Consumer Preferences and Brand loyalty to Fast-Food Restaurant Chains in Georgia

Mariami Denosashvili

Univerzita Tomáše Bati ve Zlíně
Fakulta managementu a ekonomiky
Ústav managementu a marketingu

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Zásady pro vypracování

Introduction
Define the objectives and the application methods used in the master´s thesis.
I. Theoretical part

- Prepare a critical literature review on consumer preferences and brand loyalty to fast-food restaurants.

II.Practical part.

- Describe the current state of the fast-food restaurant industry in Georgia.
- Conduct research with consumers to gather insights into their preferences and brand loyalty to fast-food chains.
- Discuss research results and prepare recommendations for the fast-food restaurant industry in Georgia.

Conclusion

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ABSTRAKT

V posledních letech se průmysl restaurací rychlého občerstvení rychle rozšiřuje po celém světě. Kromě pokračující tvrdé konkurence a vysokých turbulencí ve vnějším prostředí, restaurace neustále čelí výzvám, jako je změna vkusu spotřebitelů, změna stravovacích návyků a preferencí, budování aktivních loajálních vztahů se zákazníky, a zvyšování jejich loajality. Úspěch řetězců restaurací rychlého občerstvení proto velmi závisí na tom, jak dobře značky chápou preference svých spotřebitelů a věrnost značce, a faktory, které je ovlivňují.

Diplomová práce si klade za cíl prostudovat preference spotřebitelů a věrnost značce k řetězcům restaurací rychlého občerstvení v gruzínském kontextu. Z metodologického hlediska byl kvantitativní výzkum proveden pomocí internetového přístupu. Vzorkem byli gruzínští spotřebitelé řetězců restaurací rychlého občerstvení ve věku 12 až 59 let. Analýza výsledků naznačuje, že spotřebitelé dávají přednost mezinárodním značkám rychlého občerstvení před národními alternativami. Navíc, modelování strukturálních rovnic, prokázalo pozitivní vliv vnímané ceny a hodnoty, dostupnosti a pohodlí, důvěry ke značce a reputace na věrnost značce k mezinárodním řetězcům restaurací rychlého občerstvení. Doporučení navržená na základě analýzy výsledků a diskuse o výsledcích, mohou mezinárodním a národním značkám rychlého občerstvení v Gruzii pomoci zlepšit jejich nabídku, přilákat nové zákazníky, zvýšit loajalitu ke značce, lépe čelit rostoucí konkurenci a turbulencím ve vnějším prostředí.

Klíčová slova: spotřebitelské preference, věrnost značce, řetězce restaurací rychlého občerstvení, mezinárodní značky rychlého občerstvení, národní značky rychlého občerstvení.

ABSTRACT

In recent years, the fast-food restaurant industry has been rapidly expanding all over the world. Apart from ongoing fierce competition and high turbulence in the external environment, restaurants constantly face challenges such as changing consumer tastes, eating habits, and preferences, building active, loyal relationships with customers, and increasing their loyalty. Therefore, the success of fast-food restaurant chains highly depends on how well brands understand their consumers' preferences and brand loyalty and the factors affecting them.

The master thesis aims to study consumer preferences and brand loyalty to fast-food restaurant chains in the Georgian context. From the point of view of methodology, the quantitative research was conducted using an internet-based survey research approach. The sample was Georgian consumers of fast-food restaurant chains between the ages of 12 and 59. The result analysis suggests that consumers prefer international fast-food brands over national alternatives. Moreover, structural equation modeling proved the positive influence of perceived price and value, accessibility and convenience, brand trust and reputation on brand loyalty to international fast-food restaurant chains. The recommendations proposed based on the analysis and discussion of the results can help international and national fast-food brands in Georgia to improve their offerings, attract new customers, increase brand loyalty, better face growing competition and turbulences in the external environment.

Keywords: consumer preferences, brand loyalty, fast-food restaurant chains, international fast-food brands, national fast-food brands.

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CONTENTS

INTRODUCTION

In recent years, the fast-food restaurant industry has been a popular topic of interest to the public, including company managers, academics, and practitioners. The popularity and rapid expansion of the industry all over the world (Uddin, 2019) can be attributed to several factors: aging, more women entering the workforce, dual and rising household disposable income, consumer trends affecting eating patterns and habits, time poverty, changing lifestyles (Sen, 1998; Singh et al., 2021; Slack et al., 2020). However, another significant driving force behind industry growth is franchising: once the U.S. national brands McDonald's, KFC, Subway, Burger King, Wendy's and others used franchising to dramatically grow their system and become widely recognized international fast-food restaurant brands (Child et al., 2019; Elzeiny and Cliquet, 2013; Hitt et al., 2023; Hua and Templeton, 2010; González-Márquez et al., 2023; Grossmann and Katz, 2021; Ni and Alon, 2010; Perrigot et al., 2013; Terry and Di Lernia, 2013). The extraordinary success of international brands attracted not only consumers but also new competitors, including local/national brands.

Apart from ongoing fierce competition, restaurants constantly face challenges: changing consumer preferences, tastes, and eating trends (Kotler et al., 2022), market conditions and environment (Keller and Swaminathan, 2020), development and adoption of new technologies and innovations such as mobile apps, online ordering, delivery services, etc. (Slack et al., 2020), a dilemma of standardization and adaptation in the case of international fast-food restaurant brands, often caused by cultural and social differences between markets (Elzeiny and Cliquet, 2013; Keller and Swaminathan, 2020; Kotler and Armstrong, 2020; Kotler et al., 2022; Terry and Di Lernia 2013), and customer retention, building active, loyal relationships with them, and increasing their loyalty as consumers typically eat in 3.4 different fast-food restaurant chains (Windsperger et al., 2015). Consequently, the success of fast-food restaurant chains (e.g., surviving competition, increased customer retention and brand loyalty, long-term profitability) highly depends on how well brands understand their consumers' behaviors, preferences, and loyalty and factors affecting them, continuously develop and improve their marketing strategies, product and service offerings in response to the turbulences in the domestic and international markets (Slack et al., 2020; Singh et al., 2021).

It is noteworthy that although consumer behavior, preferences, and loyalty play significant roles in the context of fast-food restaurant chains around the world, the main focus of

previous research has been the U.S. and Europe (Carranza et al., 2018; Namin, 2017; Qin and Prybutok, 2009) whereas Asia, Africa and emerging markets have received little attention (Dutta et al., 2014; Mackay et al., 2013; Ozdemir and Ergin, 2017; Rajput and Gahfoor, 2020; Slack et al., 2020; Singh et al., 2021; Uddin, 2019). However, consumer preferences and brand loyalty to fast-food restaurant chains in the Georgian context have received little or no attention from academics and practitioners. As differences in political, economic, social, and technological factors between Georgia and other countries are quite significant, generalizing the abovementioned empirical results to Georgia without further research is a mistake. Consequently, the Master's thesis seeks to fill this existing research gap.

The thesis is organized as follows. After the introduction section, the objectives and methods used in the thesis are highlighted, and as a part of the theory, the existing literature regarding consumer behavior and branding is reviewed. Analysis part covers a research methodology, an analysis of the current state of the fast-food restaurant industry in Georgia, the results of quantitative research, and a discussion. Finally, the paper ends with recommendations for fast-food restaurant chains in Georgia.

OBJECTIVES AND METHODS USED IN THE THESIS

The main objective of the master thesis is to study Georgian consumers' preferences and brand loyalty to fast-food restaurant chains. The main objective will be supported by specific objectives:

- To identify the factors influencing consumer preferences and brand loyalty to fast-food restaurant chains.
- To study how these factors influence Georgian consumers' preferences and brand loyalty to fast-food restaurant chains through internet-based survey research.
- To analyze the research results using descriptive statistics and structural equation modeling.
- To discuss the research results and compare them to existing literature.
- To propose recommendations for international and national fast-food restaurant chains based on the study findings.

The study employed quantitative research to meet the general and specific objectives and gather insights into consumer preferences and brand loyalty. Furthermore, secondary data

was used to perform Porter's 5 forces, competitor, and PEST analysis and describe the current situation in the Georgian fast-food restaurant industry.

I.   THEORY

1   CONSUMER BEHAVIOR

An understanding of consumer behavior and how to affect it is essential for diverse groups of stakeholders: for marketing managers to make successful marketing decisions (Mothersbaugh et al., 2024) and develop marketing strategies and tactics, for policymakers and regulators to develop policies and rules protecting consumers from unfair and unsafe practices, consumers and society to protect themselves and make more informed decisions, and academics (Hoyer et al., 2023).

1.1   The concept of consumer behavior

Although consumer behavior has been a marketing sub-discipline since the 1950s, academic literature reveals other disciplines, including anthropology, economics, linguistics, neuroscience, psychology, and sociology, have influenced its scope since the 1960s. Consumer behavior research involves six stages: the early empirical phase from 1930 to the late 1940s, the motivation research phase from the 1950s, the formative phase from 1960 to 1965, the utopian grand theories phase from 1966 to the early 1970s, the information processing phase from the early 1970s to 1980, and the consumer culture theory phase from the 1980s to the present day (Ling et al., 2014).

The traditional approach to consumer behavior was more centered around the buyer and the immediate antecedents and consequences of the purchasing process (Hoyer et al., 2023; Mothersbaugh et al., 2024; Solomon, 2020). However, modern authors define the concept from a broader view:

- Consumer behavior is about how consumers behave in situations involving goods, services, experiences, and ideas (Ling et al., 2014).

- Consumer behavior is the study of how individuals, groups, and organizations select, buy, use, and dispose of products, services, ideas, or experiences to satisfy their needs and wants, and the influence of these processes on consumers and society (Mothersbaugh et al., 2024; Kotler et al., 2022; Solomon, 2020).

- Consumer behavior is the sum of consumers' decisions made by human decision-making units (over time) regarding the acquisition, consumption, and disposition of goods, services, time, ideas, activities, and experiences (Hoyer et al., 2023). What consumer behavior reflects is given in figure 1.

Figure 1 What is Consumer Behavior?

The totality of decisions	About the consumption	Of an offering	By decision-making units	Over time
Whether		Products	Information gatherer	Hours
What		Services		
Why	Acquisition		Influencer	Days
How		Activities		
When	Usage	Experiences	Decider	Weeks
Where		People	Purchaser	Months
How much/ How often/ How long	Disposition	Ideas	User	Years

Marketing Strategies and Tactics

Source: Hoyer et al. (2023)

Consequently, consumer behavior is a complex and multidimensional process. Consumer decisions usually involve various steps, and especially get complicated when the needs and wants of multiple individuals/groups should be considered. Furthermore, they are influenced by several factors like culture, demographics, etc. (Mothersbaugh et al., 2024).

1.2 The concept of consumer preferences

Preferences play a significant role in human life. Generally, **preference,** referring to choosing between alternatives, is broadly used in psychology, philosophy, and economics. However, the concept is for everyone, including marketers, who seek to understand the causes, consequences, and motivations behind their choices (Hausman, 2012).

Preferences are one of the fundamental concepts of **economics** (Engelen, 2017). In microeconomics, consumer preference is often used as a practical way to describe why people might prefer one good to another. Consumer behavior theory assumes that consumers' preferences are consistent, make sense, and have three properties: completeness, transitivity, and non-satiation (Pindyck and Rubinfeld, 2018).

In **psychology**, preference typically indicates a latent tendency to consider something (un)desirable. In this sense, preferences, like attitudes, are usually measured by scale ratings/response latency measures. In contrast to consumer behavior and classic utility theory, behavioral decision theory usually argues that preferences are constructed and neither stable nor complete. The term preference construction has two meanings: preferences are sensitive to context and are calculated during decision-making. Although preferences, like all cognition and behavior, are always context-sensitive, sometimes they are not

calculated to the same extent. Some preferences can be retrieved based on existing attitudes/instincts, while others integrate multiple inputs (Warren et al., 2010).

A wide range of **factors can influence preference**, including surroundings and upbringing regarding geographical location, cultural background, religious beliefs, education (Zajonc and Markus, 1982), occupation (Mothersbaugh et al., 2024), age, gender (Solomon, 2020), goals, cognitive constraints, and the experience of the decision-maker (Warren et al., 2010), beliefs, ideas, arguments, emotions, habits, tastes, longings, likes, dislikes, commitments, social norms, moral principles, cognitive heuristics and biases, akrasia, other people's wishes, etc. (Hausman, 2012). For example, tastes, preferences, and needs for products and activities tend to change with age: people in their 20s spend less than average on most products and services, while older consumers spend more per capita on luxury items (Solomon, 2020). Furthermore, consumers from different cultural and regional backgrounds have different preferences for smells, tastes, and food, that's why international restaurant brands like McDonald's, KFC, and Taco Bell usually carefully tailor their offerings to the target segments' preferences (Hoyer et al., 2023; Kotler and Armstrong, 2021; Solomon, 2020). **It's noteworthy that these factors are the same factors academics and marketers usually believe to affect consumer behavior.**

1.3   Factors influencing consumer behavior

Consumer behavior is influenced by cultural, social, personal and psychological factors/characteristics (figure 2). Of these, culture and cultural factors exert the broadest, deepest and pervasive influence (Kotler and Armstrong, 2021; Kotler et al., 2022; Mothersbaugh et al., 2024).

