the contributing factors on customer loyalty towards KFC. On the other hand, the secondary data was collected through scientific databases and search engine information such as Google.

After the data is gathered, the results are analyzed using SPSS Statistics. Data collected from the questionnaire were processed in the SPSS software to conduct the whole test by beginning with the reliability and validity of scale through Cronbach's Coefficient Alpha. The hypothesis test was then carried out through the Pearson correlation test to identify the relationships between each variable. Lastly, a multiple regression analysis is carried out to discover the most significant contributing factors to customer loyalty.

RESULTS AND DISCUSSION

Table 1 below sums up the frequency and total percentage of respondents' demographic results. There are a total of 100 respondents who took part in the survey. The majority of the respondents are female and aged between 21 to 30 years old. Most respondents who took part in the survey are Malays followed by Indians and Chinese. The result shows that the majority of the respondents are single and students. The highest education level by most respondents is undergraduate meanwhile, the monthly income is RM1,000 and below.

Table 1. Summary of Respondent Demography

| | Frequency | Percentage (%) |
|--------------------|-----------|----------------|
| Gender | | |
| Female | 85 | 85 |
| Male | 15 | 15 |
| Age | | |
| 20 years and below | 9 | 9 |
| 21-30 years old | 85 | 85 |
| 41-50 years old | 2 | 2 |
| Above 50 years old | 4 | 4 |

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| Ethnicity group Chinese Indian Malay | 5 6 89 | 5 6 89 |
|---|----------------------------------|----------------------------------|
| Marital status Married Single | 8 92 | 8 92 |
| Occupation Government worker Housewife Private sector Retired Self-employed Student Unemployed | 3 2 6 1 3 82 3 | 3 2 6 1 3 82 3 |
| Highest education level Degree Postgraduate Sijil Kemahiran Malaysia Sijil Pelajaran Malaysia (SPM) Sijil Tinggi Pelajaran Malaysia (STPM)/Matriculation/Diploma/A-Level/Foundation Undergraduate | 1 4 1 9 20 65 | 1 4 1 9 20 65 |
| Monthly income RM1,000 and below RM1,000- RM3,000 RM3,001- RM5,000 RM5,000 and above | 85 12 2 1 | 85 12 2 1 |

Table 2 below sums up the frequency and total percentage of general information related to fast-food restaurants. The result shows that KFC has been the second most preferred fast-food restaurant among Malaysians, and the majority of them would prefer having fast-food as a meal during dinner. Most respondents visit fast-food restaurants less than once per week and spend the most between RM10 and RM25 per meal. The top reason for selecting fast-food restaurants among Malaysians is convenience, price and value, and food quality.

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Table 2. Descriptive Statistic on General Information

| McDonald's 82 26 Marrybrown 14 4. Pizza Hut 44 14 Domino's Pizza 26 8. Burger King 19 6. Subway 26 8. Nando's 6 1. Texas Chicken 12 3. Secret Recipe 1 0. Preferred meal time Breakfast 1 1 Brunch 6 6 Dinner 41 4 Lunch 32 3 Lunch and Dinner 1 1 Snack 19 1 Frequency of fast-food visiting 1-3 times a week 19 1 Less than once per week 81 8 Money spent for a meal in fast-food restaurant Less than RM10 5 More than RM25 per meal 29 2 RM10-RM15 per meal 33 33 | ntage %) |
|--|-------------|
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| Burger King 19 6 Subway 26 8 Nando's 6 1 Texas Chicken 12 3 Secret Recipe 1 0 Preferred meal time Breakfast 1 1 Brunch 6 6 Dinner 41 4 Lunch 32 3 Lunch and Dinner 1 1 Snack 19 9 Frequency of fast-food visiting 1-3 times a week 19 1 Less than once per week 81 8 Money spent for a meal in fast-food restaurant Less than RM10 5 5 More than RM25 per meal 29 2 RM10-RM15 per meal 33 33 | .38 |
| Subway 26 8 Nando's 6 1 Texas Chicken 12 3 Secret Recipe 1 0 Preferred meal time Breakfast 1 1 Brunch 6 6 Dinner 41 4 Lunch 32 3 Lunch and Dinner 1 32 Snack 19 9 Frequency of fast-food visiting 1-3 times a week 19 1 Less than once per week 81 8 Money spent for a meal in fast-food restaurant Less than RM10 5 5 More than RM25 per meal 29 2 RM10-RM15 per meal 33 33 | 50 |
| Nando's 6 1. Texas Chicken 12 3. Secret Recipe 1 0. Preferred meal time Breakfast 1 1 Brunch 6 6 Dinner 41 4 Lunch 32 3 Lunch and Dinner 1 5 Snack 19 1 Frequency of fast-food visiting 1-3 times a week 19 1 Less than once per week 81 8 Money spent for a meal in fast-food restaurant Less than RM10 5 5 More than RM25 per meal 29 2 RM10-RM15 per meal 33 33 | |
| Texas Chicken 12 3. Secret Recipe 1 0. Preferred meal time Breakfast 1 1 Brunch 6 0 Dinner 41 4 Lunch 32 3 Lunch and Dinner 1 1 Snack 19 9 Frequency of fast-food visiting 1-3 times a week 19 1 Less than once per week 81 8 Money spent for a meal in fast-food restaurant Less than RM10 5 5 More than RM25 per meal 29 2 RM10-RM15 per meal 33 33 | 50 |
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| Money spent for a meal in fast-food restaurantLess than RM105More than RM25 per meal29RM10-RM15 per meal33 | 9 |
| Less than RM10 5 More than RM25 per meal 29 2 RM10-RM15 per meal 33 3 | 1 |
| Less than RM10 5 More than RM25 per meal 29 2 RM10-RM15 per meal 33 3 | |
| RM10-RM15 per meal 33 | 5 |
| RM10-RM15 per meal 33 | 9 |
| DM45 DM95 per mod | 3 |
| RM15-RM25 per meal 33 | 3 |
| Reason for selecting a fast-food restaurant | |
| | .45 |
| | .42 |
| Price and value 44 26 | .67 |
| Cravings 4 2. | 42 |
| | 42 |
| Others 1 0. | 61 |

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Table 3 below sums up the frequency and total percentage of descriptive statistics on experience with KFC. All the respondents agree that they are familiar with KFC. The majority of them visit KFC between one to five times a month. Most respondents agree that they would recommend KFC to family or friends, showing that they have a positive experience with KFC.

Table 3. Descriptive Statistic on Experience with KFC

| | Frequency | Percentage (%) |
|---|-----------|-------------------|
| Familiarity with Kentucky Fried Chicken (KFC) Yes | 100 | 100 |
| Frequency of visiting KFC in one month | | |
| 1-5 times | 95 | 95 |
| 6-10 times | 3 | 3 |
| More than 10 times | 2 | 2 |
| Recommend KFC to family or friends | | |
| No | 10 | 10 |
| Sometimes | 2 | 2 |
| Yes | 88 | 88 |

Table 4 presents the outcome of the Pearson Correlation test between food quality, convenience, and price and value with customer loyalty. The results obtained from the test revealed that there is a significant relationship between food quality and customer loyalty, as the p-value is lesser than the significant value (p=0.000 <0.05) and the coefficient of correlation between both variables is r=0.690. This significance level indicates that food quality positively correlates with customer loyalty. Besides, the test results revealed a significant relationship between convenience and customer loyalty, as the p-value is lesser than the significant value (p=0.000 <0.05), and the coefficient of correlation between both variables is r=0.727. This significance level indicates that convenience has a positive correlation with customer loyalty. Furthermore, the test results revealed a significant relationship between price and value and customer loyalty, as the p-value is lesser than the significant value (p=0.000 <0.05) and the coefficient of correlation between both variables r=0.775. This significance level indicates that price and value positively correlate with customer loyalty.

Table 4 below also reveals Cronbach's Coefficient Alpha for each variable which is shown on diagonal entries in bold. Preferably, Cronbach's Coefficient Alpha scale should be 0.7 and above (Al Masud et al., 2018). There is a high degree of reliability exhibited by all variables as the alpha coefficient for each variable shows a result of more than 0.7. Based on the results above, we can conclude that food quality, convenience, and price and value contribute to customer loyalty.

Table 4. Descriptive Analysis, Cronbach's Coefficients Alpha, and Zero-Order Correlations of All Study Variables

|--|

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| | | | Value | Loyalty |
|---------------------|---------|---------|---------|---------|
| Food Quality | 0.847 | | | |
| Convenience | 0.595** | 0.856 | | |
| Price and Value | 0.605** | 0.612** | 0.950 | |
| Customer Loyalty | 0.690** | 0.727** | 0.775** | 0.876 |
| Mean | 4.3425 | 4.3750 | 4.0500 | 4.2533 |
| Standard deviation | 0.64516 | 0.67560 | 0.84537 | 0.70132 |

Note: N=100, **p<0.01; Correlation is significant at the 0.01 level (2-failed). Diagonal entries in bold indicate Cronbach's coefficient alpha.

