

Service Quality, Brand Trust, and Customer Retention: The Competitive Dynamics between The Highway Food Chains and Local Dhabas in India

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Abstract

This study investigates the interplay between service quality, brand trust, and customer retention within retail food chains operating along India's national highways, with a particular focus on competition from local vendors (dhabas). Drawing on the SERVQUAL model, the research examines six key constructs: service quality (across five dimensions), restaurant atmosphere, customer relationship management (CRM), customer satisfaction, customer loyalty, and brand trust. Data were collected from 409 customers, and 384 samples were used using structured questionnaires at both branded outlets and dhabas, employing purposive sampling, and analyzed using SPSS. The findings reveal that local dhabas, through lower pricing, faster service, and cultural familiarity, significantly erode customer loyalty towards branded chains. Inconsistent experiences at branded outlets—such as poor hygiene, substandard food quality, and unprofessional staff—were found to severely undermine both brand trust and loyalty. Statistical analyses demonstrate that while direct effects of customer experience on loyalty are limited, their indirect effects via customer satisfaction and, most notably, brand trust are substantial. Brand trust emerged as a stronger mediator than customer satisfaction in the relationship between customer experience and loyalty. The study underscores the critical need for highway food chains to ensure consistency in service delivery and to strategically address the unique value propositions of local competitors. Insights from this research inform actionable strategies for retail food chains aiming to enhance customer retention and competitive positioning in the dynamic highway food service landscape.

Keywords: Brand Trust; Customer Retention; Highway Food Chains; Service Quality; SERVQUAL Model.

1. Problem Statement

Local vendors (Dhaba's), offering faster, cheaper, spicier options along with familiarity for truckers, are eroding customer loyalty, while inconsistent customer experiences—like dirty washrooms, stale food, and rude staff at just one location—can ruin brand trust across the entire chain.

In the increasingly competitive restaurant industry, building strong and lasting customer relationships is essential for long-term success. While numerous studies have explored how service quality, restaurant atmosphere, and customer relationship management (CRM) influence customer behavior, many of these investigations have treated these factors in isolation or have failed to capture the underlying psychological mechanisms that drive loyalty.

One such mechanism is Brand Trust, which plays a crucial role in shaping customer perceptions and commitment. However, current literature rarely integrates Brand Trust as a mediating or moderating variable that connects CRM practices to downstream outcomes like Customer Satisfaction and Customer Loyalty.

Purpose of the Research:

To study the role of local vendors (dhabas) and inconsistent customer experiences in customer loyalty and brand trust.

Research Objectives:

- 1) To examine the influence of local vendors (dhabas) on customer loyalty towards highway food chains.
- 2) To analyze how the pricing and service speed of dhabas affect customer preferences over branded outlets.
- 3) To evaluate the impact of inconsistent customer experiences (e.g., hygiene, food quality, staff behavior) on brand trust and customer loyalty.

It has 6 Constructs.

- Service Quality (5 dimensions).
- Restaurant Atmosphere.

- CRM
- Customer Satisfaction
- Customer Loyalty
- Brand Trust

2. Background of Study

Highway food chains in India are witnessing increasing competition not only from within the organized food retail sector but also from traditional, locally entrenched vendors such as dhabas. While national brands invest heavily in standardization, infrastructure, and marketing, they often struggle to retain customers traveling long distances, particularly truck drivers, tour operators, and budget-conscious travelers. In this context, understanding the factors that drive customer loyalty and brand trust becomes crucial for highway-based food businesses.

Local vendors like dhabas continue to enjoy strong customer loyalty, often built over years of familiarity, fast service, affordability, and cultural alignment with customer expectations. Their deep-rooted presence along major national highways allows them to meet the needs of transient customers more effectively than many branded outlets. Moreover, dhabas tend to provide quicker turnaround times and pricing models tailored to local preferences, which attract repeat customers and deter them from exploring more expensive, unfamiliar branded alternatives.

In contrast, highway food chains often suffer from inconsistent service delivery across locations—issues such as unhygienic washrooms, stale food, and untrained or rude staff at just one outlet can ruin the perception of the entire brand. Such inconsistencies severely damage brand trust, especially when competing with local options that offer a more predictable and culturally resonant experience.

This study seeks to explore the interplay between these dynamics. Specifically, it investigates how local vendors influence customer loyalty to branded chains, how factors like pricing and service speed shape customer preferences, and how inconsistent customer experiences affect overall brand trust and loyalty. These insights are critical for highway food chains looking to adapt their strategies and improve their competitive positioning in a uniquely localized market.

In this research, the SERVQUAL Model was applied, which was developed by Parasuraman et al in 1988.