Figure 2 Factors influencing consumer behavior
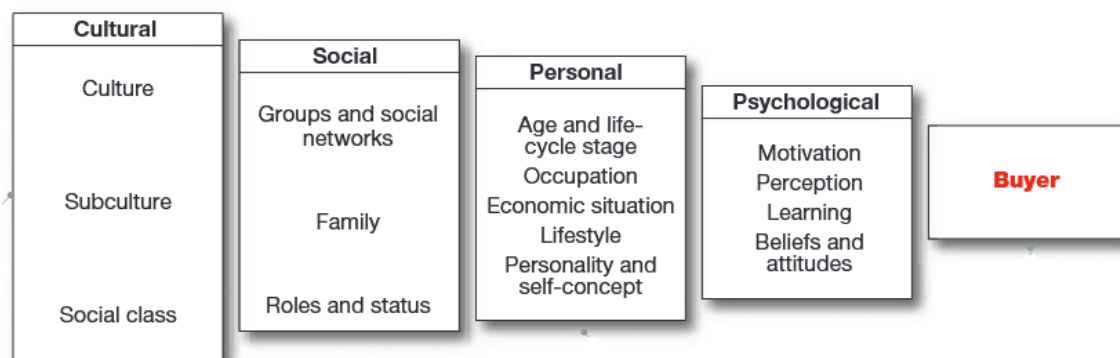
Source: Kotler et al. (2022)

Cultural Factors- Culture, subculture, and social class are particularly important influences on consumer behavior (Kotler and Armstrong, 2021; Kotler et al., 2022).

Culture is typical or expected behaviors, norms, and ideas characterizing a group of people (Hoyer et al., 2023). It is a comprehensive concept including knowledge, belief, art, law, morals, customs, and any other capabilities and habits humans acquire as members of society (Mothersbaugh et al., 2024). Culture is the fundamental cause of a person's wants and behavior. As children learn basic values, perceptions, wants, and behaviors from their surroundings when growing up, their views of self, relationships to others, and rituals may vary greatly from country to country (Kotler and Armstrong, 2021; Kotler et al., 2022).

Culture can be accessed using different approaches. One of the famous approaches is Hofstede's cultural dimensions theory. It uses cultural dimensions like Power Distance, Individualism, Motivation towards Achievement and Success, Uncertainty Avoidance, Long Term Orientation, and Indulgence to measure and describe the culture of different countries (The Culture Factor Group, 2024).

Subculture is a smaller part of culture, i.e. groups of people who share value systems based on common life experiences and situations. Marketers often create products and marketing campaigns tailored to the needs of different subcultures, such as nationalities, religions, racial groups, and geographic regions (Hoyer et al., 2023; Kotler and Armstrong, 2021; Kotler et al., 2022; Mothersbaugh et al., 2024; Solomon, 2020), as they are influential. For example, consumers less assimilated into mainstream culture are more likely to display the consumption patterns of their ethnic group (Hoyer et al., 2023).

Social class practically every society shows some kind of social stratification, most common in the form of social classes. Social classes are homogeneous, relatively permanent, and hierarchically ordered divisions of society whose members share similar values, interests, and behavior. Income, education, occupation, wealth, area of residence, family background, and other variables determine the social class (Hoyer et al., 2023; Kotler and Armstrong, 2021; Kotler et al., 2022; Mothersbaugh et al., 2024).

Social factors- reference groups and social networks, family, and social roles and status affect consumer behavior (Kotler and Armstrong, 2021; Kotler et al., 2022).

Reference groups and social networks - a reference group can be defined as a group of people consumers compare themselves to get information about behavior, attitudes, or values (Hoyer et al., 2023). In other words, it is simply a group a person uses as a guide for behavior

in a specific situation Mothersbaugh et al., 2024). Many small groups can have a direct or indirect influence on a person's attitude/behavior. Membership groups have a direct influence on people who belong to them. They can be primary (family, friends, coworkers, and neighbors) or secondary groups (religious, professional, and trade-unions). Other groups include dissociative (individuals reject due to values or behaviors) and aspirational groups individuals wish to belong/join (Kotler and Armstrong, 2021; Kotler et al., 2022; Mothersbaugh et al., 2024).

Generally, to better target their audience, marketers should identify reference groups as these groups introduce individuals to new lifestyles and behaviors, impact their attitudes, self-concept and sometimes even product and brand choices. The significance of influence tends to vary and is the strongest when the product catches the attention of people the buyer respects. In most cases, these respected figures are friends, family, colleagues, associates, and other consumers spreading word-of-mouth, and opinion leaders of the groups (Kotler and Armstrong, 2021; Kotler et al., 2022; Mothersbaugh et al., 2024).

Opinion leaders are socially active people who, due to their personality, special skills, knowledge, or other characteristics, have social influence on others (Kotler and Armstrong, 2021). New opinion leaders, better known as influencers, offer advice or information about certain products/product categories/ activities (Kotler et al., 2022; Mothersbaugh et al., 2024) i.e., new product launches, how to use products, and which brands are the best. Consequently, nowadays, brands actively use influencer marketing to reach their target market, spread messages, and promote their products/services.

In recent years, online social networks or communities have become the most popular place where people can socialize and exchange information and opinions. The most famous social networks include social media sites (TikTok, Facebook, Instagram, X, YouTube, WhatsApp, WeChat, Snapchat, Pinterest, LinkedIn, etc.) and E-commerce sites (Amazon, Temu, eBay, Alibaba, AliExpress, Etsy, etc.). Thus, companies are building their social media presence to promote products/services, create closer customer relationships and be an integral part of consumers' everyday lives.

Family- Family is the most influential primary reference group and the most important consumer buying organization in society (Kotler and Armstrong, 2021; Kotler et al., 2022). It is a group of individuals living together related by marriage, blood, or adoption (Hoyer et al., 2023).

There are two families in the buyer's life: the orientation family, consisting of parents and siblings, and the procreation family, consisting of spouses and children. From parents, an individual acquires a perspective on religion, politics, and economics and a sense of personal ambition, self-worth, and love (Kotler et al., 2022). Furthermore, some researchers believe that parents through their comments and purchases shape consumption-related attitudes and preferences of their children, including brand preferences (Bronnenberg and Dubé, 2017; Mothersbaugh et al., 2024; Solomon, 2020). Parental influence can be notable whether or not individuals interact with their parents as they used to. As the procreation family has a more direct impact, marketers want to know more about the roles and influences of the husband, wife, and children when purchasing different products and services. However, traditional purchasing roles and patterns have been shifting lately due to the increasing proportion of nontraditional families/households (Hoyer et al., 2023; Kotler and Armstrong, 2021; Kotler et al., 2022; Mothersbaugh et al., 2024).

Roles and Status- The position of a person in the reference groups (family, community, organization, clubs, etc.) can be defined in terms of role and status. A role is associated with the activities people are expected to perform from the point of view of other people around them, and each role implies a status. People often choose products and brands that reflect their roles and actual or desired social status (Kotler and Armstrong, 2021; Kotler et al., 2022). In other words, products, services, or brands serve as a status symbol, for example, luxury brands (Hoyer et al., 2023).

Personal Factors- Personal characteristics influencing consumer behavior are age and life cycle stage, occupation and economic situation, lifestyle and values, and personality and self-concept (Kotler and Armstrong, 2021; Kotler et al., 2022). These personal factors can be further grouped: Mothersbaugh et al. (2024), like many other authors, group age, education, and occupation in demographics, and Hoyer et al. (2023) mention that some marketing researchers use values, personality, and lifestyle as the fundamental components of psychographics to predict consumer behavior.

Age is one of the most important factors as it carries culturally defined behavioral and attitudinal norms, affects self-concept and lifestyle, influences the consumption of products, and shapes preferences (Mothersbaugh et al., 2024). Tastes in food, clothes, furniture, and recreation tend to be age-related (Kotler and Armstrong, 2021; Kotler et al., 2022). Furthermore, people of the same age have similar life experiences and many common needs, symbols, and memories, which may lead to similar consumption patterns. Thus, age can be

useful for marketers to understand and segment consumers (Hoyer et al., 2023; Mothersbaugh et al., 2024).

Marketers, especially in the U.S., target several major age cohorts/ generations, groups of people who have experienced a common social, political, historical, and economic environment. These largest groups include the Baby Boomers, Generation X, Millennials or Generation Y, and Generation Z. Although the beginning and ending birth dates of any generation are always subjective, generational analysis is crucial to describe, explain, and predict the attitudes, values, and behaviors of the age groups (Hoyer et al., 2023; Mothersbaugh et al., 2024; Kotler and Armstrong, 2021; Kotler et al., 2022; Solomon, 2020). For example, Gen Xers are a bit skeptical, sensible shoppers who take the time to research products before considering a purchase, prefer quality over quantity, and may be less receptive to overt marketing incentives. Compared to other generational groups, millennials tend to be frugal, practical, mobile, impatient, media, and tech-savvy, seeking authenticity and opportunities to shape their own brand experiences and share them with others. They tend to be highly loyal to their favorite brands and participate in loyalty programs. More than half of all Generation Z tweens and teens do product research and double-check the prices before they buy, shop online more frequently than other consumers, and put a high value on price, convenience, and digital technologies (Hoyer et al., 2023; Kotler and Armstrong, 2021).

Personality plays an important role in the branding context: consumers typically prefer products with brand personalities pleasing to them, just like advertising messages portraying their own/desired personality (Mothersbaugh et al., 2024).

Psychological Factors – Four major psychological factors like motivation, perception, learning, and beliefs and attitudes can influence consumer behavior (Kotler and Armstrong, 2021; Kotler et al., 2022).

Perception is the process of identifying the stimuli characteristics using vision, hearing, taste, smell, and touch (Hoyer et al., 2023). In other words, it covers activities allowing a person to acquire and give meaning to stimuli. Perception has exposure, attention, and interpretation stages: when perceiving something, the meaning behind a stimulus is usually sent to memory, where it is stored and can be retrieved later during purchase decision-making. Marketers use their perception knowledge to enhance strategies in different areas, like retailing, branding, advertising, and packaging (Mothersbaugh et al., 2024; Solomon, 2020).

Attitudes are the way people think, feel, and act toward some aspect of their environment. They have affective (feelings/emotional reactions to an object), behavioral (actions and statements of behavioral intentions concerning specific attributes of the object/overall object), and cognitive (beliefs/knowledge/thoughts about the object) components (ABC model of attitudes), which typically are consistent with each other (Mothersbaugh et al., 2024; Solomon, 2020). Once learned, attitudes are usually hard to change. They can be formed toward anything, including people, objects, issues, activities, products, services, product categories, and brands, based on the set of associations linked to them. Thus, marketers seek to understand how attitudes are formed and can be changed to affect decision-making and better predict consumer behavior (Hoyer et al., 2023).

It is noteworthy that dividing the factors influencing consumer behavior into categories can vary depending on the authors. For example, Mothersbaugh et al. (2024), group factors into external (culture, subculture, demographics, reference groups, family, social status, and marketing activities) and internal influences (motives, perception, learning, memory, personality, emotions, and attitudes), Solomon (2020) merges age, gender, family structure, social class and income, race and ethnicity, geography, and lifestyles into demographic dimensions.

2 BRAND MANAGEMENT

In the literature brand is considered a highly valuable intangible asset needing careful management and development (Bronnenberg and Dubé, 2017; Ghantous and Christodoulides, 2020; Jothi Krishnan, 2021; Keller and Swaminathan, 2020; Kimpakorn and Tocquer, 2010; Kotler and Armstrong, 2021; Kotler et al., 2022).

2.1 The concept of branding

According to Keller and Swaminathan (2020), branding and brand management have a long history that can be divided into six distinct phases: Early Origins before 1860, Emergence of National Manufacturer Brands from 1860 to 1914, Dominance of Mass-Marketed Brands from 1915 to 1929, Establishment of Brand Management Standards from 1946 to 1985, and Branding Becomes More Pervasive form 1986 to Now.

The word *brand* comes from the Old Norse word *brandr*, meaning to burn. Branding goods, especially handicrafts, with a name/logo/mark/symbol/sign has been an active part of the economic exchange since ancient times. The initial motivation was to differentiate products within the same category, identify the origins and sources of the products, attract loyal buyers, help customers easily apprise value and quality of the items, and police violators of the guild monopoly and makers of the inferior goods (Bronnenberg and Dubé, 2017; Keller and Swaminathan, 2020; Kotler et al., 2022).

Since the American Marketing Association (AMA) formally defined a brand in 1931 (Bronnenberg and Dubé, 2017), the definition has been changing throughout the years. Nowadays, it involves any distinctive feature such as name, term, design, or symbol identifying and differentiating goods or services (Bronnenberg and Dubé, 2017; Jothi Krishnan, 2021; Keller and Swaminathan, 2020; Kotler and Armstrong, 2021; Kotler et al., 2022) better known as brand elements in the literature. However, for academics and practitioners, the brand is more than just its elements because:

- brands can have rational and tangible (brand product performance) and more symbolic, emotional, and intangible (what the brand represents) dimensions (Keller and Swaminathan, 2020; Kotler et al., 2022);

- brands are key elements in customer relations. They reside in the minds and hearts of consumers and represent their perceptions, feelings, and idiosyncrasies,

everything the product/service means to consumers (Keller and Swaminathan, 2020; Kotler and Armstrong, 2021; Kotler et al., 2022);

2.2 The importance of brands

In recent years, interest in branding and the number of companies embracing it has been increasing. Top executives and managers recognize the importance of brands and implement strategic brand management to build strong brands and gain advantages associated with them.

The value of brands is mainly connected to the functions they perform for the firms and their customers (Keller and Swaminathan, 2020; Kotler and Armstrong, 2021; Kotler et al., 2022):

Functions for the companies:

- Simplify product handling and tracing by organizing inventory and accounting records.

- Legal protection (trademarks, patents, copyrights, and proprietary designs) of unique features/aspects of the product.

- Differentiate products from competitors based on unique associations and meanings.

- Segment markets.

- Signal quality level to satisfied customers.

- Influence consumer behavior.

- Create barriers for new entrants to the market.

- Secure competitive advantage and financial returns (better revenues, earnings, and profits).

- Create greater value for shareholders.

Functions for the customers:

- Identify sources and differentiate products within the same category.

- Assume and form reasonable expectations about quality and other product characteristics.

- Simplify decision-making and reduce risks, especially in the case of limited information.

- Lower internal and external search costs for products.

- Symbolic device to project self-image, different values, or traits.

- Develop brand relationships and bond with product makers.

The most significant brand function out of all is signaling quality to satisfied buyers to encourage repeated purchases. Satisfied customers who always buy the same brand offer their trust and loyalty with beliefs and expectations that the brand will provide them utility through consistent product features, quality, performance, benefits, and proper pricing, promotion, and distribution programs. In return, brand loyalty offers firms predictability and security of demand and creates barriers for new entrants to the market who must build strong, favorable, and unique brands from scratch. Furthermore, loyalty can convert into greater financial profits for the firm as consumers may be willing to pay higher brand price premia compared to low-cost alternatives (Keller and Swaminathan, 2020; Kotler and Armstrong, 2021; Kotler et al., 2022; Nyadzayo et al., 2011).

2.3   The concept of brand equity

Brand equity has been one of the most discussed and significant marketing concepts since the 1980s. It has increased the significance of brands in marketing strategy while becoming the center of managerial interest and research. However, researchers still disagree on the definition and measurement of brand equity (Keller and Swaminathan, 2020). The most popular models are customer-based brand equity (CBBE) by Kevin Keller and the brand equity model by David Aaker.

David Aaker (1991, p.15), in the book "*Managing Brand Equity: Capitalizing on the Value of a Brand Name* "defines brand equity as "a set of assets and liabilities linked to a brand, its name, and symbols, which add to or detract from the value provided by product/service". His model includes five components: brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary brand assets like patents, trademarks, and channel relationships (Kimpakorn and Tocquer, 2010; Smith, 1992), which are a primary source of competitive advantage and future earnings.

Kevin Keller defines brand equity from the perspective of the consumer as a differential effect of brand knowledge on consumer response to the product/service and its marketing (Keller and Swaminathan, 2020; Kimpakorn and Tocquer, 2010; Kotler and Armstrong, 2021; Kotler et al., 2022). The brand is believed to have positive customer-based brand equity if consumers react more favorably to the product and its marketing when they identify a brand than when they do not. If they react less favorably to brand marketing under the same conditions, the brand has negative customer-based brand equity. Consequently, brand equity reveals whether brand marketing could successfully link desired perceptions, feelings, thoughts, images, beliefs, opinions, and experiences to the brand (Keller and Swaminathan, 2020; Kotler and Armstrong, 2021; Kotler et al., 2022). In other words, it measures the ability of the brand to capture consumer preferences and loyalty (Kotler and Armstrong, 2021).

CBBE is represented by the brand resonance model describing how to affect the thoughts, feelings, and behavior of customers to create intense, active loyalty relationships and connections with them. It offers a roadmap, guidelines, and a benchmark for companies to evaluate whether their brand-building efforts are successful. The brand building consists of four ascending steps (Keller and Swaminathan, 2020; Kimpakorn and Tocquer, 2010; Kotler et al., 2022):

1. Ensuring customers identify the brand and associate it with a specific product class/need/benefit in their minds,

2. Firmly establishing the brand meaning by creating strategic links between a host of tangible and intangible brand associations in the minds of customers,

3. Evoking the proper customer responses to the brand, and

4. Converting brand responses into brand resonance and intense, active loyalty relationships between parties.

When the brands go through these steps, they establish a pyramid consisting of six building blocks (Keller and Swaminathan, 2020; Kotler et al., 2022) illustrated in Figure 3:

- **Brand salience** measures the depth and breadth of brand awareness: to what extent the brand is top-of-mind and easily recalled/recognized under the range of purchase/consumption situations. Highly salient brands should comply with both requirements.

- **Brand performance** represents how well the product/service can meet the functional needs of consumers. Often, it is underlined by primary ingredients and supplementary features, product reliability, durability, serviceability, service effectiveness, efficiency, empathy, style and design, and price.

- **Brand imagery** describes the extrinsic properties of the product/service, including the ways the brand seeks to meet customers' psychological/social needs. It refers to intangible aspects and imaginary associations of the brand formed directly or indirectly.

- **Brand judgments** center around personal opinions and evaluations of the customers formed by summing all the different brand performance and imagery associations. Customers often make four important judgments about quality, credibility, consideration, and superiority.

- **Brand feelings** relate to emotional responses and reactions of the customers evoked by the brand. These feelings can be mild/intense and positive/negative. Significant brand-building feelings include warmth, fun, excitement, security, social approval, and self-respect.

- **Brand Resonance** describes the nature of the relationship customers have with the brand and the extent they feel "in sync" with it. Brand resonance has intensity and activity dimensions: intensity rates the strength of the attitudinal attachment and sense of community, whereas activity- how frequently the consumers buy and use the brand (behavioral loyalty) and actively engage in activities other than purchase and consumption (seeking out brand information, events, and other loyal customers).

Building blocks on the left side of the pyramid (brand performance and judgments) are the "rational route" to brand building, whereas the right side blocks (brand imagery and feelings) are the "emotional route." The strongest brands typically reach the top of the brand pyramid without skipping any block, as brand resonance only occurs when the rest of the core brand values are completely in harmony with the needs, wants, and desires of the customers. When firms achieve true brand resonance, customers are highly loyal, actively engage with the brand, and spread positive word of mouth.

Figure 3 Brand resonance pyramid
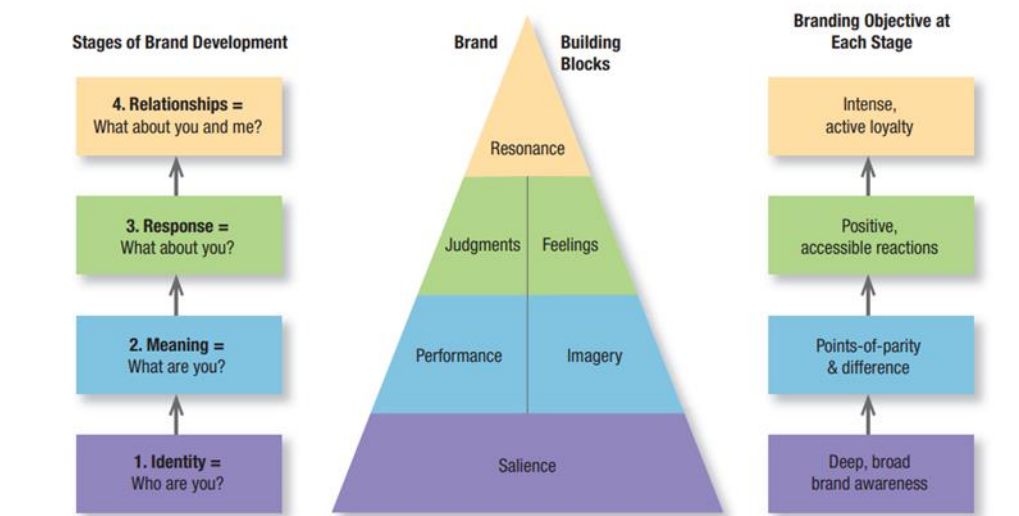
Source: Kotler et al., (2022)

Apart from these two brand equity models, there are other influential and established brand equity models like the **BrandDynamics** model by Millward Brown (now Kantar Millward Brown) and **BrandAsset Valuator** (BaV) by Young and Rubicam (now BAV Group). The latter compares the brand equity of brands across different categories using four brand pillars: differentiation, relevance, esteem, and knowledge (Keller and Swaminathan, 2020; Kimpakorn and Tocquer, 2010; Kotler and Armstrong, 2021; Kotler et al., 2022).

Strong brands with high equity can reap significant **customer-related benefits** (Keller and Swaminathan, 2020; Kotler and Armstrong, 2021; Kotler et al., 2022):

- Enhanced perceptions of the product/service performance
- Increased brand awareness, loyalty, trust, and preferences
- Lower vulnerability to competitive marketing actions and crisis
- Higher financial market return, margins, more inelastic consumer response to price increases, and elastic response to decreases
- Improved marketing communication effectiveness
- Possible licensing and brand extension opportunities
- Better employee recruiting and retention.

2.4 The concept of brand loyalty

As mentioned above, for influential brands, a profitable set of loyal customers is one of the most valuable assets and crucial characteristics (Jothi Krishnan, 2021; Keller and Swaminathan, 2020; Kotler and Armstrong, 2021). Consequently, for a long time, the ultimate goal of their marketing initiatives has been to develop, maintain, and improve brand loyalty (Jothi Krishnan, 2021; So et al., 2013).

In recent years, the concept of brand loyalty, its definition, antecedents, and measurements have often been under discussion (So et al., 2013; Windsperger et al., 2015) as authors view it from different perspectives. The most popular perspectives on loyalty include **behavioral, attitudinal, and composite/combined loyalty** (Jothi Krishnan, 2021; Nyadzayo et al., 2018; So et al., 2013).

The behavioral view assumes that repeat transactions represent consumer loyalty to the brand. Although it gives a more accurate picture of brand performance compared to competitors, it is not a sufficient indicator of loyalty (So et al., 2013). For example, some customers may purchase products/services out of necessity if the brand is the only one available, easily accessible, affordable, etc. (Keller and Swaminathan, 2020). Furthermore, customers may not repurchase products like a house or a car (Jothi Krishnan, 2021).

The attitudinal view emphasizes the psychological element of brand loyalty and views it as the consumer's stated preferences, commitment, or purchase intentions. The attitudinal view emphasizes the psychological element of brand loyalty and views it as the consumer's stated preferences, commitment, or purchase intentions. However, it may not represent reality due to concentrating on customer statements instead of the actual purchases (So et al., 2013). For example, although over ninety percent of automobile owners leave the dealer's showroom satisfied or very satisfied, less than half repurchase the same brand (Keller and Swaminathan, 2020).

The composite view considers loyalty as a biased behavioral purchase practice caused by a psychological process. It advocates that evaluating brand loyalty requires simultaneous consideration of purchase behavior and attitudes (So et al., 2013) as they are interdependent (Jothi Krishnan, 2021). The brand resonance model also considers behavioral loyalty and attitudinal attachment as a subdimension of the brand resonance building block (Keller and Swaminathan, 2020).

As it is practically impossible for consumers to have an active loyalty relationship with all the brands they purchase and consume (Keller and Swaminathan, 2020), researchers often see brand loyalty only in one brand context (Table 1). However, consumers can be multibrand loyal and commit to two or more brands they repurchase due to a strong preference (Hoyer et al., 2023).

Table 1 Authors about brand loyalty

Authors	Definition
(Hill and Jones, 2012)	Brand loyalty occurs when consumers have a preference for established companies' products.
(Hoyer et al., 2023).	Brand loyalty occurs when consumers purchase the same brand/service repeatedly due to a strong preference for it.
(Jothi Krishnan, 2021).	Brand loyalty occurs when a customer chooses to repurchase/ patronage one brand from among a set of alternatives consistently over a long period.
(Keller and Swaminathan, 2020).	Loyalty is a deeply held commitment to repurchase/patronize a preferred product/service in the future, although situational influences and marketing efforts can potentially cause switching behavior. Generally, brand loyalty arises when customers' experiences with the product/service at least meet or surpass their expectations.

Source: Researcher's own

Generally, based on brand loyalty status/degree, marketers usually distinguish four groups of loyal consumers (Kotler and Armstrong, 2021; Kotler et al., 2022):

- Hard-core —completely loyal who buys only one brand all the time and shares experiences with others.

- Split — loyal to two or three brands.

- Shifting —somewhat loyal who shifts from one brand to another.

- Switchers—consumers with no loyalty to any brand who seek something different each time or buy products on sale.

By analyzing the status/degrees of brand loyalty in its market, a business might discover a lot: Hard-core loyal customers can be a real asset as they often help to identify the strengths of products and promote the brand through social media and spreading positive word of mouth. Split buyers help the company detect other brands that are most competitive while shifting customers- marketing weaknesses that need correction. Nevertheless, in some cases, a habit, indifference, a low price, a high switching cost, or the unavailability of other brands

can be mistaken for brand-loyal purchase patterns (Kotler et al., 2022). Thus, marketers must measure not only repeat-purchase behavior but also brand preference (Hoyer et al., 2023).

Most studies often evaluate customer loyalty using behavioral (word-of-mouth communication, purchase intentions, price insensitivity), attitudinal (perceived value, satisfaction, trust, and commitment), cognitive (quality, cost, benefit, and belief), and affective (satisfaction, involvement, and preference with its components) dimensions (Jothi Krishnan, 2021; Windsperger et al., 2015). Generally, evaluating brand loyalty helps brands discover their strengths, weaknesses, and opportunities to improve and retain loyal customers.

Retaining loyal customers has economic benefits: loyal consumers tend to spend more money and stay around longer; acquiring new customers is more expensive than keeping the old ones; losing customers is costly as it means more than losing a single sale (Kotler and Armstrong, 2021). Consequently, more companies employ marketing incentives such as:

- **Social media marketing to closely interact with customers.** Consumers can share information, opinions, experiences, and loyalty with other brand community members on social media or platforms like TripAdvisor (Kotler and Armstrong, 2021; Kotler et al., 2022).

- **Promotions to build brand knowledge, awareness, preference, loyalty, and equity** (Hill and Jones, 2012; Kotler and Armstrong, 2021). For example, the decade-long "I'm Lovin' It" global advertising has been helping McDonald's with new product launches and loyalty enhancement (Keller and Swaminathan, 2020). Apart from advertising, companies seek to foster brand loyalty through sales promotions like discounts or giveaways to loyal customers (Hoyer et al., 2023). Furthermore, in recent years, various loyalty rewards programs, including frequency programs, club membership, and loyalty cards, have become popular means of reducing defection rates and increasing retention across industries like airlines, hotels, credit card companies, supermarkets, and drug store chains by creating switching costs for consumers and reducing price competition between brands (Keller and Swaminathan, 2020; Kotler et al., 2022).

II.   ANALYSIS

3 RESEARCH METHODOLOGY

To achieve the main objective of the master thesis and study Georgian consumers' preferences and brand loyalty to fast-food restaurant chains, several procedures (steps) were followed:

Describing the current state of the Georgian fast-food restaurant industry

Describing the current situation in the Georgian fast-food restaurant industry based on internet resources covered the overview of international and domestic fast-food restaurant chains, Porter's 5 forces, and PEST analysis.

Developing research model and hypothesis

A conceptual research model for primary research was developed based on the existing literature and prior research review (Figure 4). The reasons for selecting factors, particularly perceived price and value, convenience and accessibility, perceived quality, and brand trust and reputation, were the following:

- Prior research about brand loyalty or/and consumer preferences in restaurant industry, especially in fast-food restaurant industry context, usually covered these factors (Carranza et al., 2018; Dutta et al., 2014; Mackay et al., 2013; Namin, 2017; Ozdemir and Ergin, 2017; Qin and Prybutok, 2009; Rajput and Gahfoor, 2020; Slack et al., 2020; Singh et al., 2021; So et al., 2013; Uddin, 2019);

- Selected factors were connected to the brand resonance model and its brand building blocks, particularly brand performance and judgments.

From the conceptual framework, the following hypotheses are generated:

H1: Perceived price and Value positively influence brand loyalty to international fast-food restaurant chains.

H2: Convenience and Accessibility positively influence brand loyalty to international fast-food restaurant chains.

H3: Perceived quality positively influences brand loyalty to international fast-food restaurant chains.

H4: *Brand trust and Reputation positively influence brand loyalty to international fast-food restaurant chains.*

Figure 4 Conceptual research model
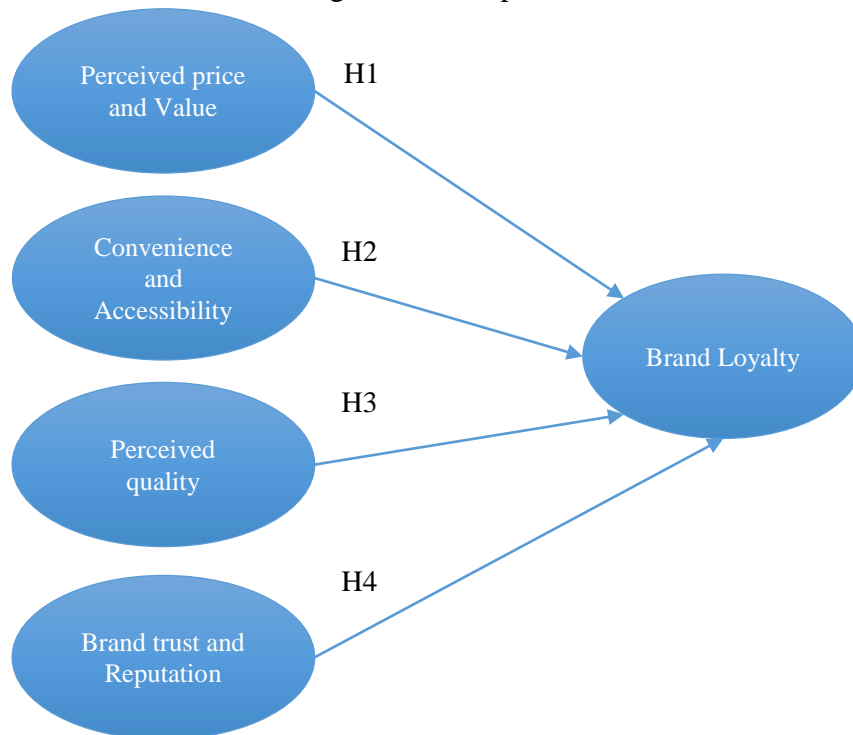
Source: Researcher's own

Choosing Research type and approach

To better understand Georgian consumers' preferences and brand loyalty to fast-food restaurant chains, quantitative research using internet-based survey research approach was selected. The decision was determined due to several reasons:

- A little or no previous research done on the matter in the Georgian context required collecting the primary data.

- Quantitative measures are often the primary element of tracking studies monitoring consumers' brand knowledge structures over time. They can help to more precisely evaluate the extent and nature of brand relationships (Keller and Swaminathan, 2020).

- Companies usually employ surveys to assess consumers' preferences, buying behavior, knowledge, attitudes, beliefs, and satisfaction (Kotler and Armstrong, 2021; Kotler et al., 2022).

- An internet-based survey is fast, inexpensive, expansive, versatile, more engaging, easier to complete, and can also be used to collect sensitive information from consumers by granting complete anonymity (Hoyer et al., 2023; Kotler and Armstrong, 2021; Kotler et al., 2022).

- Prior researchers have extensively employed the survey method to examine consumer brand loyalty and preferences in general (Carranza et al., 2018; Dutta et al., 2014; Mackay et al., 2013; Namin, 2017; Ozdemir and Ergin, 2017; Qin and Prybutok, 2009; Rajput and Gahfoor, 2020; Slack et al., 2020; Singh et al., 2021; So et al., 2013; Uddin, 2019).

Developing questionnaire design

The main research instrument was a self-administered **questionnaire (Appendix P I)** developed based on the existing literature and the abovementioned previous research. The questionnaire consisted of close-ended questions divided into **four parts:**

1. *Preamble and screening questions*- The questionnaire began with a preamble explaining the aim of the questionnaire, completion time, and definitions. This is followed by two screening questions that establish how often the potential respondents visit fast-food restaurant chains, and their preference for international and national fast-food restaurants when eating out.

2. *Independent variables-* this part of the questionnaire included 13 statements adapted from various studies (Carranza et al., 2018; Dutta et al., 2014; Mackay et al., 2013; Namin, 2017; Ozdemir and Ergin, 2017; Qin and Prybutok, 2009; Rajput and Gahfoor, 2020; Slack et al., 2020; Singh et al., 2021; So et al., 2013; Uddin, 2019) to fit the current research context. Statements can be grouped into four factors/variables: perceived price and value, convenience and accessibility, perceived quality, and brand trust and reputation, as represented in Table 2. To show the degree of respondents' agreement/disagreement with each statement, a 5-point Likert scale was selected, where „1" represented „strongly disagree" and 5 represented „strongly agree" (Kotler et al., 2022).

Table 2 Questionnaire statements (independent variables)

Independent Variable (factor/construct)	Statements (measurement items)	Code
Perceived Price and Value (PRC)	When eat out on a budget, I choose international fast-food brands because they offer affordable options compared to domestic alternatives.	PRC1
	I prefer international fast-food brands as they offer better value for money in terms of portion sizes and meal deals compared to domestic options.	PRC2
	Menu prices at international fast-food brands are more reasonable compared to domestic alternatives.	PRC3
Convenience and Accessibility (ACS)	The widespread availability of international fast-food brands makes them more convenient option for me compared to domestic alternatives.	ACS1
	I prefer international fast-food brands because they are conveniently located in areas I frequent (e.g., city centers, shopping malls, stations, airports).	ACS2
	I prefer international fast-food brands offering user-friendly mobile apps or online ordering platforms for convenience and efficiency.	ACS3
Perceived quality (QLT)	I believe the food quality at international fast-food brands is superior to domestic ones.	QLT1
	International fast-food brands provide faster service compared to domestic brands.	QLT2
	International fast-food brands offer higher service quality compared to domestic brands.	QLT3
	I believe I will get the same service in every restaurant of international fast-food brands	QLT4
Brand trust and reputation (TRT)	I prefer to eat at international fast-food brands with a strong brand image over unfamiliar domestic alternatives.	TRT1
	I trust international fast-food brands with a strong reputation for quality and customer service more than lesser-known domestic ones.	TRT2
	In my view, international fast-food restaurants have better reputation with customers.	TRT3

Source: Researcher's own

3. *Dependent variable*- this part of the questionnaire included 10 statements regarding brand loyalty to international fast-food brands adapted from Keller and Swaminathan (2020). These statements (Table 3) representing behavioral loyalty, attitudinal attachment, sense of community, and active engagement, are usually used to study brand resonance (building block from the brand resonance pyramid). To show the degree of respondents' agreement/disagreement with each statement, a 5-point

Likert scale was used again, where „1" represented „strongly disagree" and 5 represented „strongly agree" (Kotler et al., 2022).

Table 3 Questionnaire statements (dependent variable)

Dependent Variable (factor/construct)	Statements (measurement items)	CODE
Brand loyalty	I tend to visit international fast-food brands more frequently than domestic alternatives.	BHL1
	I consider myself more loyal to international fast-food brands than domestic alternatives.	BHL2
	I am more likely to repurchase from international fast-food brands due to their loyalty programs and rewards incentives (e.g., special deals /discounts/ coupons/ rewards in mobile app).	BHL3
	I would really miss international fast-food brands if they went away.	ATA1
	International fast-food restaurants are special to me, as they remind me of positive memories or experiences from past. For example, childhood, family gatherings or travels.	ATA2
	I really identify with people who eat at international fast-food restaurants.	SOC1
	I feel a deep connection with others who eat at international fast-food restaurants.	SOC2
	I like to check the international fast-food brands' mobile apps and Web sites.	AEG1
	I actively participate in loyalty programs and promotions offered by international fast-food brands.	AEG2
	I engage with international fast-food brands on social media, following their updates and sharing my dining experiences with friends.	AEG3

Source: Researcher's own

4. *Sample characteristics*- the questionnaire ended with four questions regarding age, gender, education, and occupation to create a profile of the typical fast-food restaurant chain visitors.

Although the questionnaire was designed in English, it was translated into the native Georgian language (Appendix P II) to make it more accessible and easier to understand for respondents. The translations were double-checked to guarantee clarity and avoid context change or ambiguity due to the poor translation. Furthermore, to better evaluate the validity and reliability of the questionnaire before its final distribution, pre-testing was done with 10 respondents, who had to comment on the clarity and length of the questions. As a result, some of the statements were simplified and shortened in the final version.

Designing the sample and choosing the sample size

The Google Forms survey was distributed on social networking platforms (Facebook, Instagram, WhatsApp) from 14/03/2024 to 31/03/2024. The sample unit was Georgian consumers of fast-food restaurant chains between the ages of 12 and 59 (Gen Z, Millennials, and Generation X), as they are more likely to visit fast-food restaurants due to their busy lifestyles. The sampling technique was a random (probability) sample to give population members an equal and known chance to be selected (Hague, 2016; Kotler and Armstrong, 2021). An ideal sample size was between 200 and 400 respondents to employ the structural equation modeling (SEM) analysis (Wu and Mohi, 2015). The survey was distributed among 267 potential respondents, from which only 208 responses were returned.

Processing the research results

After data collection, the results were analyzed using SPSS and JASP software, particularly descriptive statistics and structural equation modeling (SEM) were employed.

Discussing the research results

Research results were discussed and compared to existing literature.

Proposing recommendations based on the research results

Based on the data analysis and discussion, recommendations for international and domestic fast-food restaurant chains in Georgia were proposed.

4 FAST-FOOD RESTAURANT INDUSTRY IN GEORGIA

An industry includes a group of firms producing products/services that are close substitutes and satisfy the same basic consumer needs (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023).

4.1 Current state of the Georgian Fast-Food industry

In recent years, the fast-food restaurant industry has been rapidly expanding all over the world (Carranza et al., 2018; Singh et al., 2021; Slack et al., 2020; Uddin, 2019). The development of the Georgian fast-food restaurant industry started in the 1990s when the first international restaurant chain, McDonald's, entered the market. Nowadays, although, in general, the number of fast-food outlets (mainly small outlets, kiosks or stands selling Shawarma, hotdogs, traditional Georgian pastry, and other street food) is quite high, restaurant chains are still rare, especially domestic/national ones. The top 5 restaurant chains by revenue are international brands McDonald's, KFC, Wendy's, and Dunkin', and the national brand MakShaurma (Figure 5).