Table 5 below demonstrates the model summary of regression analysis to test our hypothesis. As evident in Table 5, food quality, convenience, and price and value are considered independent variables; meanwhile, customer loyalty is the dependent variable. After inter-correlation, the R2 is generated, where R2 = 0.733. This indicates that all the variables can persist in describing 73.3% of the variance towards customer loyalty. Therefore, all the contributing factors have a good correlation with customer loyalty.

Table 5 below also presents the analysis of a regression coefficient test conducted to find out the coefficient between the independent and dependent variables. From the findings, we identify that food quality has a significant influence on customer loyalty towards KFC Malaysia, in which the standardized coefficient beta value is 0.236 (p-value is 0.001<0.05). Therefore, as presented in Table 6, the result indicates that the hypothesis, H1, was accepted. Besides, we also identify that convenience has a significant influence on customer loyalty towards KFC Malaysia, in which the standardized coefficient beta value is 0.319 (p-value is 0.000<0.05). Therefore, the result indicates that the hypothesis, H2, was accepted. Furthermore, we also identify that price and value have a significant influence on customer loyalty towards KFC Malaysia, in which the standardized coefficient beta value is 0.437 (p-value is 0.000<0.05). Therefore, the result indicates that the hypothesis, H3, was accepted. All the independent variables positively impact customer loyalty towards KFC in Malaysia. The finding from this study also indicates that price and value have the most significant impact on customer loyalty towards KFC, followed by convenience and food quality.

Table 5. Model Summary of Regression Analysis

| Contributing Factors to Customer Loyalty Towards KFC | | | |
|--|------|--|--|
| Variable entered | Beta | | |
| $(R^2 Change = 0.733)$ | | | |

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Food Quality 0.236**

Convenience 0.319**

Price and Value 0.437**

Note: N=100; *p<0.05, **p<0.01

Table 6. Summary of Hypothesis Test Results

| H _x | Hypothesis | Results |
|----------------|---|----------|
| H1 | Food quality has a positive impact on customer loyalty. | Accepted |
| H2 | Convenience has a positive impact on customer loyalty. | Accepted |
| Н3 | Price and value have a positive impact on customer loyalty. | Accepted |

CONCLUSIONS

Based on the findings and discussion, we have analyzed the key determinants that add to KFC customer loyalty. This study highlights three determinants to test the customers' loyalty towards KFC Malaysia. These determinants can be used for further improvement in the future. Firstly, price and value determine the customers' loyalty towards KFC. Based on our recommendation, we offer affordable costs that balance the quality and portion of the customers' meals. It will make customers loyal because the price and value of the product are reasonable. According to our findings, KFC emphasized the quality and the taste of the food to justify the cost.

Second, customer loyalty is linked to convenience. KFC needs to make their branches more convenient for the customer to ensure that they will return to their restaurants. One way to strive for this is to have extended service hours as customers have the freedom to grab their meals at any time of the day. Not only that, the drive-thru will help customers avoid long queues to get their food while staying in their car. The location of the branches also plays a role in customer convenience. The KFC branches need to be situated near to their customers.

Lastly, the finding reveals that food quality significantly affects the customer's loyalty. Therefore, KFC should concentrate on the quality of the food and the taste of its food. KFC can achieve quality food by asking each KFC branch manager to follow a strict procedure in food handling, from wearing proper attire such as in a clean uniform, hairnet, and gloves and a facemask when handling food. For the taste, the managers need to supervise choosing only the fresh ingredients in preparing the food and serving the meals at the proper temperature. KFC now knows that the food is their main strength; therefore, the main objective is to uphold the standard and offer nothing less than expected.

Nevertheless, these results have a few limitations, such as most of our respondents were young people. Therefore, it should have been preferable if our survey represented more

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varied age groups such as 30 and above. Furthermore, this study focused on KFC restaurants in Malaysia only. So, this research may not accord with those derived from studies of other restaurants or countries. We investigated only three determinants in this research. Thus, we can take more elements such as services quality and physical environment quality in this study. Next, we like to suggest future research to gather surveys on a large scale to include more respondents from different backgrounds and ages. Future research can consist of a diversity of restaurant types or other countries. Last but not least, the research then can be tested on various factors such as service quality and others influencing customer loyalty. It can be accessed by various studies from other restaurants or countries.

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