ABSTRACT

The COVID-19 pandemic has led to an increase in consumers' willingness to pay for premium priced foods. This study aims to identify the major factors affecting consumers' willingness to pay for premium priced food. Primary data was collected for this study, and the data was accepted based on the Cronbach alpha test. The study found that consumers' willingness to pay for premium priced food is not affected by hygiene. However, premium price, taste, ambiance, and quality service are factors that affect consumers' willingness to pay.

The findings of this study are consistent with previous research that highlights the importance of taste and quality service in influencing consumers' purchase intention. The study also emphasizes the significance of ambiance and premium price in driving consumers' willingness to pay for premium priced food.

The study suggests that companies should focus on providing quality service and creating a pleasant ambiance to enhance consumers' willingness to pay for premium priced food. Additionally, companies should consider the premium price of their products and align it with the perceived value of their target market.

Overall, the study provides insights into the factors that influence consumers' willingness to pay for premium priced food. The findings of this study can be useful for companies in designing their marketing strategies and enhancing the effectiveness of their product offerings.

Keywords: pay, quality, price, target market, factors
Introduction

Prior to the year 2000, the hotel and food service industry had three layers of traditional restaurants, which were quick service, midscale, and upscale. However, the industry has evolved to include moderate upscale and business dining, which sets a more premium image (Muller & Woods, 1994; Katt & Meixner, 2020). Consumer willingness to pay for food depends on the quality, ambiance, and service provided (Katt & Meixner, 2020). According to world data, there is a set of consumers who are willing to spend an average of $186 per annum per household (Loureiro & Umberger, 2003). In Nepal, surveys have shown that almost 59% of consumers are willing to pay a premium price for food items in restaurants (Chetioui, Benlafqih, & Lebdaoui, 2020).

The restaurant industry has a variety of attributes that can be measured, and restaurants can be grouped into five categories: quick service (fast food), fast casual, midscale, moderate upscale, and upscale dining (Satisfaction or delight? A cross-cultural study of loyalty formation linked to two restaurant types, 2022; The effects of restaurant quality attributes on customer behavioral intentions, 2014). The study by Chetioui et al. (2020) aimed to analyze influencer profile factors that influence the level of trust in influencers, as well as the level of trust in influencers. The study found that influencer marketing has a significant impact on consumers’ purchase intention, brand loyalty, and perceived usefulness.

In short, the willingness of consumers to pay for premium priced food depends on various factors such as quality, ambiance, and service provided. The restaurant industry has evolved to include moderate upscale and business dining, which sets a more premium image. The findings of the study by Chetioui et al. (2020) suggest that influencer marketing has a significant impact on consumers’ purchase intention, brand loyalty, and perceived usefulness. These insights can be useful for companies in designing their marketing strategies and enhancing the effectiveness of their product offerings.

Problem Statement

Previous research has focused on food products or organic products, but there is a gap in research on the price factor of restaurants and consumer preferences for fast food items in the Kathmandu Valley. A study by Bharat Rai and Rajshree Rawal (2019) developed a conceptual framework showing the relationship between price, taste, ambiance, and location on consumer preference. The findings suggest that there is a high correlation between these factors and consumer preference for fast food items. However, there is a need for further research to investigate the factors that influence consumer preferences for fast food items in the Kathmandu Valley, including hygiene and the impact of COVID-19 on consumer behavior.

Bashar Haruna Gulumbe et al. (2019) suggested that bioaerosol concentrations in the indoor air and the hygiene practices of restaurants increase the risk and improve food safety in restaurants. The findings showed that the indoor air quality was found to be poor, with the levels of airborne bacteria and fungi exhibiting levels higher than the prescribed limits. Therefore, future research could investigate the impact of hygiene practices on consumer preferences for fast food items in the Kathmandu Valley.

Additionally, previous research has revealed that many people are not well aware of the availability of organic products in the market, and those who are aware of them are not well informed about other outlets where they can buy these products (Kamal P. Aryal et al., 2009). Future research could focus on the effectiveness of different marketing strategies for promoting organic products and increasing consumer awareness and access to these products.