Figure 5 The top 5 restaurant chains by revenue in Georgia in 2021
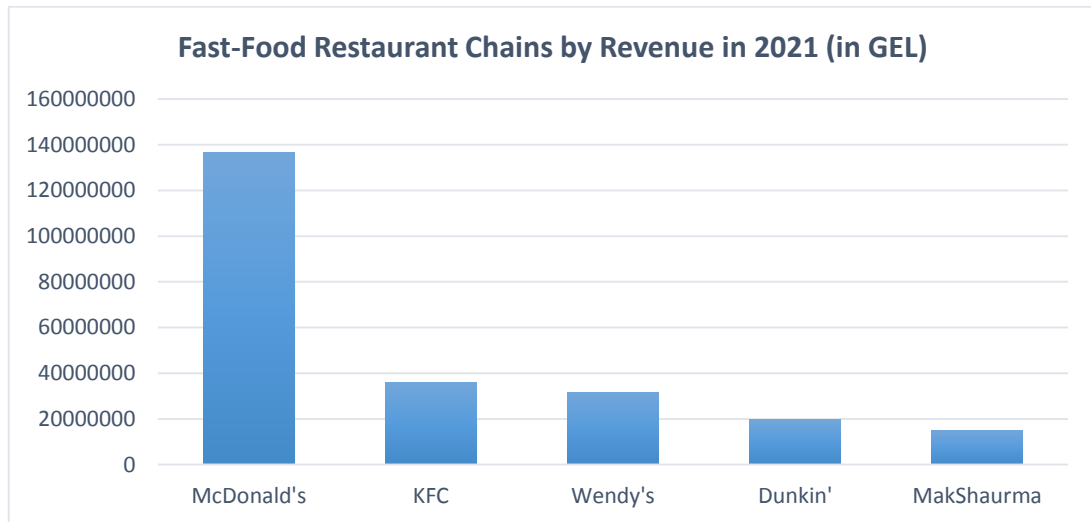
Source: Reporting Portal, annual statements register https://reportal.ge/en/Reports

McDonald's Georgia

The Company T and K Restaurants, established on December 16, 1997, operates under the franchise agreement of McDonald's Corporation. After 20 years of successful operation, the agreement was renewed for 20 years in 2018. Shareholders of the company are Temur Chkonia (90%), the company's president, and Tengiz Kapanadze (10%), the general director.

On February 4, 1999, the first McDonald's was officially opened in Tbilisi, Georgia. Since then, McDonald's has been systematically expanding in the different regions of Georgia. There are 23 restaurants: 16 restaurants and a logistics center in Tbilisi, three in Batumi, two in Kutaisi, one in Zugdidi, and Rustavi. Although a field of the economic activity of McDonald's Georgia is the service of fast-food chains across the country, the operational activities of T and K Restaurants also include a salad factory and a logistics center. Since 2020, international company HAVI Logistics, the worldwide partner of McDonald's Corporation for more than 40 years, has been the administrator of the logistics center (stock purchase, storage, and distribution at each location) in Tbilisi (Reporting portal, 2023a).

The company's strategic development plan focuses on covering the market of Tbilisi and Georgia as much as possible to make the company's services more accessible to customers. At the same time, technological development and renovation of existing restaurants by McDonald's international standards is in progress.

The principle of 25 years of operation in Georgia is introducing innovative technologies, constantly improving the service, and offering more comfort to the customer. For example, in recent years, McDonald's has introduced initiatives like a service robot Keto, a table and delivery service, a mobile application, and self-service kiosks to enhance service.

Thanks to its healthy working environment and people-oriented approach, the fast-food restaurant chain constantly receives prestigious global awards and recognition: In 2022, McDonald's Georgia received the prestigious Fred L. Turner Golden Arch award as an exemplary franchise worldwide for efficient network operation, growth-oriented and leadership approaches, and striving for operational excellence and outstanding service. With this recognition, McDonald's Georgia globally became one of the 1% of McDonald's franchises receiving this award (McDonald's Georgia, 2022a). Furthermore, McDonald's Georgia won another prestigious award named after Ray Kroc, the corporation's founder. It is a recognition of the contribution of McDonald's restaurant managers who ensure the best operation of the restaurant, efficient teamwork, focus on customer satisfaction, and creating the best working environment for the employees (McDonald's Georgia, 2022b). Lastly, the head of the human resources management department, Mariam Lazarashvili, won the Shining Light Award 2023 (Forbes, 2024).

In recent years, out of existing fast-food restaurant chains, only McDonald's Georgia (T&K restaurants) has been ranked among the 150 largest private companies in Georgia by revenue (Forbes, 2023). Thus, multi-million investments, tens of thousands of satisfied customers, more than a thousand jobs, 23 restaurants with outstanding design and concept in 5 cities, progress, quality, and high service standards are associated with McDonald's Georgia.

Wendy's

JSC Wengeorgia was founded on January 26, 2011. In April 2012, Wissol Group signed an agreement with Wendy's, the world-famous American fast-food restaurant chain, according to which it had to open 25 outlets of fast-food restaurant chain in Georgia and Azerbaijan over the next ten years. The 100% owner of the company is Global Investors Limited (Malta), whereas the beneficial owners of the company are Wissol Group President Samson Pkhakadze (50%) and Deputy Chair of the Board of Directors of Wissol Petroleum Georgia Levan Pkhakadze (50%).

Wendy's officially began operations in 2015. The fast-food restaurant chain operating under the franchise agreement with Wendy's Global Restaurants offers burgers, drinks, desserts, pizza, and more. The subject of economic activity is the construction of fast-food outlets (restaurants and cafes), their arrangement and further operation based on modern standards, and movable property leasing (Reporting portal, 2023b).

As of 2024, the company operates 19 restaurants in different cities of Georgia: Tbilisi - 13, Batumi - 2, Kutaisi - 1, 3 - on the Gori, Terjola, and Argveta sections of the highway. However, most restaurants are leased to third or related parties.

Wendy's restaurants integrate unique features like Wendy's Cafe (aromatic coffees, delicious desserts, and fresh sandwiches), Pizzerias (made with an exceptionally delicious Italian recipe), birthday centers, and a GAME ZONE for children. Restaurants have self-service kiosks. Wendy's application allows customers to order and pay in advance, take advantage of offers, and accumulate points to exchange for their favorite products.

Based on the company's values, their responsibility is to focus on the business success and care for the customer, employees, and society. As the main cornerstone of the restaurant chain is quality, service, and customer care, it offers its loyal customers delicious dishes made with fresh, high-quality Georgian ingredients every day.

Since its establishment, Wendy's Georgia has been set apart by successful business activities, implementation of the culture of employees and customers following Wendy's standards, high standards of customer service, and care for the continuous development of employees.

In 2022, Wendy's Georgia received seven awards for successful business activity from the international Wendy's: for record-growing sales, the dynamic growth of the flow of guests, providing customers with the highest quality food, fast service, and the latest food safety standards. Giorgi Mshvildadze, the general director of Wendy's Georgia, was given an award for his special contribution to the development of Wendy's in the Georgian market (Business Media, 2022).

At the 2023 Annual Wendy's Franchise Convention in Washington, attended by about 2,000 representatives of Wendy's franchises in the U.S. and 30 other countries, Georgian Wendy's was recognized as the best international market of 2023 and was awarded for the dynamic development of the restaurant chain, record sales growth, a significant increase in the flow of guests, fast service and the latest food safety standards. Natia Chubinidze, the general manager of Wendy's restaurant on the Gori section of the highway, was selected among the 200 most successful managers of the international Wendy's network and was awarded for providing the best customer experience, and the results achieved (Business Media, 2024).

KFC

Iberia Food Company was founded on May 22, 2013. The main economic activity of the company is restaurants and mobile food service activities. Otar Katamadze owns 100% of the company's shares (Reporting portal, 2023c).

KFC entered the Georgian market in 2014. During this period, brand awareness in Georgia was extremely low. The company went through quite a long process before establishing itself in the market, increasing its awareness, and acquiring loyal customers. Today, KFC operates a total of 13 restaurants in different cities: Tbilisi - 9, Batumi - 2, Rustavi - 1, and Kutaisi - 1.

One of the systems introduced in KFC restaurants in 2018 is the fusion concept, simplifying the ordering and product issuing process and reducing queues and waiting time. All restaurants opened since 2020 offer customers a new and more comfortable service. With the help of innovative technology and systems, the service became simpler, more

comfortable, and faster: self-service kiosks were installed to make it easier for customers to decide and save significant time.

KFC Georgia tries to develop its brand, open new outlets based on the demand, refine and develop services, add new menu items, make interesting offers for customers, create a comfortable environment, and constantly offer innovations. The goal of the company is to become a safe choice for customers, introduce them to products, make them fall in love with the brand, and create a strong relationship with them.

Other international fast-food restaurant chains

Other international fast-food restaurant chains in Georgia are **Burger King**, represented in Tbilisi in 3 locations, and Subway.

Subway entered the Georgian market a few years ago. At the time, the company had a different approach to franchising, as anyone meeting the requirements could become a franchisee and open a restaurant. However, after the leadership team changed, the company focused on selecting one franchisee to partner with. In 2023, Subway and Wissol Group, managing Wendy's and Dunkin' Georgia, signed an exclusive master franchise agreement involving opening 80 Subway restaurants in Georgia over the next few years. Although the remaining first franchisees still operate several Subway restaurants, they are united under one system with Wissol Group. Therefore, there is no difference in prices of the menu and products, so the customers know these restaurants operate under the same brand. Georgian consumers can enjoy quality, healthy, and tasty menu items with fast service in attractive, ergonomic restaurants in 13 locations: 7 in Tbilisi, 2- in Batumi, 1- in Kutaisi, and 3- in Gori, Terjola, and Argveta sections of the highway (Business Insider, 2023a).

Domestic fast-food restaurant chains

Along with international brands, the national fast-food restaurant chain **MakShaurma** has appeared in recent years. Noteworthy is that for several years, it has been holding its place in the top five fast-food restaurant chains in Georgia by revenue, together with established international brands (Commersant, 2023).

The company offers customers high-quality products (shawarmas, shawarma toasts, French fries, and sauces) made entirely from local raw materials: meat, bread, and vegetables are produced on their bases and are 100% natural and safe. The main concept of MakShaurma

is delivering the highest quality of service to customers: there are kiosks in the restaurants, also a mobile application, and a delivery service. The company tries to build brand image and trust by constantly convincing the customers that the brand is tailored to their interests and needs, cares for them, and delivers the same quality across the chain (Business Insider, 2023).

LLC "Khareba" company, founded on February 21, 2019, is behind the MakShaurma trademark. The director and its 100% owner is Ramaz Kharebava. The main economic activity of the company is restaurants and mobile food services. However, The company owns lavash bakeries, greenhouses for vegetables, and meat processing plants with modern equipment, where a food safety system based on the HACCP standard (Reporting portal, 2023d). In 2024, adjacent to the company's farm in Natakhtari, a new large plant equipped with new appliances and refrigerators will open, combining meat processing and bread-bakery production. After the implementation of the new plant, the company will add four restaurants (Zugdidi, Gori, Rustavi), and it will have 11 restaurants in the portfolio, including existing 5 in Tbilisi (3 restaurants, 2 take-away) and 2 in Batumi (Business Media, 2023b).

The first outlet of **Gochit's Burger** opened in Tbilisi in 2019. The founders, Gela and Giorgi Gochitaishvili worked on every detail to introduce the first American smashed style 1, 2, 3, 4, and 5-layer burger in Georgia. From the beginning, Gochit's Burger has gained great love from the public, and the product has become highly demanded (*OK! საქართველო*, 2021).

Customers can get the service in 15 centers (Tbilisi, Batumi, Telavi, Rustavi, Kutaisi, Ukraine - Kharkiv), whereas seasonal services are available in Bakuriani, Gudauri, and other Georgian resort areas. Gochit's supports people in Georgia and outside Georgia who want to partner with them and become franchisees. The company currently has ten franchised centers and is planning to expand its market.

As the chain grew, the company opened a bakery for the burger buns and a high-standard plant for the meat, sauce, and other ingredients processing and distribution to offer consumers products without harmful food additives and better service. Customers can enjoy food both in the restaurant and at their desired location using the delivery service. Gochit's uses discount vouchers and special promotions/offers to increase sales and retain loyal consumers.

Other domestic brands include Gldani Shawarma, Mugsy's Burger, Burger Bar, City Chicken, Extra meat and etc.

4.2   Porter's 5 forces

Competition intensity between companies usually varies from industry to industry. One of the best ways to analyze competitive forces, recognize new opportunities and threats caused by changes in the industry environment, and create strategic responses to them is Michael Porter's five forces model consisting of (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023):

Intensity of rivalry among established companies in the industry

Rivalry among competitors is a high competitive force. As previously mentioned, the Georgian fast-food restaurant market is quite saturated since it includes international (McDonald's, Wendy's, KFC, Subway, Burger King, and Dunkin') and national (MakShaurma, Gochit's, Gldani Shawarma, Mugsy's Burger, Burger Bar, City Chicken, Extra meat, etc.) fast-food restaurant chains, and small and medium-sized fast-food outlets, kiosks, stands, etc. Consequently, to maintain their position in the market or/and increase their market share, restaurants try to retain existing customers and acquire new ones, including winning over them from competitors through competitive prices, product differentiation, advertising, and promotions. Furthermore, high fixed costs and exit barriers make competition even fiercer (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023).

Threat of new entrants

The likelihood of new firms entering an industry depends on the barriers to entry and the expected reaction from current industry players. Virtually new firms can easily enter an industry if not the existing barriers to entry, placing them at a competitive disadvantage (Hitt et al., 2023). The Significant barriers to entry include government policy and regulations, tariffs, taxation, potential market saturation, the need to gain economies of scale, specialized know-how and technology, large capital requirements, absolute cost advantages, the lack of experience, patents, access to raw materials and adequate distribution channels, customer switching costs, strong brand preferences and loyalty (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023).

Although Georgia is one of the easiest countries to start a business, opening a fast-food restaurant, in general, requires high capital investments connected to getting additional licenses and permits, building well-developed infrastructure, and a strong brand to be different from other competitors in the market. Creating a brand is especially difficult for small and medium-sized enterprises (SMEs) that often struggle with the lack of resources necessary for successful business functioning. Furthermore, they compete against well-established international brands such as McDonald's, Wendy's, and others with all the necessary resources and extensive experience operating in the fast-food industry. Consequently, the threat of new entrants is low due to high barriers to entry.

Bargaining power of buyers/ consumers

The bargaining power of consumers may be the most significant force influencing competitive advantage. It is a high competitive force in the case of Georgian fast-food restaurant chains due to several reasons (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023):

- With high competition in the market, the survival of fast-food restaurants depends on customers as they are the source of income.

- Finding information about desired products/services and comparing alternatives is very simple through the internet and requires low involvement.

- Changing consumer preferences and new trends are usually reflected in the demand.

- Consumers tend to be multibrand loyal (eating in 3 or 4 different chains) and difficult to retain.

- Market saturation causes low switching costs as consumers can inexpensively move to competing brands or substitute products/services.

Bargaining power of suppliers

The main ingredients, such as flour, dairy products, meat, vegetables, and beverages, are relatively easy to find in the Georgian market. Furthermore, as mentioned in the previous chapter, most of the companies like Wendy's, MakSaurma, and Gochit's, instead of importing raw materials, usually use high-quality Georgian ingredients produced on their base (bakeries, greenhouses for vegetables, plants for meat processing, and other materials) or provided by local suppliers. However, some companies are choosing imported materials and ingredients over local ones. For example, McDonald's Georgia imports 80% of its

ingredients from Europe and buys 20% from local suppliers (apart from bread produced in its factory Bradfield in Tbilisi).

Although suppliers can raise input prices (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023), the bargaining power of suppliers remains a low competitive force in the case of fast-food restaurant chains.

Threat of substitutes

The threat of substitutes is a high competitive force. There are many substitutes for fast-food restaurant chains, such as street food (traditional Georgian pastry, Shawarma, hotdog, etc.), cafeterias, diners, pubs, cafes, bar-restaurants, pizzerias, bakeries, and shops satisfying similar customer needs. Georgians usually highly consume homemade food, specifically traditional Georgian dishes, during holidays (New Year, Christmas, Easter). Furthermore, customer switching costs are quite low as they can get similar or better deals on quality, meal size, portion, and health benefits for the affordable (similar or slightly higher) price from alternatives.

4.3 PEST analysis

Changes in macro or external environment can directly affect any or all of the Porter's five forces, and along with it the attractiveness of industries. Consequently, it is vital to gather information and monitor political, economic, social, technological, environmental, legal, demographic, cultural, and global factors/ forces/trends (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023). The most popular external analysis covering these factors are PEST (Political, Economic, Social, and Technological) and PESTLE (Political, Economic, Social, Technological, Legal, and Environmental) analysis. Within the framework of the thesis, PEST analysis was conducted.

Political Factors

Political variables include political conditions and stability, government regulations/deregulations, policies, legalization, taxation, labor, and antitrust laws, special tariffs, level of government subsidies, grants, funds, etc. (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023).

In recent years, the political situation in Georgia has been unstable as the issue of political polarization and positive engagement between ruling and opposition parties remains

unaddressed. In December 2023, the European Council granted Georgia European Union (EU) candidate status on the understanding that the country will take 9 steps, including addressing the political polarization issue, improving its alignment with the EU common foreign and security policy, completing and implementing a holistic and effective judicial reform, addressing the effectiveness and ensuring the institutional independence and impartiality of the Anti-Corruption Bureau, the Special Investigative Service and the Personal Data Protection Service (EEAS, 2023).

The EU-Georgia relationship began in the 1990s following the independence of Georgia. Since 2014, Georgia has increased participation in EU programmes and concluded working arrangements/memoranda of understanding with EU agencies. The EU, the European Bank for Reconstruction and Development, the European Investment Bank, the World Bank, and the International Monetary Fund have been assisting the country in various reforms, initiatives, and programmes (e.g., support to agriculture and rural development (ENPARD), public finance management, economic and business development, etc.). In general, the constitutional and legal instruments ensure the respect of the rule of law at all levels. The legal and institutional framework regulating fundamental rights largely follows European and international standards (European neighbourhood policy and enlargement negotiations (DG NEAR), 2023).

In conclusion, an unstable political situation, particularly deepening political polarization, can negatively influence the attractiveness of the Georgian market and its growth perspectives.

Economic Factors

Economic variables include inflation rates, interest rates, economy growth rate, currency exchange rates, tax rates, import/export factors, Gross domestic product (GDP), monetary and fiscal policies, unemployment trends, level of disposable income, price fluctuations, etc. (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023).

Although in recent years (except in 2020 due to the COVID-19 pandemic) the Georgian economy has been growing, it still has certain characteristics, such as relatively high inflation, interest and unemployment rates, and unstable currency exchange rates. The trade balance is usually negative, as import exceeds export: the majority of the products in the market are imported from neighboring countries, and any change in geopolitics, like the

Russo-Ukrainian war, causes massive problems in the supply chain and frequent price fluctuations. Furthermore, changes in the global economy and international markets cause imported inflation. Foreign direct investments, instant money transfers, and tourism play an important role. The tax legislation is subject to various interpretations and frequent changes.

Over the past decades, Georgia has pursued reforms to improve its economic governance and business climate and liberalize the business environment (European neighbourhood policy and enlargement negotiations (DG NEAR), 2023). Georgia is one of the top countries in the world in ease of starting a business. Furthermore, corruption is low.

Services, especially trade, play a leading role in the economy compared to manufacturing, construction, and agriculture. The Deep and Comprehensive Free Trade Area between the EU and Georgia, signed in 2014, highly contributes to the development of Georgia's economy through trade. Furthermore, the financial sector, dominated by commercial banks, is stable (European neighbourhood policy and enlargement negotiations (DG NEAR), 2023).

Georgia's future economic development depends significantly on the effectiveness of the government's fiscal and monetary policy and taxation, legislative, regulatory, and political developments. To improve the functioning of its market economy and ensure long-term inclusive growth and external competitiveness, Georgia needs to strengthen its human capital, physical infrastructure (renewable energy generation and transport infrastructure), and access to global value chains (European neighbourhood policy and enlargement negotiations (DG NEAR), 2023).

Social Factors

Social factors influencing an industry include lifestyles, social mores, values, attitudes, opinions, concerns, habits, tastes, preferences, demographics, population changes, growth rate, health, etc. (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023).

Georgian population is approximately 3,7 million. In 2022, the natural increase was negative. Although relatively high emigration has been causing negative net migration, the number of immigrants far exceeded emigrants due to the Russo-Ukrainian war. However, the population growth rate was negative (-1.1). In recent years, the population has certain characteristics (GEOSTAT, 2023):

- The majority (more than 60%) of the population belongs to the 15-64 age group.

- As females exceed males, especially in older age groups, their median age and life expectancy are higher.

- The majority of the population prefers to live in urban areas (big cities like Tbilisi, Batumi, Rustavi, and Kutaisi).

- Approximately one-third of the population is accumulated in the capital, Tbilisi.

- The share of the first marriages is decreasing.

- Marriages approximately twice exceed divorces.

- The average duration of the marriage is 11 years.

- The average monthly incomes of the total population and average monthly incomes per household and capita have been increasing. However, the average monthly expenditures of the total population and average monthly expenditures per household and capita also have been increasing.

- The ethnic majority are Georgians. Followed religion confession is Orthodoxy.

According to Hofstede's cultural dimensions, Georgia has a hierarchical society (power distance- score 65), collectivist culture (individualism- score 15), both high and low motivation towards achievement and success (score 55), high uncertainty avoidance (score 85), more normative than pragmatic culture (long term orientation- score 24), and a culture of restraint (indulgence- score 32) (The Culture Factor Group, 2024).

Technological Factors

Technological factors include technological advancements, innovations, discoveries, knowledge applications, new communication technologies, etc. (David et al., 2019; Hill and Jones, 2012; Hitt et al., 2023).

Technological development is one of the top priorities in Georgia. To integrate the latest technologies into the economy and create the necessary platform for innovative development, the Georgian Agency for Innovation and Technology invests in infrastructure development (technoparks, innovation centers, and industrial laboratories), provides training, and contributes to innovation and technology development and commercialization

(GITA, 2024). For example, one of the successful programs has been the 500 Accelerator Program in Georgia for tech start-ups.

Technological innovations play an important role in the financial sector. The National Bank of Georgia has been working on the Digital Lari project to introduce central bank digital currency (CBBC) since 2021 (Atlantic Council, 2024). The wireless paying technology and electronic wallets (Google Pay, Apple Pay) have been widely adopted since 2022. Moreover, due to the cheap electricity, the absence of legislative restrictions, and attractive tax incentives, the country has been a popular spot for cryptocurrency mining: since 2014, the Dutch company Bitfury, an industrial miner and one of the largest in the world, has data centers in Tbilisi and Gori (Bitfury, 2022).

Although the Georgian Information and Communication Technology (ICT) sector has been growing in recent years, access to digital infrastructure, especially to fast and affordable internet, remains insufficient in some rural areas of the country. The adoption of 5G internet has slowly started in 2023.

5 QUANTITATIVE RESEARCH RESULTS

The statistical programs SPSS and JASP were used to analyze collected data using descriptive statistics and structural equation modeling (SEM).

Sample characteristics

Descriptive statistics were used to study the characteristics of the sample, including respondents' gender (GND), age (AGE), highest education degree obtained (EDU), and employment status (EMPL) (Table 4).

Table 4 Demographic background, frequency table

N=208		Frequency	Valid Percent
Gender (GND)			
	Male	**67**	**32.212**
	Female	**140**	**67.308**
	Prefer not to say	**1**	**0.481**
Age (AGE)			
	Gen Z (12-27)	**181**	**87.019**
	Millennial (28-43)	**23**	**11.058**
	Gen X (44-59)	**4**	**1.923**
Educational level (EDU)			
	High School graduate	**57**	**27.404**
	Some college degree	**14**	**6.731**
	Bachelor's degree	**99**	**47.596**
	Master's degree or higher	**38**	**18.269**
Employment status (EMPL)			
	Unemployed	**7**	**3.365**
	Student	**129**	**62.019**
	Employed	**63**	**30.288**
	Self-employed	**9**	**4.327**

Source: Researcher's own

Respondents' Preferences for the fast-food restaurant chains

As mentioned in the methodology part, the questionnaire included preamble questions regarding how often the respondents eat at fast-food restaurant chains (FRQ) and their preference for international and national fast-food restaurants when eating out (PRF). According to the descriptive statistics results (Table 5), most of the respondents visit fast-food restaurant chains rarely or a maximum of 4 times a month.

One of the most significant questions from the survey was to find out respondents' preference for international and national fast-food restaurant chains when eating out. As

expected, the results show that most of them (65%) prefer international fast-food brands (Table 5).

Table 5 preamble questions, frequency table

N=208		Frequency	Valid Percent
How frequently do you eat at fast-food restaurant chains? (FRQ)			
Rarely		**73**	**35.096**
Once a month		**38**	**18.269**
2-4 times a month		**38**	**18.269**
5-10 times a month		**34**	**16.346**
More than 10 times a month		**25**	**12.019**
When I eat fast-food: (PRF)			
I prefer international fast-food restaurants (e.g., McDonald's, Wendy's, KFC, Subway, Burger King)		135	64.904
I prefer domestic fast-food restaurants (e.g., Gochit's, Macshaurma, Gldanis shawarma, Marge, Extrameat).		73	35.096

Source: Researcher's own

Respondents' brand loyalty to international fast-food restaurant chains

As mentioned in the methodology part, the main body of the questionnaire survey focused on studying brand loyalty to international fast-food restaurant chains. To test the research model and hypothesis, structural equation modeling (SEM) was employed.

Before using SEM, reliability and validity of the measurement model was tested.

Reliability analysis was conducted in SPSS software to ensure the internal consistency of the measurement items (statements). Cronbach's Alpha was calculated for each factor and the whole model. The items exhibited satisfactory reliability since the values exceeded 0,7 as the cut-off value.

After ensuring the reliability of the measurement items, **construct validity** was tested. First, convergent validity was tested by estimating factor loadings, composite reliability (CR), and average variance extracted (AVE) for all the constructs. Constructs exhibiting convergence had to exceed cut-off values: CR value above 0.7, AVE value greater than 0.5, and factor loadings greater than 0.6 (cut-off points may vary depending on the author). However, 7 items (QLT4, ATA2, SOC1, SOC2, AEG1, AEG2, AEG3) had to be dropped due to low factor loadings. Consequently, presented reliability (Table 6), convergent and discriminant validity analysis (Table 7 and Table 8) includes 16 items.