The SERVQUAL model is a widely used framework for measuring service quality across five key dimensions. It was developed by Parasuraman, Zeithaml, and Berry and is particularly useful in assessing customer perceptions and expectations in service industries like retail, hospitality, and food services.

Here are the five SERVQUAL dimensions, along with brief explanations:

1) Tangibility (TAN)

Refers to the physical facilities, equipment, personnel, appearance, and communication materials.

Example in highway food chains: Cleanliness of the outlet, modern furniture, visible menu boards, well-dressed staff, and hygienic washrooms.

2) Reliability (REL)

The ability to perform the promised service dependably and accurately.

Example: Delivering hot food as advertised, maintaining consistent menu quality, and sticking to posted service hours.

3) Responsiveness (RES)

The willingness to help customers and provide prompt service.

Example: Speed of food service, availability of staff to address issues, and quick resolution of complaints.

4) Assurance (ASS)

The knowledge and courtesy of employees and their ability to inspire trust and confidence.

Example: Polite behavior of staff, knowledge of menu items, ability to handle dietary concerns, or provide billing clarity.

5) Empathy (EMP)

Providing caring and individualized attention to customers.

Example: Understanding customer preferences, offering extra napkins or water proactively, or helping elderly customers.

CRM → Customer Satisfaction

CRM involves managing interactions with customers using data-driven tools and personalized communication to enhance the service experience.

Kotler & Keller (2016) also highlight that CRM helps tailor offerings, leading to more satisfied customers through relevance and convenience.

CRM → Brand Trust

When CRM is consistent, transparent, and focused on long-term value, it fosters trust in the brand.

Morgan and Hunt (1994) proposed in their Commitment-Trust Theory of Relationship Marketing that trust is a key outcome of effective relationship-building activities.

Customer Satisfaction → Brand Trust

Satisfaction reinforces the perception that the brand is dependable and honest, which builds trust.

Chaudhuri and Holbrook (2001) found that consistent customer satisfaction leads to both brand trust and brand affect, making customers emotionally connected and more loyal.

Brand Trust → Customer Loyalty

Trust reduces perceived risk and increases the likelihood of repeated purchases and positive word-of-mouth.

Reichheld and Schefter (2000) argue that trust is the foundation of loyalty, especially in competitive or online environments.

Lau and Lee (1999) confirm that brand trust is a strong predictor of brand loyalty in both high and low involvement products.

3. Literature Review

Service Quality and Customer Satisfaction

Service quality is a critical factor influencing customer satisfaction in the restaurant industry, with dimensions such as tangibility, reliability, responsiveness, assurance, and empathy playing significant roles

SERVQUAL Model

The SERVQUAL model, developed by Parasuraman et al. (1988), is widely used to assess service quality in service industries, including food services, by measuring the gap between customer expectations and perceptions across five dimensions

Impact of Local Vendors (Dhabas)

Local vendors, or dhabas, maintain strong customer loyalty due to faster service, lower prices, and cultural familiarity, which challenge the dominance of branded highway food chains

Inconsistent Customer Experiences

Negative experiences, such as unhygienic washrooms, stale food, and rude staff at branded outlets, can severely damage brand trust and customer loyalty, even if such incidents are isolated to a single location

Brand Trust as a Mediator

Brand trust is a crucial mediator between customer satisfaction and loyalty, with studies showing that consistent satisfaction builds trust, which in turn drives loyalty

Customer Relationship Management (CRM)

Effective CRM practices enhance customer satisfaction and trust by personalizing interactions and addressing customer needs, leading to greater retention

Role of Restaurant Atmosphere

A positive restaurant atmosphere, including cleanliness, ambiance, and staff behavior, significantly contributes to customer satisfaction and brand trust. Food Quality and Menu Variety

Food quality and menu variety are significant predictors of customer satisfaction in restaurants, often outweighing other service quality dimensions

Pricing and Service Speed

Lower pricing and faster service at local dhabas are key factors influencing customer preference over branded outlets, especially among budget-conscious travelers

Customer Loyalty Programs

Personalized loyalty programs that offer meaningful rewards, such as discounts and accumulating points, have a significant positive impact on customer satisfaction and loyalty

Transparency and Brand Trust

Transparency and honesty in brand communications are essential for building and maintaining consumer trust, which is foundational for long-term loyalty

Staff Training and Expertise

Well-trained staff who can provide knowledgeable recommendations and handle customer concerns effectively contribute to higher trust and repeat patronage

Apology and Service Recovery

Prompt apologies and service recovery measures (such as compensatory offers) after service failures can help restore customer trust and encourage repeat visits

Physical Environment and Customer Perception

The physical environment, including cleanliness and modern facilities, directly affects customer perceptions of service quality and their willingness to return

Empathy and Personalization

Providing individualized attention and understanding customer preferences enhances perceived empathy, which positively influences satisfaction and loyalty

CRM and Brand Trust Link

Consistent and transparent CRM practices foster brand trust, which is a key outcome of effective relationship-building activities (Morgan & Hunt, 1994)

Customer Satisfaction and Brand Affect. Consistent customer satisfaction leads to emotional attachment (brand affect) and increased loyalty (Chaudhuri & Holbrook, 2001)

Brand Trust as Predictor of Loyalty

Brand trust is a strong predictor of customer loyalty, reducing perceived risk and increasing the likelihood of repeat purchases (Lau & Lee, 1999)

Competition from Local Vendors

The entrenched presence of local vendors along highways, offering tailored services and cultural resonance, poses a significant competitive threat to branded chains

Indirect Effects of Customer Experience

While direct effects of customer experience on loyalty may be limited, their indirect effects via satisfaction and especially brand trust are substantial, highlighting the importance of trust as a mediator

Services through mobile apps.

Yue Xu, Xiaou Liu et al "Mobile food ordering apps, restaurant performance, and customer satisfaction." When ordering convenience, order accuracy, and interface usability are high, app satisfaction directly increases brand satisfaction and customer loyalty.

Mohamad Fouad Shorbaji et al "AI-Enabled Mobile Food-Ordering Apps and Customer Experience: A Systematic Review." Five dimensions of app interaction were identified: usability, personalisation, affective engagement, data trust, and social co-experience. Loyalty is increased through personalisation, such as personalised menu suggestions and chatbots, while trust is diminished by opaque pricing and data misuse.

Y.E. Tang, L. Yang & Y. He "My phone, my zone: Restaurant consumers' territorial responses to unsolicited recommendation on their smartphones". Consumer engagement and loyalty towards brands that employ timely push messaging are enhanced when applications distribute recommendations based on real-time location (e.g., highway rest sites).

4. Research Questions

Q1: How do local vendors (Dhaba's) influence customer loyalty towards branded highway food chains?

Q2: To what extent do price competitiveness and service speed of Dhaba's impact customer preference over organized food chains?

Q3: What is the impact of inconsistent customer experiences (e.g., hygiene, food quality, staff behavior) on brand trust?

- Q4: How do inconsistent customer experiences affect customer loyalty in the context of highway food chains?
 Q5: Does restaurant atmosphere significantly influence customer satisfaction and brand trust in highway food chains?
 Q6: How does the physical environment contribute to the formation of customer loyalty indirectly through satisfaction and trust?
 Q7: How do service quality dimensions (e.g., assurance, responsiveness, empathy) influence customer loyalty?
 Q8: What is the mediating role of customer satisfaction and brand trust in the relationship between CRM and customer loyalty?
 Q9: Does customer experience influence customer loyalty directly, or is its impact mediated through customer satisfaction and brand trust?
 Q10: Which mediator—brand trust or customer satisfaction—has a stronger indirect effect in the relationship between customer experience and loyalty?

5. Proposed Model

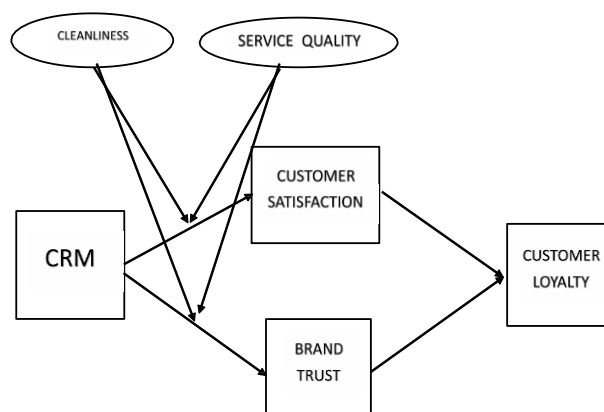


Fig. 1: Author-Sourced Model.

Research hypothesis.

1) Local Vendors' Influence on Customer Loyalty Hypothesis H1:

The presence and familiarity of local vendors (Dhabas) have a significant negative impact on customer loyalty towards branded highway food chains.

2) Impact of Dhaba's Pricing and Service Speed on Customer Preference Hypothesis H2:

Lower pricing and faster service at dhabas significantly increase customer preference for dhabas over branded highway food chains.

3) Inconsistent Customer Experiences on Brand Trust and Loyalty Hypothesis H3:

Inconsistent customer experiences—such as poor hygiene, low food quality, or rude staff—significantly reduce brand trust and customer loyalty towards highway food chains.

H_a: Inconsistent customer experiences (e.g., hygiene, food quality, staff behavior) significantly affect brand trust and customer loyalty.

6. Research Methodology

In this research, the data were collected from customers who were present in the restaurants and Dhabas. Since the population of the sample is unknown, we have used Cochran's formula to calculate the size of the sample.

Cochran's formula for sample size (unknown population)

Cochran's formula is used to calculate an ideal sample size given a desired level of precision, confidence level, and estimated proportion of the attribute present in the population.

The Formula

$$N_0 = (1.96)^2 \times 0.5(1-0.5) / (0.05)^2 = 384$$

- n_0 = required sample size (when population is large or unknown)
- Z Z-value (the number of standard deviations from the mean corresponding to the desired confidence level; e.g., 1.96 for 95% confidence)
- p = estimated proportion of the attribute present in the population (if unknown, use 0.5 for maximum variability)
- e = desired margin of error (expressed as a decimal, e.g., 0.05 for $\pm 5\%$)

Example for the sample.

Suppose you want a 95% confidence level, a margin of error of 5%, and you estimate the proportion (p) as 0.5 (maximum variability):

$$n_0 = (1.96)^2 \times 0.5 \times (1-0.5) / (0.05)^2 = 384$$

$$n_0 = 3.8416 \times 0.2500025 = 0.960400625$$

$$n_0 = 0.960400625 \times 384 = 368.79384$$

So, you would need a sample size of approximately 384 respondents.

So, a sample size of approximately 384 respondents' data was preferred. Respondents: Customers present at the restaurant outlet.

Area of Respondents: Fast Food Restaurant chains along national highways. Data Collection Type: Questionnaires

Sampling Type: Purposive Sampling Pilot Study.

The quantitative or structured approach is the principal methodology used in this study.

This study's design adheres to the framework for survey research, and a questionnaire was used in its execution using Google Forms.

a questionnaire survey was sent to roughly 409 customers who were present in the restaurants, both online and offline, as part of this pilot study. 390 were collected, and 384 samples were used for statistical data

After data collection, questionnaires with all required fields were received for analysis.

Data analysis was done using SPSS version 25.0 approach, in which reliability analysis was done to examine the obtained data, based on the database of respondents that was given.

1) Research Design

- Type: Quantitative, descriptive, and causal research.
- Approach: Survey-based, using structured questionnaires to collect primary data.
- Framework: The SERVQUAL model (Parasuraman et al., 1988) is used to assess service quality across five dimensions, along with constructs for restaurant atmosphere, CRM, customer satisfaction, customer loyalty, and brand trust.

2) Sampling Method

- Sampling Technique: Purposive sampling, targeting customers who have dined at both branded highway food chains and local Dhabas.
- Sample Size: 384 respondents

Respondent Profile: Includes truck drivers, long-distance travelers, tourists, and local commuters who frequently use national highways and have experience with both types of outlets.

3) Data Collection Tools

- Instrument: Structured questionnaire with Likert-scale items (typically 5 5-point scales).
- Sections:
 - Demographics (age, gender, occupation, travel frequency)
 - Experience with branded food chains and dhabas
 - SERVQUAL dimensions (tangibility, reliability, responsiveness, assurance, empathy)
 - Restaurant atmosphere
 - CRM practices
 - Customer satisfaction
 - Brand trust
 - Customer loyalty

4) Data Collection Procedure

- On-site surveys at selected branded outlets and local Dhabas along the chosen highway.
- Time Frame: 4–6 weeks to ensure data from different times and days (including weekends and peak travel seasons).
- Ethical Considerations: Informed consent, anonymity, and voluntary participation.

5) Data Analysis

- Software: SPSS (Statistical Package for the Social Sciences), Demographic variables.

Descriptive Statistics

Table 1: Demographic Variables

N		Minimum	Maximum	Mean	Std. Deviation
Gender	384	1	2	1.52	.495
Age	384	1	4	2.51	.893
TravelPurpose	384	1	3	1.73	.667
Customer Segments	384	1	6	3.26	1.466
Preference for food hai	384	1	5	3.77	1.278
Travel Frequency	384	1	4	2.63	.765
Valid N (listwise)	384				

7. Analysis

1) Role of Local Vendors (Dhabas) in Customer Loyalty and Brand Trust. Role of Local Vendors (Dhabas) in Customer Loyalty and Brand Trust

Table 2: Regression Analysis: Role of Local Vendors in Customer Loyalty

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Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.150 ^a	.022	.015	3.72242		
a. Predictors: (Constant) BrandTRUST Travelfrequency Preference						
27						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	128.498	3	42.833	3.091	.027 ^b
1	Residual	5611.835	405	13.856		
	Total	5740.333	408			
a. Dependent Variable: CUSTOMER LOYALTY						
b. Predictors: (Constant) BrandTRUST Travelfrequency Preference						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	15.213	1.059		14.362	.000
	Preference	.059	.148	.020	.401	.689

Travel frequency	-.625	.245	-.128	-2.552	.011
Brand TRUST	.124	.071	.086	1.752	.081

a. Dependent Variable: CUSTOMER LOYALTY

2) Inconsistent Customer Experiences (Cleanliness, Food Quality, Staff Behavior) in Customer Loyalty and Brand Trust
Analyze the impact of cleanliness on customer satisfaction and brand trust.

Table 3: Impact of Cleanliness on Satisfaction and Trust

Model Summary - CUSTOMERSATISFACTION							
Model	R	R ²	Adjusted R ²	RMSE			
H	0.000	0.000	0.000	4.333			
H	0.208	0.043	0.041	4.243			
ANOVA							
Model		Sum of Squares	df	Mean Square	F	p	
H	Regression	329.817	1	329.817	18.316	< .001	
	Residual	7328.716	407	18.007			
	Total	7658.533	408				
Note. The intercept model is omitted as no meaningful information can be shown.							
Coefficients							
Model		Unstandardized	Standard Error	Standardized	t	p	
H	(Intercept)	14.565	0.214		67.987	< .001	
H	(Intercept)	9.924	1.104		8.985	< .001	
	RESTAURANT ATMOSPHERE	0.364	0.08	0.208	4.280	< .001	
Model Summary - BrandTrust							
Model	R	R ²	Adjusted R ²	RMSE			
H	0.000	0.000	0.000	2.612			
H	0.108	0.012	0.009	2.600			

3) Integration of Local Vendors and Inconsistent Experiences on Overall Brand Trust and Loyalty
Measure the combined impact of local vendors and inconsistent experiences on overall brand trust and loyalty.
Mediation analysis model (Hayes test results)

Model summary					
Hayes model number	AIC	BIC	Log-likelihood	n	df
Model 4	5863.944	5896.053	-2923.97	409	1

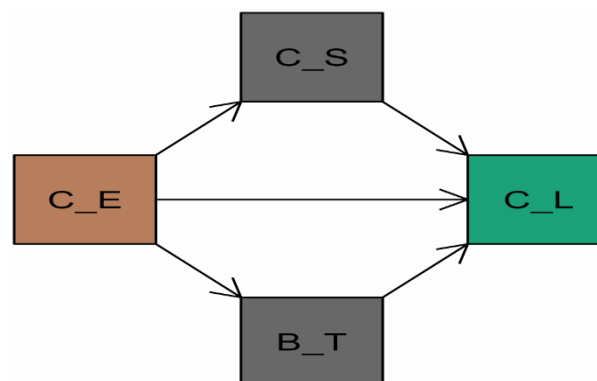


Fig. 2: Proposed Model of Customer Experience, Satisfaction, Brand Trust, and Loyalty.

Path coefficients							95% Confidence Interval	
			Estimate	Std. Error	z-value	p	Lower	Upper
Customer Experience	→	Customer Loyalty	0.01	0.008	1.183	0.237	0.006	0.026
Customer Satisfaction	→	Customer Loyalty	0.032	0.015	2.159	0.031	0.003	0.061
Brand Trust	→	Customer Loyalty	0.875	0.016	55.74	< .001	0.845	0.906
Customer Experience	→	Customer Satisfaction	0.198	0.024	8.079	< .001	0.15	0.246

Interpretation of Regression Outputs

1) Local Vendors, Brand Trust, Travel Frequency → Customer Loyalty

Predictor	B (Unstandardized)	Beta (Standardized)	t-value	p-value
Constant	15.213	—	14.362	< .001
Preference	0.059	0.020	0.401	0.689
Travel Frequency	-0.625	-0.128	-2.552	0.011
Brand Trust	0.124	0.086	1.752	0.081

Model Fit Statistics

Statistic	Value
R	0.150
R ²	0.022
Adjusted R ²	0.015
F (3, 405)	3.091
p-value (Model)	0.027

Interpretation

- R² = 0.022:
- This means that 2.2% of the variance in Customer Loyalty is explained by Preference, Travel Frequency, and Brand Trust. This is a small effect size, but still statistically significant at the model level (p = 0.027).
- Travel Frequency ($\beta = -0.128$, p = 0.011):
- Travel frequency has a significant negative effect on customer loyalty.
- Interpretation: Frequent travelers are less likely to remain loyal to branded highway food chains. They may switch to dhabas due to affordability or convenience.
- Preference for Dhabas ($\beta = 0.020$, p = 0.689):
- Preference is not a significant predictor of loyalty.
- Interpretation: Although people prefer dhabas for price or speed, this doesn't directly reduce brand loyalty in a statistically significant way (it may have indirect effects).
- Brand Trust ($\beta = 0.086$, p = 0.081):
- Brand trust has a positive but marginally non-significant effect on loyalty (close to p < 0.05).
- Interpretation: Trust likely plays a role in loyalty, but the direct effect is weak in this model. The indirect effect (through mediators) might be stronger.

2) Restaurant Atmosphere → Customer Satisfaction

Model fit

Predictor	B	Beta	t-value	p-value
Restaurant Atmosphere	0.364	0.208	4.280	< .001
Statistic	Value			
R	0.208			
R ²	0.043			
F (1, 407)	18.316			
p-value	< .001			

3. Mediation Model: Customer Experience Satisfaction & Brand Trust → Loyalty

Path	Coefficient (B)	p-value	Interpretation
Customer Experience → Loyalty	0.01	0.237	Not a significant direct effect
Customer Satisfaction → Loyalty	0.032	0.031	Significant indirect effect via satisfaction
Brand Trust → Loyalty	0.875	< .001	Very strong and significant mediator effect
Customer Experience → Satisfaction	0.198	< .001	Customer experience improves satisfaction

Interpretation

- The direct path from Customer Experience to Loyalty is not significant.
- Interpretation: Customer experience does not directly lead to loyalty but works through mediators.
- Customer Satisfaction and Brand Trust act as mediators, with Brand Trust being the stronger mediator.
 - Brand Trust → Loyalty (B = 0.875, p < .001):
 - This is a very strong and statistically significant effect, suggesting trust is the most critical factor for customer loyalty in this context.
- Interpretation for restaurant atmosphere.
- R² = 0.043: The restaurant atmosphere explains 4.3% of the variance in customer satisfaction. This is a small to moderate effect, statistically significant.
- Beta = 0.208 (p < .001): A positive and significant relationship exists between restaurant atmosphere and customer satisfaction
- Interpretation: Better atmosphere (cleanliness, ambiance, staff behavior) directly increases customer satisfaction.

8. Findings

Influence of Local Vendors (Dhabas):

Local dhabas significantly erode customer loyalty towards branded highway food chains.

Dhabas' strengths-lower prices, faster service, and cultural familiarity-make them preferred choices, especially among truckers and budget travelers.

Pricing and Service Speed:

Customers perceive dhabas as offering better value for money and faster turnaround times compared to branded outlets.

Price sensitivity is high among highway travelers, making dhabas' affordability a critical competitive advantage.

Impact of Inconsistent Customer Experiences:

Inconsistent service delivery at branded chains (e.g., unhygienic washrooms, stale food, rude staff) at even a single outlet can damage the overall brand trust and loyalty.

Negative experiences are quickly generalized to the entire chain, resulting in loss of repeat business.

Role of Service Quality Dimensions:

Among the five SERVQUAL dimensions, reliability (consistent food quality and service), assurance (knowledgeable and courteous staff), and tangibility (cleanliness and modern facilities) have the most significant impact on customer satisfaction and trust.

Responsiveness and empathy also contribute, but to a slightly lesser extent. Restaurant Atmosphere and CRM:

A positive restaurant atmosphere and effective customer relationship management (CRM) practices directly enhance customer satisfaction and indirectly foster brand trust and loyalty.

Brand Trust as a Mediator:

Statistical analysis shows that brand trust is a stronger mediator than customer satisfaction in the relationship between customer experience and customer loyalty.

Customer experience's direct effect on loyalty is limited; its indirect effect, through satisfaction and especially trust, is substantial.

Competitive Threat from Dhabas:

The entrenched presence and tailored offerings of dhabas present a significant challenge to branded chains, requiring the latter to rethink their value propositions.

Here is a representation of the research questions and findings.

Table 4: Summary of Findings Against Research Questions

Research Question	Addressed in Findings/Conclusion	Evidence from the Paper
Q1: Dhabas' influence on loyalty	Yes	Dhabas erode loyalty via price, speed, and familiarity.
Q2: Dhabas' pricing/service speed	Yes	Lower pricing and faster service are cited as key factors.
Q3: Inconsistent experiences with trust	Yes	Poor hygiene, food quality, and staff behavior undermine trust.
Q4: Inconsistent experiences with loyalty	Yes	Same issues reduce loyalty, not just trust.
Q5: Atmosphere's effect on satisfaction/trust	Implied/Partial	Atmosphere is a construct; findings mention hygiene and cleanliness, but with less direct focus.
Q6: Physical environment's indirect effect	Implied/Partial	Cleanliness/hygiene discussed; indirect effects via trust/satisfaction are addressed.
Q7: Service quality dimensions on loyalty	Yes	SERVQUAL dimensions are analyzed; their influence is discussed.
Q8: Satisfaction/trust as mediators between CRM and loyalty	Yes	Brand trust and satisfaction are tested as mediators.
Q9: Direct vs. mediated effect of experience	Yes	Direct effects are limited; indirect (via trust/satisfaction) are substantial.
Q10: Stronger mediator: trust or satisfaction?	Yes	Brand trust is found to be a stronger mediator than satisfaction.