In conclusion, there is a need for further research to investigate the factors that influence consumer preferences for fast food items in the Kathmandu Valley, including hygiene and the impact of COVID-19 on consumer behavior. Additionally, research could focus on the effectiveness of different marketing strategies for promoting organic products and increasing consumer awareness and access to these products.
Recent studies have shown that consumers are becoming more health-conscious and prioritize good health and a nice environment over price (Bashar Haruna Gulumbe et al., 2019). However, the willingness of consumers to pay for premium foods is affected by various determinants such as gender, region, and age (Li & Kallas, 2021). The willingness to pay for organic products is greater than for junk foods. The impact of COVID-19 has also affected the restaurant industry in terms of consumer mindset and willingness to pay for fresh products (Wang, An & Gao, 2020). Individuals were willing to pay almost 60.67% more for fresh products in restaurants, indicating a preference for fresh products. An empirical research for its validation in Nepal, the research is a must.

**Objectives**

1. To find the relationship between consumers’ willingness to pay for premium-priced foods in Kathmandu valley.
2. To find the impact of taste, ambiance, location, quality service, Hygiene on willingness to pay.

**Literature Review**

The tourism industry in Nepal has provided an opportunity for people to sell foods embedded in Nepalese culture, resulting in restaurant owners integrating Nepalese taste with Western foods. Bharat Rai and Rajshree Rawal (2019) developed a conceptual framework showing the relationship between price, taste, ambiance, and location on consumer preference. The findings suggest that there is a high correlation between price, taste, ambiance, and location on the consumer's preference.

Bashar Haruna Gulumbe et al. (2019) suggested that bioaerosol concentrations in the indoor air and the hygiene practices of restaurants increase the risk and improve food safety in restaurants. The findings showed that the indoor air quality was found to be poor, with the levels of airborne bacteria and fungi exhibiting levels higher than the prescribed limits.

Sunghyup Sean Hyun (2010) made a study to find out which factors influence relationship quality and customer loyalty formation and examine the connections between relationship quality and loyalty. The study found that food quality, price, service quality, location, and environment influence loyalty formation but that their impact is mediated by relationship quality. Specifically, the five attributes influence satisfaction, which in turn directly and indirectly influences loyalty formation via trust. Moreover, among these five attributes, service quality has both direct and indirect impacts on trust, and its effect is stronger than that of any other attribute.

Kamal P. Aryal et al. (2009) found out from their survey that the respondents are willing to pay premium prices for organic products to some levels. A total of 58% of the consumers are willing to pay 6-20% price premium, whereas 13% are willing to pay up to 50% premium. The average premium was estimated to be about 30%. About 39% of the respondents feel the extra cost for organic products is reasonable, while 27% considered it too high.

Li and Kallas (2021) agreed that there are several determinants like gender, region, and age that affect the willingness of consumers to pay for premium foods. The willingness to pay for organic products is greater than for junk foods.

Wang, An, and Gao (2020) depict the impact of COVID-19 in mainly two aspects, the consumer's mindset, and the restaurant industry after COVID-19. Individuals were willing to pay almost 60.67% more for fresh products in restaurants, indicating a preference for fresh products.

In conclusion, the restaurant industry has several attributes that can be measured, and restaurants can be grouped into five categories: quick service, fast casual, midscale, moderate upscale, and upscale dining. The willingness of consumers to pay for premium foods depends on various factors such as price, taste, ambiance, location, and hygiene. These insights can be useful for restaurant owners in designing their marketing strategies and enhancing the effectiveness of their product offerings.
Major Variables

Price and quality are key determinants of the success of a restaurant business. Sunghyup Sean Hyun (2010) found that price is a key influence on patrons' satisfaction, and price fairness influences trust and satisfaction, which are two components of the relationship between restaurants and customers. If customers believe that they are being overcharged, they do not trust the restaurant and will be less likely to visit it in the future.

In the restaurant industry, quality of food is the most important influence on patrons' behavior (Auty 1992; Kivela, Inbakaran, and Reece 1999; Koo, Tao, and Yeung 1999; Lewis 1981; Lo and Lam 2004; Raajpoot 2002; Sulek and Hensley 2004; M. Turner and Collision 1988). Consequently, many studies of restaurant marketing have focused on determinants of taste. Ambiance is also an important influence on patrons' behavior and customer satisfaction (Bitner 1992; F. J. Foster 1997; