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Antecedents and consequences of fast-food restaurant customers' perception of price fairness

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ABSTRACT

Purpose - This study examines the influence of service quality dimensions (food quality, physical environment quality, and employee service quality) and brand image of fast-food restaurants on price fairness and its consequence on customer retention.

Design/methodology/approach – This survey collected 331 responses using the public-intercept method. Data analysis involved performing confirmatory factor analysis (CFA) on the measurement model followed by structural equation modeling. Moderation analysis was performed using SPSS (Model 1 in process macro), while mediation was performed using Model 4 in process macro.

Findings – Empirical results of this study revealed the positive effect of restaurant service quality dimensions on price fairness and price fairness on customer retention. It also revealed that brand image strengthened the restaurant service-quality/price fairness interrelationship, and that customer satisfaction partially mediated the price fairness/customer retention interrelationship.

Research limitations/implications – Findings of this study are useful to marketers and fast-food restaurateurs in establishing the right combination of service quality dimensions and brand image that increase perceptions of price fairness and increase customer satisfaction and retention.

Originality/value – This study contributes to advancing the theoretical foundations of customers' perceived price fairness and retention research, specifically in the understudied fast-food sector of emerging economies. It extends the application of the equity theory to expose the direct and indirect influences on customer perceived price fairness and customer retention. The findings provide a better understanding of price fairness perceptions.

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3 **Keywords** Price fairness, Customer retention, Customer satisfaction, Fast-food, Restaurant
4 service quality
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6 **1. INTRODUCTION**

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9 It is generally accepted that various factors in the restaurant-customer interrelationship
10 influence customers' perceptions of price fairness (Malc *et al.*, 2016). Further, perceptions of
11 price fairness influence willingness to purchase (Malc *et al.*, 2016), customer satisfaction
12 (Batsakis *et al.*, 2019; Slack *et al.*, 2020a, 2020b), retention (Manosuthi and Han, 2020), and
13 long-term business profitability (Chung and Petrick, 2015). Therefore, academics and
14 practitioners must discern (from a customers' perspective) what influences price fairness
15 perception formation and the desired resultant customer behavior. Extant marketing research
16 has investigated some antecedents and resultant outcomes of perceived price fairness (El-Said,
17 2020; Jeaheng *et al.*, 2020). Notwithstanding, most price fairness published research simply
18 investigated the influence of antecedents such as customer perceived price and price
19 discrepancy on price fairness (Haws and Bearden, 2006), the resultant positive ('fair') or
20 negative ('unfair') customer perceptions of price fairness, and behavioral reactions (Malc *et*
21 *al.*, 2016). Other factors in the restaurant-customer interrelationship which influence customer
22 perceived fairness and behavior have generally been overlooked (Xia *et al.*, 2004).
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43 This study acknowledges that factors other than perceived price and price discrepancy in the
44 restaurant-customer interrelationship and transaction influence customer perceived fairness
45 and behavior and warrant further research. Also, it is acknowledged that customers, through
46 subjective psychological judgment, determine whether the absolute outcomes of a restaurant-
47 customer interrelationship and transaction are acceptable, reasonable, and just ('fair') (Xia *et*
48 *al.*, 2004).
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3 While the price fairness (PF) concept has grown in interest, the antecedent influence of
4 restaurant service quality dimensions (RSQd) on PF, and PF on customer retention (CR) remain
5 understudied. the moderation influence of brand image (BI) on the RSQd and PF
6 interrelationship and mediation influence of customer satisfaction (CS) on the PF and customer
7 retention (CR) interrelationship. We aim to address these gaps by contributing to new
8 knowledge relating to the direct moderation and mediation influence of these factors on fast-
9 food restaurant customer perceived PF and CR. This study also intends to develop and test a
10 questionnaire with reliable and valid scales and a structural model that is an appropriate
11 predictor of customer retention relevant to fast-food restaurants. From a practical perspective,
12 this study intends to provide empirical findings that will enable academics and practitioners to
13 formulate targeted marketing and operational strategies to optimize fast-food restaurant
14 customer perceived price fairness and retention. This study forms part of a much larger research
15 on consumer behavior in emerging and developed economies.

35 2. LITERATURE REVIEW

37 2.1 Influence of Food Quality (FQ) on Price Fairness (PF)

39 Extant fast-food restaurant literature acknowledges that customers consider restaurant service
40 quality (RSQ) [comprised of food quality (FQ), employee service quality (ESQ), and physical
41 environment quality (PEQ)] (Carranza *et al.*, 2018; Clemente-Ricolfe, 2016; Han and Hyun,
42 2017) and PF (Harrington *et al.*, 2013; Ryu *et al.*, 2008; Zhong and Moon, 2020) when selecting
43 a restaurant to dine at, and when evaluating a restaurant dining experience. Customers have
44 also been shown to rely heavily on factors such as FQ when benchmarking and assessing price
45 and perceived price fairness of a restaurant (Haws and Bearden, 2006; Zhong and Moon, 2020).
46 Furthermore, it is reported that a positive relationship exists between FQ (and the level of FQ)
47 provided by restaurants and customers' subjective perception of PF (Zhong and Moon, 2020).
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8 Jeaheng *et al.* (2020) and Konuk (2019) reinforce these reported findings and argue that FQ
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10 has a strong influence in determining customers' perceptions of price and PF. As such, it is
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12 postulated that:
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14 **H1:** Food Quality (FQ) positively influences Price Fairness (PF) of fast-food restaurants.
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19 *2.2 Influence of Physical Environment Quality (PEQ) on Price Fairness (PF)*