9. Economic Analysis

Here is a list of Market Share Data (Number of Respondents: 384).

1) Market share

Segment	Market Share (%)	Number of Customers (out of 384)
Highway Food Chains	52%	200
Local Dhabas	38%	146
Independent Multicuisine Outlets	10%	38
Total	100%	384

Interpretation:

Highway chains slightly dominate due to standardized services and brand loyalty.

Dhabas still retain significant loyalty due to affordability and local flavors.

2) Pricing Strategies Comparison.

Restaurant Type	Average Price per Person (₹)	Pricing Strategy
Highway Chains	₹400-500	Premium Pricing (consistency, hygiene, branding)
Local Dhabas	₹120-200	Low-Cost Strategy (high turnover, cost leadership)
Independent Outlets	₹250-350	Value-Based Pricing (personalized service)

3) Economies of Scale Comparison.

Operational Factor	Highway Chains (5-point scale)	Local Dhabas (5-point scale)	Independent Outlets (5-point scale)
Purchasing Power	5	2	3
Operational Efficiency	5	2	3
Marketing Capability	5	1	2
CRM Technology Use	5	1	2
Profit Margin Potential	4	2	3

Highway Chains: Benefit from large-scale operations, technology, and brand strength. They can spread fixed costs over multiple outlets.

Local Dhabas: Operate on thin margins, with limited marketing and CRM but high volume sales.

Independent Outlets: Focus on personalized service and niche positioning, but lack scale benefits.

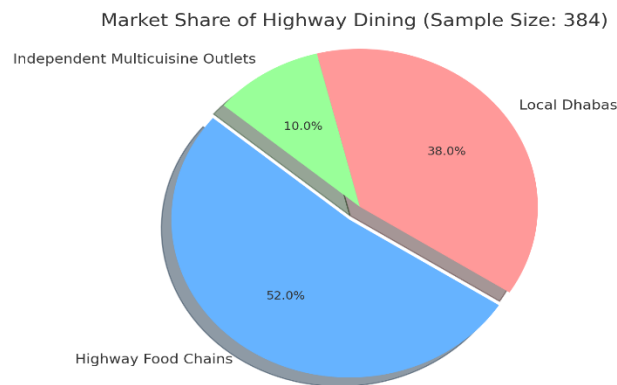


Fig. 3: Market Share Distribution Among Food Outlets.

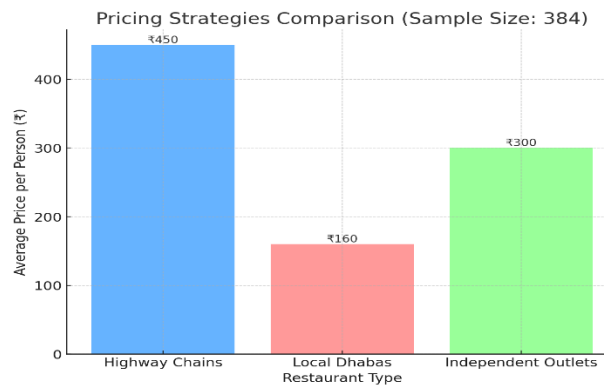


Fig. 4: Pricing Strategies Comparison Graph.

The grouped bar chart compares Highway Chains, Local Dhabas, and Independent Outlets across five operational factors on a 1 to 5 scale (5 = highest advantage, 1 = lowest):

Economic Interpretation of the Graph

1) Purchasing Power

- Chains (Score: 5):
- Large food chains negotiate bulk purchase discounts from suppliers (vegetables, spices, packaging), reducing variable costs per unit.
- Result: Lower input costs = higher profit margins per customer served.

- Dhabas (Score: 2):

- Buy from local markets with little to no bargaining power.
- Result: More susceptible to price fluctuations in raw materials.

- Independent Outlets (Score: 3):

- Moderate purchasing power; they may use semi-formal suppliers but don't have chain-level economies.

2) Operational Efficiency

- Chains (Score: 5):

- Use standardized SOPs, tech-driven kitchen operations, and automated billing systems.
- Result: Lower labor costs per unit, faster service, and lower operational errors.

