THE IMPACT OF WORD OF MOUTH COMMUNICATION ON CUSTOMER RELATIONSHIP IN FOOD AND BEVERGES COMPANIES IN KANDY DISTRCT.

By

BOGASTHENNE GEDARA MICHILA HANSIKA PERERA

REG. NO: EU/IS/2015/COM/34

INDEX NO: COM 1914

LIBRARY
01 FEB 2022
EUSL, SRI LANKA

FCM2550
Project Report
Library - EUSL

Project report

Submitted to the faculty of Commerce and Management Eastern University, Sri Lanka, as a partial fulfilment of the requirement for the Degree of Bachelor of Commerce (B.COMHons) Degree Program.

Department of Commerce

Faculty of Commerce and Management

Eastern University, Sri Lanka

2020

PROCESSED
MAIN LIBRARY, EUSL

ABSTRACT

The objective of this study is to examine the impact of Word of Mouth Communication on Customer Relationship in Food and Beverages Companies in Kandy District. Food and Beverages industry one of the key service sector in economy. In order to retain and attract customers, owner have to fulfil their need, want and perceptions. In that situation word of mouth communication act significant role in the restaurants industry. This research find word of mouth factors effect on customer relationship in Food and Beverages in Kandy District

The study accompanies with Quantitative research approach. Primary data as well as secondary data had been practiced by this study. Structured questionnaire was used as the method of data collection and questionnaire consist with two parts as personal information of the respondent and research information. Questionnaire included 26 questions with five Likert scale ranging from strongly disagree to strongly agree. Word of Mouth Communication with respect to independent variables was made up using 250 respondents. Convenience sampling technique is used as sampling method. It has been considered Kandy district as research area. Collected data were analyzed using SPSS 22.0 analysis. The data were analyzed using descriptive statistics, correlation, and regression analysis.

The result indicated that Service Quality, Food Quality, Physical Environment Quality and Price were high level in Food and Beverages companies in Kandy District. Also result indicated significant strong positive relationship between Service Quality, Food Quality, Physical Environment Quality and Price and Customer Relationship. The result indicated that most significant factor that impact Customer Relationship was Service Quality. And also that another factors (Food Quality, Physical Environment Quality and Price) were significantly impact in Customer Relationship.

Based on the overall research findings, researcher recommended that Word of Mouth communication help to increase in customer relationship. Therefore, companies especially more attention to word of mouth communication than other factors such as television advertisement.

Keywords: *Word of Mouth Communication, Customer Relationship, Service Quality, Food Quality, Physical Environment Quality, Price*

TABLE OF CONTENT

ACKNOWLEDGEMENT i

ABSTRACT ii

LIST OF TABLE ix

LIST OF FIGURE x

LIST OF ABBREVIATIONS xi

CHAPTER ONE 1

INTRODUCTION 1

1.1 Background of Study 1

1.2 Problem Statement 3

1.3 Research Question 4

1.4 Objective of the Study 5

1.5 Significant of the Study 5

1.6 Scope of the Study 6

CHAPTER TWO 8

LITERATURE REVIEW 8

2.1 Introduction 8

2.2 Theoretical Review 8

2.2.1 Word of Mouth Communication (WOM) 8

2.2.2.1 Definition of Word of Mouth Communication 9

2.2.2 Service Quality 10

2.2.2.1 Dimension of Service Quality 10

2.2.3 Food Quality 11

2.2.4 Physical Environment Quality 12

2.2.5 Price 13

2.2.6 Customer Relationship Management 14

2.2.6.1 Customer Knowledge 15

2.2.6.2 Customer Empowerment 16
2.3 Empirical Review 16
2.4 Summary 18
CONCPTUALIZATION AND OPERATIONALIZATION 19
3.1 Introduction 19
3.2 Conceptual Framework 19
3.2.1 Definitions of Variables 20
3.2.1.1 Word of Mouth Communication (WOM) 20
3.2.1.2 Customer Relationship Management 22
3.3 Development of Hypothesis 24
3.4 Operationalization of the Variable 24
3.5 Summary 26
CHAPTER FOUR 27
RESEARCH METHODOLOGY 27
4.1 Introduction 27
4.2 Research Design 27
4.2.1 Research Philosophy 27
4.2.2 Research Approach 28
4.2.3 Research Strategy 28
4.2.3.1 Survey 29
4.2.4 Methodological Choice 29
4.2.5 Time Horizon 29
4.2.6 Research Site 30
4.3 Population and Sampling 30
4.3.1 Population of the Study 30
4.3.2 Sampling of the Study 30
4.3.2.1 Sampling Framework and Sample Size 30