Table 6 Reliability statistics for each construct and research model

Construct (factor)	Reliability Statistics		
	N of Items	Cronbach's Alpha (CA)	
Perceived Price and Value (PRC)	3	0.834	
Convenience and Accessibility (ACS)	3	0.756	
Perceived quality (QLT)	3	0.747	0.906
Brand trust and reputation (TRT)	3	0.771	
Brand Loyalty (LOY)	4	0.824	

Source: Researcher's own

Table 7 Convergent validity results for each construct

Construct	Item	Factor loading	Composite Reliability (CR)	Average Variance Extracted (AVE)
PRC	PRC1	0.716	0.867	0.688
	PRC2	0.943		
	PRC3	0.814		
ACS	ACS1	0.768	0.815	0.597
	ACS2	0.845		
	ACS3	0.698		
QLT	QLT1	0.810	0.793	0.564
	QLT2	0.621		
	QLT3	0.806		
TRT	TRT1	0.751	0.826	0.614
	TRT2	0.867		
	TRT3	0.725		
LOY	BHL1	0.888	0.874	0.636
	BHL2	0.842		
	BHL3	0.764		
	ATA1	0.680		

Source: Researcher's own

Table 8 Discriminant validity for each construct

Construct	PRC	ACS	QLT	TRT	LOY
PRC	*0.829*				
ACS	0.476**	*0.773*			
QLT	0.278**	0.384**	*0.751*		
TRT	0.308**	.511**	.503**	*0,784*	
LOY	0.528**	.693**	.473**	.632**	*0,797*

**. Correlation is significant at the 0.01 level (2-tailed).
The italic values are the square root of AVE

Source: Researcher's own

After proving construct reliability and validity, **SEM** was performed in JASP to test model fit and research hypothesis.

Model fit measures/indexes assessing the goodness of fit of the model (Table 9) indicate an appropriate model fit since they exceeded the minimum cut-off values suggested by various scholars. Therefore, the proposed research model can appropriately predict brand loyalty in the context of international fast-food restaurant chains in Georgia.

Table 9 Model fit measures

Index	χ^2	df	p	χ^2/df	CFI	TLI	NFI	IFI	GFI	RNI	RMSEA
value	271.418	94	< 0.001	2.887	0.994	0.992	0.984	0.994	0.989	0.994	0.055

Source: Researcher's own

Table 10 Results of hypothesis testing

Hypothesis		Regression coefficients	p	Decision
H1	PRC→LOY	0.238	0.002	**Supported**
H2	ACS→LOY	0.571	< .001	**Supported**
H4	QLT→LOY	0.080	0.348	Not Supported
H5	TRT→LOY	0.381	< .001	**Supported**

Source: Researcher's own

As for research hypothesis, the results show that (Table 10) hypotheses H1, H2, and H4 are supported, i.e., perceived price and value (H1), convenience and accessibility (H2), and brand trust and reputation (H4) positively influence brand loyalty to international fast-food restaurant chains. Out of these three factors, convenience and accessibility exhibit the strongest positive influence on brand loyalty. However, H3 regarding quality is not supported.

6   DISCUSSION OF RESULTS

The fast-food restaurant industry in Georgia, including international and national fast-food chains and small fast-food outlets, kiosks or stands selling Shawarma, hotdogs, traditional Georgian pastry, and other street food, has been growing since the 1990s. The international fast-food brands such as McDonald's, KFC, Wendy's, Dunkin', Subway, Burger King, and national brands such as MasShaurma, Gldani Shawarma, Mugsy's Burger, Burger Bar, City Chicken, Extra meat actively contribute to the development of the industry. However, as rivalry among established competitors, the threat of new entrants and substitutes, bargaining power of buyers, and turbulences in the external environment (e.g., political, economic, social, and technological factors/trends) are high, the companies need to pay more attention to their consumers' preferences and brand loyalty.

The research revealed that Georgian consumers, especially between the age of 12-27 (Gen Z), usually visit fast-food restaurant chains rarely or a maximum of 4 times a month. This result corresponds with previous research (Arutinovi, 2020), where most Georgian respondents visited fast-food outlets 1-4 times a month. Similarly, Malaysian consumers (university students) opt for fast-food 2-3 times per month (Halim et al., 2023).

As for consumers' preferences, results confirm that most Georgian consumers prefer international fast-food brands over national alternatives when eating out (Arutinovi, 2020). Similarly, Turkish consumers (students between the age of 17-28) opted for international brand restaurants in the research of Ozdemir and Ergin (2017). Generally, consumer preferences and brand loyalty (repurchasing product/service due to strong preference for established companies/brands) to fast-food restaurant chains can be caused by various factors such as perceived price and value, convenience and accessibility, brand trust and reputation, quality, consistency, physical environment and atmosphere, brand name, image, marketing communications, and consumer satisfaction.

The Master thesis focused on the influence of perceived price and value (H1), convenience and accessibility (H2), perceived quality (H3), and brand trust and reputation (H4) on brand loyalty to international fast-food restaurant chains. However, the results confirm the existence of a positive influence of perceived price and value (H1), convenience and accessibility (H2), and brand trust and reputation (H4) on brand loyalty to international fast-food restaurant chains in Georgia. Convenience and accessibility exhibit the strongest positive influence, followed by brand trust and reputation, and perceived value. Comparably,

in their article, Ozdemir and Ergin (2017) found that convenience, followed by brand name reputation and cost, have a great influence on young consumers' brand preferences for fast food restaurants. Furthermore, Singh et al. (2021) suggested that brand trust has a significant positive influence on customer loyalty. Carranza et al. (2018) also mentioned that trust is key to developing loyalty in fast-food restaurant customers.

Contrary to some previous studies suggesting the quality of the food, restaurant service, and physical environment are important triggers of revisit and repurchase intentions, customer loyalty, and brand preference for fast food restaurants (Carranza et al., 2018; Namin, 2017; Ozdemir and Ergin, 2017; Rajput and Gahfoor, 2020), the third hypothesis regarding perceived quality positively influencing brand loyalty to international fast-food restaurant chains is not supported. The reason behind it can be that Georgian consumers perceive the quality of national fast-food brands to be better, or they are skeptical towards fast-food quality in general. Based on the question design and the respondents' answers, consumers prefer/favor the food and service quality offered by national fast-food restaurant chains.

Recommendations for fast-food restaurant chains in Georgia

Based on the research results and discussion, several recommendations can be proposed for fast-food restaurant chains in Georgia to improve their offerings, attract new customers, increase brand loyalty, better face growing competition and turbulences in the external environment:

International fast-food brands

- **Change perceived quality**- In recent years, perceived quality has become one of the most important competitive factors, especially in the case of fast-food restaurants (Carranza et al., 2018; Namin, 2017; Qin and Prybutok, 2009; Rajput and Gahfoor, 2020; Singh et at., 2021; Slack et al., 2020; Wu and Mohi, 2015). Restaurants should pay more attention to the quality of food and service. It is suggested to assess the strengths and weaknesses of the service, consumers' perceived service quality compared to domestic alternatives, and based on the results, identify areas that require improvement to survive high competition and turbulence in the market, strengthen the positive brand image, attract new customers and retain old ones, and enhance satisfaction and brand loyalty.

- **Improve brand and marketing communication strategies to better adapt to the local market** - International fast-food brands successfully gained trust and reputation among Georgian customers due to the existence of a recognized trademarks and strong franchise brands (Grossmann and Katz, 2021; Nyadzayo et al., 2015; Terry and Di Lernia, 2013; Windsperger et al., 2015). However, their brand and marketing communication strategies still need development to better adapt to the local market. McDonald's Georgia is one of the best examples of how the restaurant can create unique and targeted promotions, highlighting the quality of food, employee service, and physical environment that provide value and satisfaction to new and loyal customers. It is suggested that other international brands like KFC, Wendy's, Dunkin', Subway, and Burger King take inspiration from McDonald's Georgia and better adapt their strategies to the Georgian market.

- **Create a sense of community and active engagement among Georgian customers-** Although statements regarding a sense of community and active engagement were not part of the SEM, the responses show a relatively low sense of community and active engagement. It is suggested that the restaurants invest in initiatives like marketing campaigns aiming to build a restaurant community and make customers feel a part of it. Furthermore, they should find ways to increase engagement after investigating the reason for relatively low engagement on social media, adoption of mobile apps, and participation in loyalty programs and promotions. Brand trust has a significant positive influence on customer loyalty, fast-food restaurants must achieve customer trust by meeting expectations and being reliable and trustworthy (Singh et al., 2021).

National fast-food brands

- **Change perceived price and value**- As research revealed, Georgian customers tend to perceive the prices of international fast-food brands as more affordable and reasonable. Furthermore, they view offerings as better value for money in terms of portion sizes and meal deals. It is suggested that national fast-food brands focus more on studying customers' perceived prices and value and finding ways to change them for the better.

- **Increase convenience and accessibility**- Based on the results, the widespread availability of international fast-food brands, especially in strategic locations (e.g., city centers, shopping malls, stations, and airports), makes them a more convenient option for customers compared to domestic alternatives. The reason behind it most probably is that the national fast-food brands are usually concentrated in the capital (Tbilisi) rather than other big cities in the country and often lack the financial resources to open restaurants in strategic locations. Consequently, it is suggested to study demand and respectively increase accessibility. As for convenience when ordering, although domestic restaurants may not offer user-friendly mobile apps or online ordering platforms, they receive orders on social media/over the phone and cooperate with delivery service providers. For established national brands like Gochit's, it can be recommended to start working on launching their mobile apps.

- **Build brand trust and reputation-** Since international fast-food brands have better brand trust and reputation among Georgians due to recognized trademarks and established franchise brands, national brands should increase their efforts to build strong brand reputation and gain trust. Consequently, it is suggested that national fast-food brands constantly seek to meet or exceed expectations of customers while being reliable and trustworthy.

- **Improve brand and marketing communication strategies-** Improving brand and marketing communication strategies plays a significant role in building trust and reputation. Unfortunately, most national fast-food brands do not put enough effort (i.e., capital and human resources) to create a strong brand or even unique and targeted marketing initiatives. Consequently, it is recommended to pay more attention to this matter.

7 LIMITATIONS OF RESEARCH

The Master thesis, like any other study, has several limitations. Firstly, caution is needed in generalizing the results since more studies are required to validate the findings. Secondly, the nature and size of the sample is limited. Thirdly, the thesis lacks fast-food industry-specific statistics due to poor availability. Fourthly, it does not examine whether the sample characteristics or factors such as customer satisfaction, brand name, physical environment, and atmosphere influence Georgian consumers' preferences and brand loyalty to fast-food restaurant chains. Lastly, this study does not focus enough on national fast-food brands, nor specific international fast-food brands and competition between them.

CONCLUSION

The main objective of the master thesis was to study consumer preferences and brand loyalty to fast-food restaurant chains in Georgia. An internet-based survey was conducted among Georgian consumers of fast-food restaurant chains between the ages of 12 and 59 (Gen Z, Millennials, and Generation X) to study the influence of perceived price and value, accessibility and convenience, brand trust and reputation, and perceived quality on consumer preferences and brand loyalty to fast-food restaurant chains. The analysis of the results revealed that consumers prefer international fast-food brands like McDonald's, Wendy's, KFC, Subway, and Burger King over domestic alternatives. As for brand loyalty, perceived price and value, accessibility and convenience, brand trust and reputation were confirmed to have a positive influence on brand loyalty to international fast-food restaurant chains. However, contrary to some previous studies, the positive influence of perceived quality was not supported.

The outcome of the master thesis is proposed recommendations for international and national fast-food brands: international brands are suggested to change perceived quality, improve brand and marketing communication strategies to better adapt to the local market, and create a sense of community and active engagement among Georgian customers, whereas national brands are advised to change perceived price and value, increase convenience and accessibility, build brand trust and reputation, and improve brand and marketing communication strategies. These recommendations will help fast-food restaurant chains in Georgia to improve their offerings, attract new customers, increase brand loyalty, and survive high competition in the market and turbulences in the external environment.

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LIST OF ABBREVIATIONS

AMA   American Marketing Association

AVE   Average Variance Extracted

BaV   BrandAsset Valuator

CBBE   Customer-based brand equity

CR   Composite Reliability

GDP   Gross domestic product

JASP   Jeffreys's Amazing Statistics Program

PEST   Political, Economical, Social, Technological

PESTLE   Political, Economic, Social, Technological, Legal, and Environmental

SEM   Structural equation modeling

SPSS   Statistical Package for Social Science

U.S.   United States

LIST OF FIGURES

LIST OF TABLES

APPENDICES

Appendix P I: Questionnaire for consumers

Appendix P II: მომხმარებელთა გამოკითხვა

APPENDIX P I: QUESTIONNAIRE FOR CONSUMERS

Dear Respondents,

I am a Master's student at the Tomas Bata University in Zlin, Czech Republic. Within the framework of my thesis, I am conducting research on the topic: "**Consumer Preferences and Brand Loyalty to Fast-food Restaurant Chains in Georgia".** I would appreciate it if you could participate in the survey. The questionnaire is anonymous and will take about 5-8 minutes to complete. Kindly answer the questions as candidly as you can. Thank you in advance.

Sincerely,
Mariami

Definition

Fast-food is convenient, quick, and usually reasonably priced. Fast food restaurants are traditionally distinguished by the drive-through. Outlets may be stands or kiosks, which may provide no shelter/seating, or fast food restaurants known as quick service restaurants. International fast-food restaurant chains include **international brands like McDonald's, Wendy's, KFC, Subway, Burger King**, whereas domestic fast-food restaurant chains involve **national/local brands (e.g., Gochit's, Macshaurma, Gldanis shawarma, Marge, Extrameat)**.