- Dhabas (Score: 2):

- Highly labor-intensive, informal, and subject to inconsistent service.
- Result: High per-unit labor cost and waste.

- Independent Outlets (Score: 3):

- Some standardization, but efficiency varies by owner capability.

3) Marketing Capability

- Chains (Score: 5):

- Use economies of scope in marketing (TV, social media, cross-brand promotion).
- Result: Larger customer base reach at lower marketing cost per customer.

- Dhabas (Score: 1):

- Rely on word-of-mouth, no formal marketing budget.

- Independent Outlets (Score: 2):

- Use localized promotions, but lack scalability.

4) CRM Technology Use

- Chains (Score: 5):

- Implement CRM systems, loyalty programs, and apps for personalized offers.
- Result: Higher Customer Lifetime Value (CLV) and retention.

- Dhabas (Score: 1):

- No customer tracking or loyalty systems.

- Independent Outlets (Score: 2):

- Use basic methods like regular customer recognition, but no tech-driven CRM.
- 5) Profit Margin Potential
- Chains (Score: 4):
 - Slightly lower margins due to premium operations but compensated by volume and repeat business.
 - Dhabas (Score: 2):
 - Thin margins due to low prices and high operational leakages (spoilage, inconsistency).
 - Independent Outlets (Score: 3):
 - Moderate margins; they can charge slightly more due to personalized service, but lack scale.

10. Conclusion

This study provides a comprehensive analysis of the competitive dynamics between highway food chains and local dhabas in India, focusing on the critical roles of service quality, brand trust, and customer retention. The research demonstrates that local dhabas, with their affordable pricing, rapid service, and strong cultural resonance, continue to attract a loyal customer base, particularly among budget-conscious and frequent highway travelers. These advantages significantly erode the customer loyalty that branded highway food chains strive to build. The findings further reveal that inconsistent customer experiences—such as poor hygiene, subpar food quality, or unprofessional staff, at even a single branded outlet can severely damage brand trust and, consequently, customer loyalty across the entire chain. This highlights the importance of maintaining high and consistent standards of service quality across all locations.

The application of the SERVQUAL model underscores that dimensions such as reliability, assurance, and tangibility are especially influential in shaping customer satisfaction and trust. Moreover, the study finds that brand trust serves as a stronger mediator than customer satisfaction in the relationship between customer experience and loyalty. While direct effects of customer experience on loyalty are limited, their indirect effects—especially through brand trust—are substantial.

For highway food chains to enhance customer retention and competitive positioning, it is imperative to deliver consistently high-quality experiences, invest in staff training, maintain rigorous hygiene standards, and adopt effective customer relationship management (CRM) practices. Additionally, branded chains must recognize and strategically address the unique value propositions offered by local dhabas.

In conclusion, the success of highway food chains in India hinges on their ability to build and sustain brand trust through unwavering service quality and a deep understanding of customer needs in a highly competitive and localized market. The insights from this research offer actionable strategies for food service operators aiming to foster long-term customer loyalty and thrive amidst the challenges posed by traditional local competitors.

Managerial Insight:

Highway Chains are likely to sustain long-term growth and capture market share due to superior economies of scale.

Local Dhabas need to innovate operationally or collaborate (e.g., co-ops for procurement) to stay competitive.

Independent Restaurants must focus on experience differentiation and localized CRM to retain loyal customers.

11. Policy regulations

1) Standards of Hygiene and Food Safety

Refer to national guidelines to emphasise the discrepancy between policy and practice: FSSAI Guidelines (India)

Hygiene for food service establishments is regulated by the Food Safety and Standards Authority of India (FSSAI) under the following: Schedule 4 of the Food Safety and Standards (Licensing & Registration of Food Businesses) Regulations, 2011

Areas of emphasis:

Premises cleanliness

Staff members' personal hygiene

Proper food storage and management

Food handlers undergo consistent training.

Outlets are required to exhibit their FSSAI licence.

2) Public Washrooms and the Swachh Bharat Mission

Despite India's Swachh Bharat Mission (Clean India Campaign) encouraging private participation in the maintenance of hygienic lavatories at public food facilities, many highway chains fail to maintain adequate washroom hygiene.

Recommendation: In order to guarantee traveler satisfaction and maintain spotless washrooms, branded chains should collaborate with local municipalities or the National Highways Authority of India (NHAI).

3) The Consumer Protection Act of 2019

Customers are now granted more robust rights under the Consumer Protection Act, which encompasses:

Service breakdowns are rectified.

Penalties for unethical trade practices

Online platforms for grievances (e.g., e-Daakhil)

Implication: To prevent legal escalations, branded chains must invest in CRM systems to transparently manage customer complaints.

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