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21 The PEQ of a restaurant refers to “the conscious design of a space to encourage specific
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23 emotional effects in the customer, to ultimately enhance his/her willingness to purchase a
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25 product or service” (Heung and Gu, 2012). Research indicates that the PEQ of a restaurant
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27 comprises features such as the restaurants' interior design and décor, layout and table settings,
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29 scent and temperature, cleanliness, lighting, music, and amenities, which in combination aim
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31 to create a distinctive dining atmosphere and experience (Ha and Jang, 2012; Jin *et al.*, 2013).
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33 Empirical findings have identified a strong positive relationship between a restaurants' PEQ
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35 and customers' price perceptions, and that customers use the PEQ in judging PF (Ha and Jang,
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37 2012; Han and Ryu, 2009; Heung and Gu, 2012; Oh, 2000). Also, customers who perceived
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39 that a restaurants' PEQ evoked a pleasant dining atmosphere (Ing *et al.*, 2020; Ryu *et al.*, 2008)
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41 were more prone to accept that the prices charged by the restaurant were reasonable, could be
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43 accepted, and were justified (Han and Ryu, 2009; Heung and Gu, 2012; Xia *et al.*, 2004).
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45 Hence, this study proposes that:
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51 **H2:** Physical Environment Quality (PEQ) positively influences Price Fairness (PF) of fast-food
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53 restaurants.
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58 *2.3 Influence of Employee Service Quality (ESQ) on Price Fairness (PF)*

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ESQ has been described as the quality of interpersonal service imparted by restaurant employees when interacting with customers (Ha and Jang, 2010). Restaurant front-line service staff are the initial point of contact with customers, and the interface between the restaurant and customers throughout the dining experience (Pietro *et al.*, 2014). Also, ESQ is regarded as a critical restaurant attribute assessed by customers, influencing customers' perception of the dining experience and price fairness (Castellanos-Verdugo *et al.*, 2009). Furthermore, improvement in employee skills, knowledge, and capabilities has been shown to favorably influence customer perceptions of price and PF (Arroyo-López *et al.*, 2017). Several studies reinforce that provision by restaurants of higher levels of ESQ positively influences emotional relationships established between restaurant employees and customers (Chen and Hu, 2010; Lo *et al.*, 2017), and that ESQ positively influences customer perceptions of PF (Jani and Han, 2011). Therefore, it is proposed that:

H3: Employee Service Quality (ESQ) positively influences Price Fairness (PF) of fast-food restaurants.

2.4 Influence of Brand Image (BI)

BI has been described as the current subjective perception of customers about a brand. It is based on the features and benefits (such as quality and price) of products and services offered (Lien *et al.*, 2015), and influences customers' attitudes toward purchasing and consuming the products and services (Aghekyan-Simonian *et al.*, 2012; Persson, 2010). BI is also a form of identification that enables customers to differentiate products and services offered by different sellers (Persson, 2010). Additionally, customers' perceptions assist in determining whether BI promises of quality and price have been met (Jalilvand and Samiei, 2012). Several studies demonstrate that BI strongly influences customer perceived quality (Vranesevic and Stancec, 2003), price and PF (Anselmsson *et al.*, 2014; Biswas, 1992), and that customers are generally

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3 more amenable to accepting moderately higher prices when their image-based assessments of
4 food quality are positive (Bigné *et al.*, 2005). Thus, it is postulated that:
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7 **H4a:** Brand Image (BI) positively moderates the Food Quality (FQ) and Price Fairness (PF)
8 interrelationship of fast-food restaurants.
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14 A recent study by Tan and Yeo (2020) identified that BI promotes customer perceptions of the
15 PEQ of retail stores and customer purchasing behavior. Also, based on the customers'
16 perceptions of the BI of the stores, customers identify that the combination of PEQ and PF is
17 critical when selecting a store to shop at, and when evaluating a shopping experience. Other
18 researchers (Baker *et al.*, 1994; Saleh *et al.*, 2017) reinforced the findings of Tan and Yeo
19 (2020) and identified that a positive BI strengthens customers' perceptions of PEQ and PF.
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28 Hence, the study proposes that:
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30 **H4b:** Brand Image (BI) positively moderates the Physical Environment Quality (PEQ) and
31 Price Fairness (PF) interrelationship of fast-food restaurants.
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38 BI is suggested to promote customer expectations that restaurant employees will
39 connect/reconnect with the customers in delivering exceptional ESQ, and that customers will
40 receive a pleasant dining experience (Gephardt *et al.*, 2006) and perceive PF (Anselmsson *et*
41 *al.*, 2014). Empirical studies support these suggestions and confirm that BI builds customer
42 expectations of ESQ (Ind, 2003; Miles and Mangold, 2004), pricing, and PF (Anselmsson *et*
43 *al.*, 2014). Other researchers (Erkmen and Hancer, 2015; Zhang *et al.*, 2020) also submit that
44 brand image significantly influences customer perceptions of ESQ and reasonableness of price.
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53 Therefore, it is suggested that:
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55 **H4c:** Brand Image (BI) positively moderates the Employee Service Quality (ESQ) and Price
56 Fairness (PF) interrelationship of fast-food restaurants.
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2.5 Influence of Price Fairness (PF) on Customer Satisfaction (CS)

According to Kotler (2000), CS is regarded as a customer's pleasurable feeling obtained after a product consumption or service use experience. Prior studies have reported that PF is a precursor of CS (Uddin, 2019) and that PF perceptions are positively correlated with CS (Batsakis *et al.*, 2019; Jin *et al.*, 2012; Martin-Consuegra *et al.*, 2007). Moreover, it has been suggested that when customers perceive price fairness (prices were deemed reasonable, could be accepted, and were justified), higher levels of CS are evident (Herrmann *et al.*, 2007; Khare *et al.*, 2014; Ryu and Han, 2010). Voss *et al.* (1998) even argue that customer satisfaction is a function of price fairness and a dominant determinant of satisfaction. Conversely, other researchers (El-Said, 2020; Zhang *et al.*, 2020) argue that price unfairness results in a decrease in CS. Thus, it can be hypothesized that:

H5: Price Fairness (PF) positively influences Customer Satisfaction (CS) of fast-food restaurants.

2.6 Influence of Price Fairness (PF) on Customer Retention (CR) (without the presence of mediation)

CR is recognized as a business' ability to maintain favorable customer relations sufficient for customers to continue to purchase its goods and services (Kotler *et al.*, 2008), and has proven to be more economical than acquiring new customers (Wertz, 2018). In addition, as a result of CR strategies adopted by businesses, retained loyal customers are prepared to pay more, increase purchases, and resist switching (Evanschitzky *et al.*, 2012). Hence, it is imperative for businesses to retain loyal customers (Sharma *et al.*, 2020).

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3 Price fairness literature has identified that customer perceived price fairness judgments directly
4 shaped a customer's post-purchase attitudinal and behavioral intentions (Khare *et al.*, 2014;
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6 Rothenberger, 2015, p.10), and resulted in positive or negative word-of-mouth and repurchase
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8 intentions (Rothenberger, 2015; Wang *et al.*, 2015). Empirical studies also support a strong,
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10 positive relationship between customer perceived PF and CR, and that customers' perceptions
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12 of price and PF influence customer engagement in repeat purchases (Dawes, 2009; Han and
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14 Ryu, 2009; Manosuthi and Han, 2020). Also, restaurant industry-specific studies (Clemes *et*
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16 *al.*, 2010; Han and Ryu, 2009; Hyun, 2010) reinforce the positive influence of customer
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18 perceived PF on CR, and the threat to CR when customers perceive prices to be unfair.
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20 Therefore, it is proposed that:
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26 **H6:** Price Fairness (PF) positively influences Customer Retention (CR) of fast-food
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28 restaurants.
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30 31 32 33 *2.7 Influence of Customer Satisfaction (CS) on Customer Retention (CR)*

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35 Satisfied customers are typically more inclined to continue to frequent a business and engage
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37 in repeat purchases (Singh *et al.*, 2021; Slack *et al.*, 2020c), resulting in CR (Casidy and
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39 Wymer, 2015; Dhisasmitho and Kumar, 2020; Gopi and Samrat, 2020). Several previous studies
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41 (Byun and Jang, 2019; Kim *et al.*, 2020; Singh and Slack, 2020) revealed the direct positive
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43 influence of CS on CR. Also, other empirical studies of the restaurant industry reaffirmed the
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45 findings that CS was positively related to CR (Ryu and Han, 2010; Ryu *et al.*, 2012; Zhong
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47 and Moon, 2020). Hence, the study proposes that:
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51 **H7:** Customer Satisfaction (CS) positively influences Customer Retention (CR) of fast-food
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53 restaurants.
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2.8 Influence of Price Fairness (PF) on Customer Retention (CR) (with the presence of mediation)

Customer satisfaction influences customer perceptions of price and PF (Dawes, 2009; Han and Hyun, 2015). El-Adly (2019) also suggests that CS partially mediates the price and post-purchase behavior interrelationship. Other studies (Han and Hyun, 2015; Namkung and Jang, 2007), identified the mediating role of CS in determining post-purchase behavioral intentions and CR. Studies also demonstrate a significant indirect positive relationship between PF and CR mediated through CS (Han and Hyun, 2015; Szymanski and Hendar, 2001). Thus, the study proposes that:

H8: Customer Satisfaction (CS) mediates the interrelationship between Price Fairness (PF) and Customer Retention (CR) of fast-food restaurants.

3 THEORETICAL FRAMEWORK

This study employed the equity theory to investigate specific constructs that directly influence, moderate, and mediate PF and the subsequent influence on CR in fast-food restaurants. The equity theory is associated with fairness and equity of outcomes for both parties to exchange relationships and transactions (Xia *et al.*, 2004). Customers consider purchasing experiences to be either fair and equitable or unfair and inequitable, based on their perceptions of price fairness (Wu *et al.*, 2012), other factors in the seller-buyer interrelationship, and the transaction (Xia *et al.*, 2004). This study considers the equity theory pertinent because the underlying focus of this research is PF. Also, several previous studies have employed the equity theory to investigate customer perceptions regarding price and PF (Malc *et al.*, 2016; Malc *et al.*, 2020; Martin *et al.*, 2009).

[INSERT FIGURE 1 HERE]

4. METHODOLOGY

4.1 Measures

Relevant constructs and items adapted from prior research were adopted in this study and research model. A 5-point Likert-type response scale was used to measure respondents' level of agreement with each item. Items and constructs comprising the questionnaire (see Appendix A) were pilot-tested with 40 experienced retail shoppers. The internal consistency reliability of the items and construct validity were confirmed.

4.2 Survey and sample

In this study, a public intercept survey was adopted to collect data. This survey method is confirmed to be a suitable, direct method for gathering data on public perceptions (Dillman *et al.*, 2014; Flint *et al.*, 2016), and for reaching the local population in specific locations that might otherwise be hard to locate (McKenzie and Mistiaen, 2007). This survey method has also been shown to be less time-consuming and less costly than other alternative survey methods (Blair, *et al.*, 2014). Data was collected throughout July-August 2016 from the four main metropolitan areas of Fiji (namely Nadi, Lautoka, Labasa, and Suva), which comprise a major percentage of the country's population and the highest concentration of fast-food restaurants in Fiji (Slack and Singh, 2020). Of the 627 fast-food restaurant customers intercepted, 331 usable responses resulted in a 53 percent response rate (Slack *et al.*, 2020a; Slack *et al.*, 2020b), which was above the commonly reported intercept method response rate (Denstadli, 2000). Respondent demographic analysis revealed 53 percent of the respondents were female. Furthermore, 39.3 percent were aged between 26 and 30, 26.3 percent between ages 31 and 40, 23.9 percent between ages 18 and 25, and the remaining 10.5 percent were less than 18 years of age or over 40. Most respondents (79.5 percent) held a tertiary level qualification. Also, 43.5 percent earned an annual income of between Fiji\$10,001 and

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3 Fiji\$20,000, while 31.1 percent earned more than Fiji\$20,000 and 24.2 percent earned between
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5 Fiji\$5,000 and Fiji\$10,000.
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10 **5. RESULTS**

11 *5.1 Examination for common method bias*

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14 With the use of a common latent factor, the common method bias was examined for this study.
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16 The test result was 31.59 percent of variance, and was below the 50 percent threshold suggested
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18 by Podsakoff *et al.* (2003). Therefore, it was confirmed that the validity of the result was not
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20 impacted by common method bias.
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26 *5.2 Measurement model*

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28 Scales employed in this study were examined for reliability and validity. The internal
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30 consistency of each item was examined using Cronbach's alpha test. The alpha results revealed:
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32 food quality (0.957), physical environment quality (0.835), employee service quality (0.941),
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34 price fairness (0.967), brand image (0.966), customer satisfaction (0.945), and customer
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36 retention (0.944). Because all constructs' reliability values surpassed the suggested threshold
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38 of 0.80 (Hair *et al.*, 2006), internal consistency was confirmed. Further, considering construct
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40 reliability (CR) was greater than 0.50, and average variance estimates (AVE) were greater than
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42 0.70, convergent validity was confirmed (Fornel and Larcker, 1981). Discriminant validity was
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44 also confirmed for all factors employed in this study as all average shared squared variances
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46 (ASV) and maximum shared variances (MSV) were below the average variance extracted
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48 (AVE) (Fornel and Larcker, 1981). Tables 1 and 2 provide the results of these tests.
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53 [Table 1 here]
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57 Following successful evaluation of the validity and reliability values for all factors of this
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59 study's model, Structural Equation Modeling was used to examine the overall model fit.
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Investigation of the model fit included exploration of the ratio of the chi-square (χ^2) to the degree of freedom (df), Tucker–Lewis index (TLI), root mean square error of approximation (RMSEA), goodness of fit index (GFI), and comparative fit index (CFI). According to Hair *et al.* (2010), good model fit has CFI, TLI, and GFI values more than 0.900, χ^2/df less than 5, and RMSEA less than 0.800 (Bagozzi *et al.*, 2003; Hair *et al.*, 2010). The results [χ^2 (1264) = 2426.613 ($p < 0.001$); $\chi^2/df = 1.920$; $CFI = 0.936$; $GFI = 0.924$; $TLI = 0.913$; $RMSEA = 0.041$] showed that all items exceeded the recommended minimum threshold (Hair *et al.*, 2006), and suggested that the model adopted in this study was a suitable predictor of customer retention in a fast-food restaurant context.

[Table 2 here]

5.3 Structural relationships

Following the successful assessment of the measurement model, we examined the structural model. The hypotheses were tested in the following three stages: testing the direct relationships (H1-H3), moderating relationships (H4a-H4c), and finally, mediation relationships (H5-H8).

First, food quality ($\beta = 0.867$, $p < 0.001$), physical environment quality ($\beta = 0.589$, $p < 0.001$), and employee service quality ($\beta = 0.704$, $p < 0.05$) were determined to significantly positively influence price fairness. Hence, H1, H2, and H3 were accepted. Second, brand image was tested as the moderator. Positive relationships between food quality and price fairness, physical environment quality and price fairness, and employee service quality and price fairness, were strengthened by brand image. Therefore, H4a, H4b, and H4c were supported. Appendices B, C, and D illustrate these moderation results. Third, the conceptual framework suggested customer satisfaction was a mediating variable between price fairness and customer retention. AMOS was used to perform path analysis with the use of bootstrapping. The four mediation

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3 conditions specified by Baron and Kenny (1986) were tested, and test results showed that
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5 conditions 1, 2, and 3 had been satisfied. H5, H6 and H7 respectively were statistically
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7 significant and were accepted: the direct effect of price fairness ($\beta = 0.806$, $p < 0.001$) on
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9 customer satisfaction, price fairness ($\beta = 0.925$, $p < 0.001$) on customer retention, and customer
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11 satisfaction ($\beta = 0.871$, $p < 0.001$) on customer retention.
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17 Having confirmed the direct effect, the indirect effect was examined. Based on the
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19 recommendation of Byrne (2010), the mediation effect in the model was examined by the
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21 bootstrapping procedure, with bias-correction bootstrapping employed for 2,000 resamples and
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23 a confidence interval of 95 percent. The indirect effect of price fairness on customer retention
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25 via customer satisfaction was statistically significant ($\beta = 0.859$, $p < 0.001$). Therefore,
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27 condition 4 was not satisfied. These results suggest customer satisfaction partially mediated
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29 the interrelationship between price fairness on customer retention, reducing the effect of price
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31 fairness on customer retention from $\beta = 0.925$ to $\beta = 0.859$ and leading to lower customer
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33 retention.
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40 **6. DISCUSSION AND CONCLUSIONS**

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42 This study's findings were derived from the fast-food restaurant sector of an understudied
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44 emerging economy. A scale and model were used, which uniquely consolidated into one
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46 empirical study-specific direct and indirect antecedent factors (other than price and price
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48 discrepancy) that influence customer perceived price fairness, and the consequences of price
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50 fairness perceptions on customer retention. Findings suggest that the empirical data supported
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52 all hypotheses tested in this study. These findings also align with the findings gained from
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54 separate published studies of various construct interrelationships derived from disparate
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56 business sectors in developed economies, and suggest that results could be generalizable. This
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3 study and other disparate studies both independently established the positive influence of
4 service quality on customer perceived price fairness (Han and Ryu, 2009; Jani and Han, 2011;
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6 Jeaheng *et al.*, 2020), and that brand image positively strengthened the interrelationship
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8 between the service quality and customer perceived price fairness (Anselmsson *et al.*, 2014;
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10 Saleh *et al.*, 2017; Zhang *et al.*, 2020). Comparable findings in this study and research from
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12 other contexts also established the direct effect of price fairness on customer satisfaction
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14 (Batsakis *et al.*, 2019; Jin *et al.*, 2012), and price fairness (Manosuthi and Han, 2020) and
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16 customer satisfaction (Byun and Jang, 2019; Kim *et al.*, 2020) on customer retention.
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18 Furthermore, this study confirmed that customer satisfaction partially mediated and reduced
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20 the effect of price fairness on customer loyalty leading to lower customer loyalty (Kim *et al.*,
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22 2020; Manosuthi and Han, 2020).
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31 From a theoretical perspective, this study first responds to the calls to address the limited
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33 literature on customer perceived price fairness and retention (Malc *et al.*, 2016; Malc *et al.*,
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35 2020; Xia *et al.*, 2004) of the fast-food sector of emerging economies (Zhong and Moon, 2020).
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37 This study provides empirical evidence of customer perceptions of price fairness and customer
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39 retention from the fast-food sector of the emerging economy of Fiji. Second, most previous
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41 studies of price fairness have simply investigated the direct influence of price-related
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43 antecedents (such as customer perceived price and price discrepancy) on price fairness (Haws
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45 and Bearden, 2006), the resultant positive ('fair') or the negative ('unfair') customer
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47 perceptions of price fairness, and the resultant behavioral reactions (Malc *et al.*, 2016).
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49 However, this study provides unique insight into customer perceived price fairness and
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51 customer retention from the perspective of the influence of antecedent factors (other than
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53 customer perceived price and price discrepancy), namely the restaurant service quality
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55 dimensions (food quality, physical environment quality, and employee service quality).
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3 Furthermore, this study revealed the positive moderation influence of brand image on the
4 antecedent-price fairness interrelationships, and the partial mediation influence of customer
5 satisfaction on the price fairness-customer retention interrelationship. Hence, this study also
6 closes the gap highlighted by Xia *et al.*, (2004), that other factors in the restaurant-customer
7 interrelationship which influence customer perceived fairness and behavior have generally
8 been overlooked.
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10
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12 Third, prior equity theory-based research of pricing fairness perceptions has typically focused
13 on one of two streams: either the identification of factors that influence price fairness
14 perceptions (Bolton *et al.*, 2003; Bolton *et al.*, 2010; Monroe and Huber, 2007) or the
15 consequences of price fairness perceptions (Martins and Monroe, 1994; Xia *et al.*, 2004). Also,
16 theory-based research of pricing fairness perceptions has tended to be conceptual in nature,
17 direct relationship-focused, lacked empirical evidence, and remained understudied (Malc *et al.*,
18 2016; Malc *et al.*, 2020; Martins and Monroe, 1994; Xia *et al.*, 2004). In addition, according to
19 the equity theory, indirect relationships also exist as significant influences on customer price
20 fairness perceptions, and those indirect relationships would also appear to be likely sources of
21 significant price fairness information and warrant further investigation (Martins and Monroe,
22 1994). Thus, this study's findings uniquely extend the application of the equity theory by
23 providing empirical evidence that exposes the combined influence of direct and indirect factors
24 which influence price fairness perceptions, and the consequences of price fairness perceptions,
25 in one study.
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53 Fourth, this study also developed, employed, and confirmed a valid, reliable, and unique
54 measurement scale for price fairness that could be adopted with confidence by other researchers
55 to replicate this study, and extend the research of customer perceived price fairness across
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3 settings. Fifth, this study advances the ever-increasing body of knowledge relating to customer
4 retention within fast-food sector research by delivering a unique structural model that is an
5 appropriate predictor of customer retention in fast-food restaurants. Finally, this study
6 confirmed that price fairness does not unilaterally determine and predict customer retention.
7
8 Rather, a complex set of interconnected and dynamic factors influence customers' perceptions
9 of price fairness, customer behavior and retention, and any change in those factors has the
10 potential to dramatically change customers' perceptions, behavior and retention.
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21 From a practical perspective, this study first confirms that both direct and indirect factors (other
22 than price and price discrepancy) influence price fairness perceptions and the consequences of
23 price fairness perceptions on customer retention. These findings are insightful for
24 restauranters and marketers who wish to increase customer perceived price fairness and
25 customer retention. Second, this study confirms that restaurant service quality dimensions
26 (food quality, physical environment quality, and employee service quality) positively influence
27 customers' perceptions of fast-food restaurant price fairness. Thus, fast-food restauranters
28 need to ensure that high-quality fast-food, restaurant physical environment, and employee
29 service, are consistently offered to customers to establish, maintain, and increase customers'
30 positive price fairness perceptions. Third, this study establishes that a strong fast-food
31 restaurant brand image strengthens the positive influence that food quality, physical
32 environment quality, and employee service quality have on customers' perceived price fairness.
33
34 Therefore, fast-food restaurant marketers must ensure that they build and nurture a fast-food
35 restaurant brand image that is strongly aligned with the target audience, and critical business
36 goals and key messages which emphasize the provision of food quality, physical environment
37 quality and employee service quality, and the promotion of price fairness. Fourth, this study's
38 findings affirm the significant influence of price fairness on customer satisfaction and customer
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3 retention, customer satisfaction on customer retention, and customer satisfaction mediates the
4 price fairness-customer retention interrelationship. It is recommended that restaurateurs
5 recognize that strategies must be operationalized to increase customer perceptions of price
6 fairness to increase customer satisfaction and customer retention of fast-food restaurants. Fifth,
7 developing and adapting restaurant strategies to meet dynamic market conditions is often
8 perceived as a complex and onerous task for restaurateurs. This study also offers
9 restaurateurs a valid and reliable set of scales and models, that are a simple, accurate and
10 economical means by which they may monitor customers' real-time perceptions of restaurants,
11 and adapt effective strategies to ensure customers' restaurant service quality, branding, price
12 fairness, and satisfaction expectations have been met, and customers are retained.
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28 The presented contributions have some limitations. First, considering this study only examined
29 factors that influenced customer perceived price fairness and the resultant influence on
30 customer retention in the fast-food restaurant sector of one emerging economy, future research
31 could consider extending this study to the fast-food sectors of other emerging and developed
32 economies and through cross-country comparisons to determine the generalizability of results.
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3 In conclusion, this study has in no way attempted to downplay the significance of price and
4 price discrepancy as factors influencing PF and customer retention, but rather enlighten
5 researchers and fast-food restaurant management to other important factors that are often
6 overlooked and understudied that also have a significant influence on customers' perceptions
7 of price fairness and customer retention.
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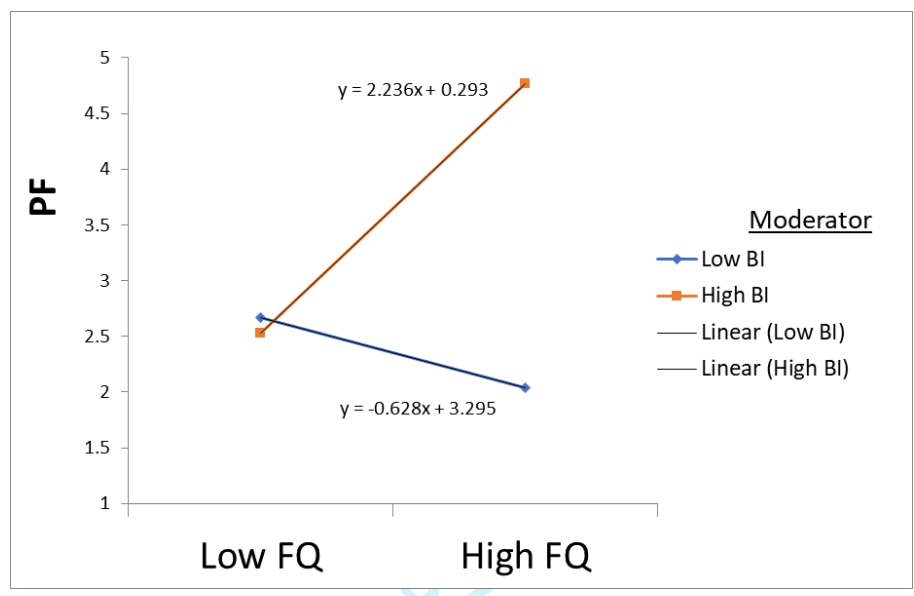
8.0 APPENDICES