How frequently do you eat at fast-food restaurant chains?
- Rarely
- Once a month
- 2-4 times a month
- 5-10 times a month
- More than 10 times a month

When I eat fast-food:
- I prefer international fast-food restaurants (e.g., McDonald's, Wendy's, KFC, Subway, Burger King)
- I prefer domestic fast-food restaurants (e.g., Gochit's, Macshaurma, Gldanis shawarma, Marge, Extrameat).

Statements

Please rate the following statements from 1 (Strongly Disagree) **to 5** (Strongly Agree) **based on your preferences and experiences with international fast-food brands** (e.g., McDonald's, KFC, Wendy's, Subway, Burger King) **and domestic fast-food brands** (e.g., Gochit's, Macshaurma, Gldanis shawarma, Marge, Extrameat).

When eating out on a budget, I choose international fast-food brands because they offer affordable options compared to domestic alternatives.

1	2	3	4	5

I prefer international fast-food brands as they offer better value for money in terms of portion sizes and meal deals compared to domestic options.

1	2	3	4	5

Menu prices at international fast-food brands are more reasonable compared to domestic alternatives.

1	2	3	4	5

The widespread availability of international fast-food brands makes them more convenient option for me compared to domestic alternatives.

1	2	3	4	5

I prefer international fast-food brands because they are conveniently located in areas I frequent (e.g., city centers, shopping malls, stations, airports).

1	2	3	4	5

I prefer international fast-food brands offering user-friendly mobile apps or online ordering platforms for convenience and efficiency.

1	2	3	4	5

I believe the food quality at international fast-food brands is superior to domestic ones.

1	2	3	4	5

International fast-food brands provide faster service compared to domestic brands.

1	2	3	4	5

International fast-food brands offer higher service quality compared to domestic brands.

1	2	3	4	5

I believe I will get the same service in every restaurant of international fast-food brands.

| 1 | 2 | 3 | 4 | 5 |

I prefer to eat at international fast-food brands with a strong brand image over unfamiliar domestic alternatives.

| 1 | 2 | 3 | 4 | 5 |

I trust international fast-food brands with a strong reputation for quality and customer service more than lesser-known domestic ones.

| 1 | 2 | 3 | 4 | 5 |

In my view, international fast-food restaurants have better reputation with customers.

| 1 | 2 | 3 | 4 | 5 |

I tend to visit international fast-food brands more frequently than domestic alternatives.

| 1 | 2 | 3 | 4 | 5 |

I consider myself more loyal to international fast-food brands than domestic alternatives.

| 1 | 2 | 3 | 4 | 5 |

I am more likely to repurchase from international fast-food brands due to their loyalty programs and rewards incentives (e.g., special deals/discounts/coupons/rewards in mobile app).

| 1 | 2 | 3 | 4 | 5 |

I would really miss international fast-food brands if they went away.

| 1 | 2 | 3 | 4 | 5 |

International fast-food restaurants are special to me, as they remind me of positive memories or experiences from past. For example, childhood, family gatherings or travels.

| 1 | 2 | 3 | 4 | 5 |

I really identify with people who eat at international fast-food restaurants.

| 1 | 2 | 3 | 4 | 5 |

I feel a deep connection with others who eat at international fast-food restaurants.

| 1 | 2 | 3 | 4 | 5 |

I like to check the international fast-food brands' mobile apps and Web sites.

| 1 | 2 | 3 | 4 | 5 |

I actively participate in loyalty programs and promotions offered by international fast-food brands.

1	2	3	4	5

I engage with international fast-food brands on social media, following their updates and sharing my dining experiences with friends.

1	2	3	4	5

Sample Characteristics

Gender

- Male
- Female
- Prefer not to say

Age

- Gen Z (12-27)
- Millennial (28-43)
- Generation X (44-59)

Highest degree of education

- High school
- Some college
- Bachelor's degree
- Master's degree or higher

Employment status

- Student
- Unemployed
- Self-emloped
- Employed

APPENDIX P II: მომხმარებელთა კითხვარი

ძვირფასო რესპონდენტებო,

მოგესალმებით, მე ვარ მაგისტრატურის სტუდენტი ტომას ბატას უნივერსიტეტი ზლინში, ჩეხეთი. ჩემი დისერტაციის ფარგლებში ვატარებ კვლევას თემაზე:"მომხმარებელთა პრეფერენციები და ბრენდის ლოიალობა სწრაფი კვების რესტორნების ქსელებისადმი საქართველოში". მადლობელი ვიქნები, თუ გამოკითხვაში მონაწილეობას მიიღებთ. კითხვარი ანონიმურია და მის შევსებას დაახლოებით 5-8 წუთი დასჭირდება. გთხოვთ უპასუხეთ კითხვებს რაც შეიძლება გულწრფელად. წინასწარ გმადლობთ ყურადღებისათვის!

პატივისცემით,
მარიამი

განმარტებები

Fast-Food არის მოსახერხებელი, სწრაფი და ჩვეულებრივ გონივრულ ფასად შემოთავაზებული საკვები. სწრაფი კვების რესტორნებს ტრადიციულად გამოირჩევს drive-through. კვების ობიექტები შეიძლება მოიცავდეს სწრაფი კვების რესტორნებს, ჯიხურებს ან სტენდებს.

სწრაფი კვების რესტორნების საერთაშორისო ქსელებში შედის ისეთი <u>საერთაშორისო ბრენდები</u>, როგორიცაა **McDonald's, Wendy's, KFC, Subway** და **Burger King,** ხოლო ადგილობრივი სწრაფი კვების რესტორნების ქსელები მოიცავს <u>ეროვნულ/ადგილობრივ ბრენდებს</u> (მაგ., **Gochit's, Macshaurma,** გლდანის შაურმა, მარგე, ექსტრამითი).

რამდენად ხშირად მიირთმევთ სწრაფი კვების ქსელებში?

• იშვიათად   • თვეში ერთხელ   • 2-4 ჯერ თვეში   • 5-10 ჯერ თვეში

• თვეში 10-ზე მეტჯერ

როცა ვჭამ fast-food-ს:

- უპირატესობას ვანიჭებ საერთაშორისო სწრაფი კვების ბრენდებს (მაგ., McDonald's, Wendy's, KFC, Subway და Burger King)
- უპირატესობას ვანიჭებ ადგილობრივი სწრაფი კვების ბრენდებს (მაგ., Gochit's, Macshaurma, გლდანის შაურმა, მარგე, ექსტრამითი).

კითხვარის დებულებები

გთხოვთ შეაფასოთ შემდეგი დებულებები **1-დან** (სრულიად არ ვეთანხმები) **5-მდე** (სრულიად ვეთანხმები) თქვენი პრეფერენციებისა (უპირატესობების) და გამოცდილების საფუძველზე <u>სწრაფი კვების საერთაშორისო ბრენდებთან</u> (მაგ., McDonald's, KFC, Wendy's, Subway, Burger King) და <u>ადგილობრივ ბრენდებთან</u> (მაგ., Gochit's, MacShaurma, გლდანის შაურმა, მარგე, ექსტრამითი).

ბიუჯეტურად კვებისას ვირჩევ სწრაფი კვების საერთაშორისო ბრენდებს, რადგან ისინი ადგილობრივ ალტერნატივებზე ხელმისაწვდომ ვარიანტებს მთავაზობენ.

1	2	3	4	5

მე უპირატესობას ვანიჭებ სწრაფი კვების საერთაშორისო ბრენდებს, რადგან ისინი ადგილობრივ ვარიანტებზე უკეთეს ფასს მთავაზობენ კერძებისა და პორციების ზომის გათვალისწინებით.

1	2	3	4	5

საერთაშორისო სწრაფი კვების ბრენდების მენიუს ფასები ადგილობრივ ალტერნატივებზე უფრო გონივრულია.

1	2	3	4	5

ჩემთვის საერთაშორისო სწრაფი კვების ბრენდები ადგილობრივ ალტერნატივებზე უფრო მოსახერხებელი ვარიანტია ფართო ხელმისაწვდომობის გამო.

1	2	3	4	5

მე უპირატესობას ვანიჭებ სწრაფი კვების საერთაშორისო ბრენდებს, რადგან ისინი მოხერხებულადაა განლაგებულია იმ ადგილებში, რომელთაც მე ხშირად ვსტუმრობ (მაგ., ქალაქის ცენტრები, სავაჭრო ცენტრები, სადგურები, აეროპორტები).

1	2	3	4	5

მე უპირატესობას ვანიჭებ სწრაფი კვების საერთაშორისო ბრენდებს, რომლებიც მთავაზობენ **user-friendly** (მოხერხებულ) მობილურ აპლიკაციებს ან ონლაინ შეკვეთის პლატფორმებს მოხერხებულობისა და ეფექტურობისთვის.

1	2	3	4	5

მჯერა, რომ საერთაშორისო სწრაფი კვების ბრენდების საკვების ხარისხი ადგილობრივ ბრენდებზე უკეთესია.

1	2	3	4	5

სწრაფი კვების საერთაშორისო ბრენდებს ადგილობრივ ბრენდებთან შედარებით უფრო სწრაფი მომსახურება აქვთ.

1	2	3	4	5

საერთაშორისო სწრაფი კვების ბრენდები ადგილობრივ ბრენდებზე მაღალი მომსახურების ხარისხს გვთავაზობენ.

1	2	3	4	5

მჯერა, რომ საერთაშორისო სწრაფი კვების ბრენდების ყველა რესტორანში იგივე მომსახურებას მივიღებ.

1	2	3	4	5

მირჩევნია ვჭამო ძლიერი იმიჯის მქონე სწრაფი კვების საერთაშორისო ბრენდებში ვიდრე უცნობ ადგილობრივ ალტერნატივებში.

1	2	3	4	5

მე უფრო ვენდობი სწრაფი კვების საერთაშორისო ბრენდებს, რომელთაც აქვთ მაღალი რეპუტაცია ხარისხისა და მომხმარებელთა მომსახურების მხრივ, ვიდრე ნაკლებად ცნობილ ადგილობრივებ ალტერნატივებს.

1	2	3	4	5

ჩემი აზრით, საერთაშორისო სწრაფი კვების ბრენდებს მომხმარებელთა შორის უკეთესი რეპუტაცია აქვთ.

1	2	3	4	5

მე უფრო ხშირად ვსტუმრობ სწრაფი კვების საერთაშორისო ბრენდებს, ვიდრე ადგილობრივ ალტერნატივებს.

1	2	3	4	5

მე თავს უფრო ლოიალურად (ერთგულად) ვიგრძნი საერთაშორისო სწრაფი კვების ბრენდებისადმი, ვიდრე ადგილობრივი ალტერნატივებსადმი.

1	2	3	4	5

საერთაშორისო ბრენდების ლოიალობისა და წახალისების პროგრამების გამო (მაგ., სპეციალური შეთავაზებები/ფასდაკლებები/კუპონები/ჯილდოები მობილურ აპლიკაციაში) მე დიდი ალბათობით ისევ შევიძენ მათ საკვებს.

1	2	3	4	5

მე ნამდვილად მომენატრება საერთაშორისო სწრაფი კვების ბრენდები, თუ ისინი დაგვტოვებენ (მაგ., დახურვა, ბაზრის დატოვება).

1	2	3	4	5

სწრაფი კვების საერთაშორისო ბრენდები ჩემთვის განსაკუთრებულია, რადგან ისინი მახსენებენ წარსულის პოზიტიურ მოგონებებს ან გამოცდილებას. მაგალითად, ბავშვობა, ოჯახური შეკრებები ან მოგზაურობა.

| 1 | 2 | 3 | 4 | 5 |

მე ნამდვილად მესმის იმ ადამიანების, რომლებიც მიირთმევენ საერთაშორისო სწრაფი კვების რესტორნებში.

| 1 | 2 | 3 | 4 | 5 |

მე ძლიერ კავშირს ვგრძნობ მათთან, ვინც მიირთმევს საერთაშორისო სწრაფი კვების რესტორნებში.

| 1 | 2 | 3 | 4 | 5 |

მომწონს სწრაფი კვების საერთაშორისო ბრენდების მობილური აპლიკაციისა და ვებგვერდების შემოწმება.

| 1 | 2 | 3 | 4 | 5 |

აქტიურად ვმონაწილეობ საერთაშორისო სწრაფი კვების ბრენდების შემოთავაზებულ ლოიალობის პროგრამებსა და აქციებში.

| 1 | 2 | 3 | 4 | 5 |

მე თვალს ვადევნებ საერთაშორისო სწრაფი კვების ბრენდებს სოციალურ მედიაში, ვაკვირდები მათ განახლებებს და ვუზიარებ ჩემს გამოცდილებას მეგობრებს.

| 1 | 2 | 3 | 4 | 5 |

დემოგრაფიული პროფილი

სქესი

- მამრობითი
- მდედრობითი
- მირჩევნია არ ვთქვა

ასაკი

- Gen Z (12-27)
- Millennial (28-43)
- Generation X (44-59)

მიღებული განათლების უმაღლესი ხარისხი

- სრული ზოგადი განათლება (სკოლა)
- უმაღლესი პროფესიული განათლება(კოლეჯი)
- ბაკალავრის ხარისხი
- მაგისტრის ხარისხი ან უფრო მაღალი

დასაქმების სტატუსი

- მოსწავლე
- სტუდენტი
- უმუშევარი
- თვითდასაქმებული
- დასაქმებული