4.4 Methods of Data Collection 31
4.4.1 Primary Data 31
4.4.2. Secondary Data 31
4.4.3 Research Instruments 31
4.4.4 Source of Measurements 32
4.4.4.1 Method of Measured the Personal Information 32
4.4.4.2 Methods of Measuring the Research Information 33
4.5 Method of Data Analysis 33
4.5.1 Reliability of Instrument 34
4.5.2 Univariate Analysis (Descriptive Statistics) 35
4.5.2.1 Mean 35
4.5.2.2 Standard Deviation 35
4.5.3 Correlation Analysis 35
4.5.4 Simple Regression Analysis 36
4.5.6 The Multiple Regression Analysis 36
4.5.7 Testing Hypotheses 37
4.6 Summary 37
CHAPTER FIVE 39
DATA PRESENTATION AND ANALYSIS 39
5.1 Introduction 39
5.1.1 Data Presentation 39
5.2 Data Presentation of Demographic Information 39
5.2.1 Food and Beverage Company 39
5.2.2 Gender 40
5.2.3 How long have you been a customer of the Company? 41
5.2.4 Average Monthly Income 42
5.3 Reliability and Validity Analysis 44

5.4 Data Analysis of Research Information 45
5.4.1 Univariate Analysis 45
5.4.1.1 Level of Word of Mouth Communication and Customer Relationship 45
5.4.2 Bivarate Analysis 50
5.4.2.1 Correlation Analysis 50
5.4.2.2 Simple Regression Analysis 51
5.4.2.3 Multiple Regression analysis 55
5.5 Testing of Research Hypothesis 56
5.5.1 Testing Hypothesis 1 56
5.5.2 Testing Hypothesis 2 56
5.5.3 Testing Hypothesis 3 57
5.5.4 Testing Hypothesis 4 57
5.6 Summary 57
CHAPTER SIX 59
DISCUSSION 59
6.1 Introduction 59
6.2 Discussion of Research Findings 59
6.2.1 Discussion of Personal Information 59
6.2.1.1 Food and Beverage Company 59
6.2.1.2 Gender 59
6.2.1.3 How long have you been a customer of the company? 60
6.2.1.4 Average Monthly Income 60
6.2.2 Discussion of Research Information 60
6.2.2.1 Objective 1: Based on the Descriptive analysis of Word of Mouth Communication and Customer Relationship 60
6.2.2.2 Objective 2: Based on the Correlation analysis and simple regression analysis of Word of Mouth Communication and Customer Relationship 61

6.2.2.3 Objective 3: Based on Multiple Regression Analysis of Word of Mouth Communication and Customer Relationship 62

6.2.2.4 Objective 4: Based on the Multiple Regression Analysis of Word of Mouth Communication and Customer Relationship 63

6.2.3 Based on Hypothesis 63

6.3 Comparison of the Findings with the Outcomes of Previous Research 64

6.3.1 Relationship between Service Quality and Customer Relationship 64

6.3.2 Relationship between Food Quality and Customer Relationship 64

6.3.3 Relationship between Physical Environment Quality and Customer Relationship 64

6.3.4 Relationship between Price and Customer Relationship 64

6.3.6 The Impact of Service Quality on Customer Relationship 65

6.3.7 The Impact of Food Quality on Customer Relationship 65

6.3.8 The Impact of Physical Environment Quality on Customer Relationship 65

6.3.9 The Impact of Price on Customer Relationship 65

6.4 Summary 65

CHAPTER SEVEN 66

CONCLUSIONS AND RECOMMENDATIONS 66

7.1 Introduction 66

7.2 Conclusion 66

7.2.1 Objective 1: Based on the Descriptive analysis of Word of Mouth Communication and Customer Relationship 66

7.2.2 Objective 2: Based on Correlation Analysis and Simple Regression of Word of Mouth Communication and Customer Relationship 67

7.2.3 Objective 3: Based on Simple Regression Analysis of Word of Mouth Communication and Customer Relationship 67

7.2.3 Objective 4: Based on the Multiple Regression Analysis of Word of Mouth Communication and Customer Relationship 67

7.3 Recommendation 67

7.4 Limitation of the Study 69

7.5 Suggestion for future research 70

7.6 Summery 70

REFERENCE 71

APPENDICES 83