Appendix A. Constructs and measurement items

Constructs	Measurement Items	Sources
Food Quality	FQ1 The food at fast food restaurants was delicious	Jang and Namkung, 2009; Ryu <i>et al.</i> , 2012; Slack <i>et al.</i> , 2020b
	FQ2 Fast food restaurants offer a variety of menu items	
	FQ3 Fast food restaurants offer fresh food	
	FQ4 The smell of fresh food was enticing	
	FQ5 The food presentation was visually attractive	
Employee Service quality	SQ1 Employees provided prompt and quick service	Brady and Cronin, 2001; Jang and Namkung, 2009; Ryu <i>et al.</i> , 2012; Slack <i>et al.</i> , 2020b
	SQ2 Employees are always willing to help me	
	SQ3 Employees made me feel comfortable in dealing with them	
Physical Environment Quality	PEQ1 Fast food restaurants have attractive interior design and décor	Jang and Namkung, 2009; Ryu and Jang, 2008; Ryu <i>et al.</i> , 2012; Slack <i>et al.</i> , 2020b
	PEQ2 The dining areas are thoroughly clean	
	PEQ3 Employees are neat and well dressed	
Price Fairness	PF1 The food prices charged by fast-food restaurants is reasonable	Xia <i>et al.</i> 2004; Ryu <i>et al.</i> , 2012
	PF2 The prices in fast-food restaurants seems appropriate for what I get	
	PF3 Overall, fast-food restaurants provide superior prices compared to other food-service providers	
Customer Satisfaction	CS1 I am satisfied with my overall experience at fast food restaurants	Oliver, 1997; Ryu <i>et al.</i> , 2012; Slack <i>et al.</i> , 2020b
	CS2 Overall, fast food restaurants put me in a good mood	
	CS3 I really enjoy myself at fast food restaurants	
Brand Image	IMG1 Fast-food restaurants have a fashionable and trendy image	Andreassen and Lindestad, 1998; Ryu <i>et al.</i> , 2012; Slack <i>et al.</i> , 2020a
	IMG2 Fast-food restaurants have a good reputation	
	IMG3 Fast-food restaurants are familiar to me	
Customer Retention	CL1 I intend to continue purchasing from fast-food restaurants	Aydin and Ozer (2005) as cited in Santouridis and Trivellas, 2010; Ryu <i>et al.</i> , 2012; Slack <i>et al.</i> , 2020a
	CL2 I recommend to my family and friends to purchase from fast-food restaurants	

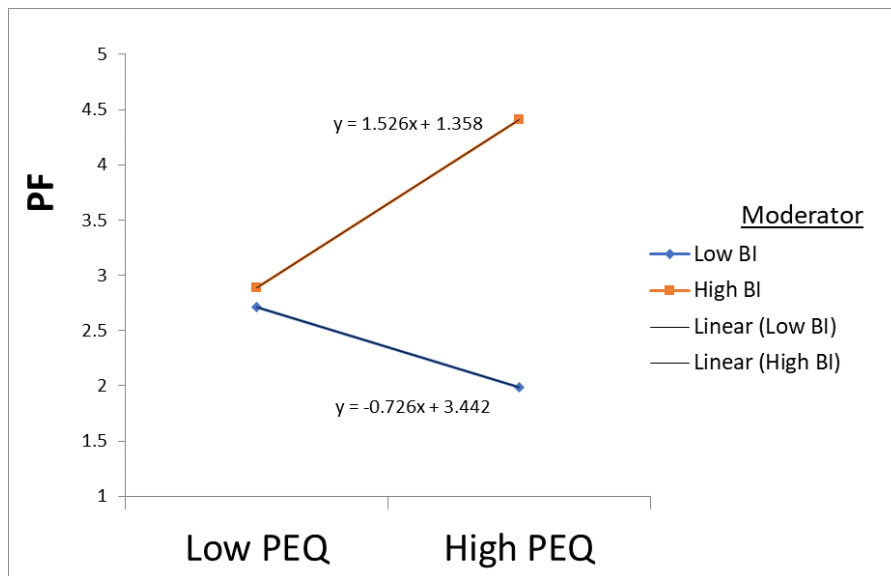
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Appendix B. Brand image strengthens the positive relationship between food quality and price fairness.



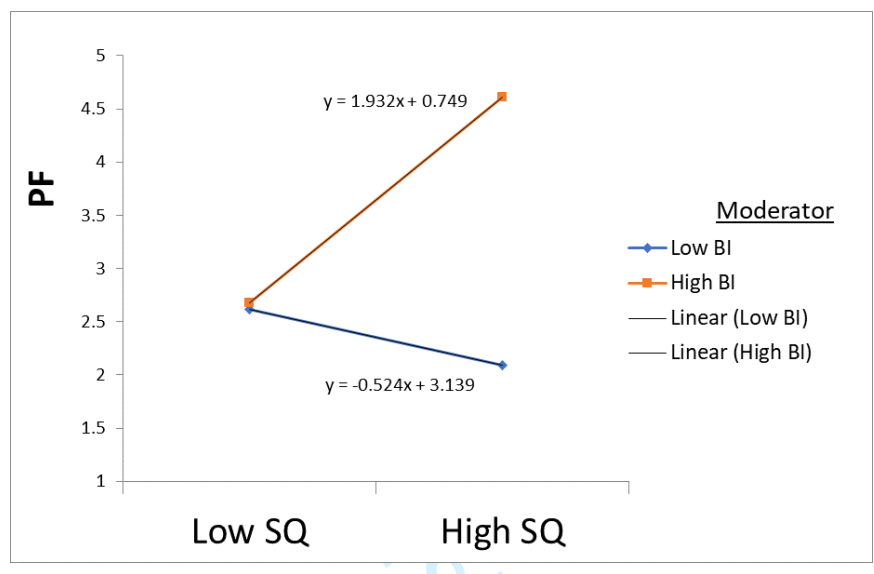
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Appendix C. Brand image strengthens the positive relationship between physical environment quality and price fairness.



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Appendix D. Brand image strengthens the positive relationship between employee service quality and price fairness.



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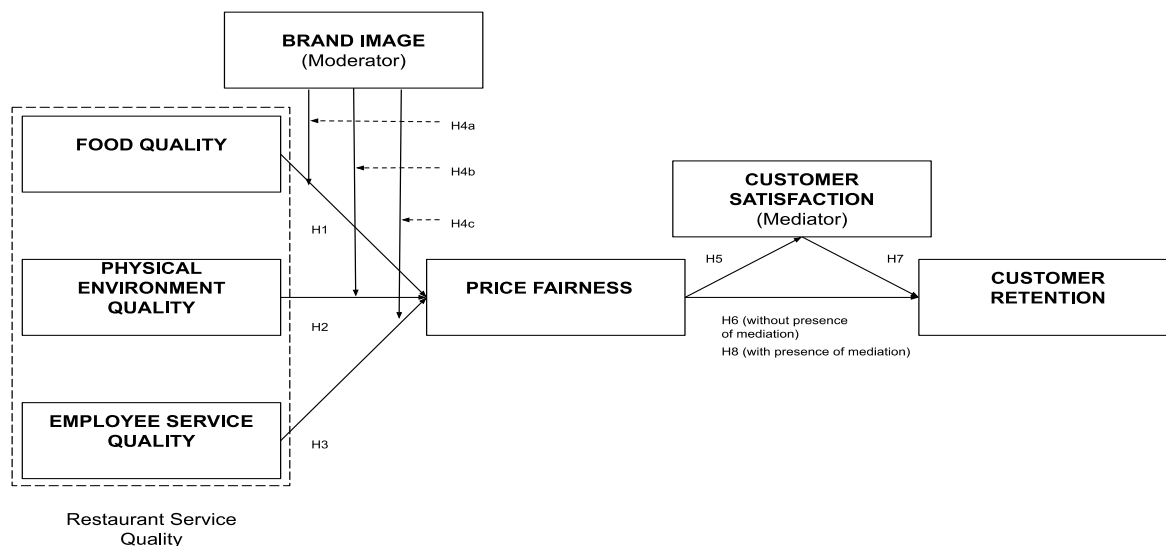


Figure 1. Proposed hypotheses and conceptual model.

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Table 1. Discriminant validity test results

	CR	AVE	MSV	MaxR(H)	FQ	PEQ	SQ	BI	PF	CS	CR
FQ	0.96	0.81	0.94	0.992	0.898						
PEQ	0.91	0.87	0.93	0.919	0.470***	0.881					
SQ	0.95	0.83	0.93	0.997	0.144***	0.462***	0.909				
BI	0.97	0.91	0.98	0.967	0.248***	0.597***	0.365***	0.951			
PF	0.97	0.88	1.01	0.968	0.598***	0.344***	0.299***	0.383***	0.938		
CS	0.95	0.87	1.01	0.965	0.293***	0.149***	0.213***	0.276***	0.544***	0.931	
CR	0.95	0.90	0.98	0.947	0.271***	0.692***	0.458***	0.491***	0.264***	0.253***	0.950

Note: *** p < 0.001

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Table 2. Confirmatory factor analysis results for refined measurement items

Factor and item description	Model and item indices				
	SL	CR	SMC	AVE	MSV
Food Quality					
FQ1 The food at fast food restaurants was delicious	0.921		0.913		
FQ2 Fast food restaurants offer a variety of menu items	0.911		0.927		
FQ3 Fast food restaurants offer fresh food	0.926	0.931	0.934	0.810	0.940
FQ4 The smell of fresh food was enticing	0.978		0.979		
FQ5 The food presentation was visually attractive	0.969		0.915		
Employee Service quality					
SQ1 Employees provided prompt and quick service	0.983		0.981		
SQ2 Employees are always willing to help me	0.967	0.950	0.953	0.830	0.930
SQ3 Employees made me feel comfortable in dealing with them	0.973		0.948		
Physical Environment Quality					
PEQ1 Fast food restaurants have attractive interior design and décor	0.940		0.937		
PEQ2 The dining areas are thoroughly clean	0.937	0.910	0.946	0.870	0.930
PEQ3 Employees are neat and well dressed	0.951		0.951		
Price Fairness					
PF1 The food prices charged by fast-food restaurants is reasonable	0.962		0.891		
PF2 The prices in fast-food restaurants seems appropriate for what I get	0.931	0.970	0.911	0.880	1.010
PF3 Overall, fast-food restaurants provide superior prices compared to other food-service providers	0.910		0.904		
Customer Satisfaction					
CS1 I am satisfied with my overall experience at fast food restaurants	0.916		0.915		
CS2 Overall, fast food restaurants put me in a good mood	0.920	0.950	0.940	0.870	1.010
CS3 I really enjoy myself at fast food restaurants	0.975		0.936		
Brand Image					
IMG1 Fast-food restaurants have a fashionable and trendy image	0.957		0.890		
IMG2 Fast-food restaurants have a good reputation	0.941	0.970	0.889	0.910	0.980
IMG3 Fast-food restaurants are familiar to me	0.926		0.931		
Customer Retention					
CL1 I intend to continue purchasing from fast-food restaurants	0.959		0.940		
CL2 I recommend to my family and friends to purchase from fast-food restaurants	0.923	0.950	0.910	0.900	0.980

Note: SL: standardized loading; SMC: squared multiple correlations

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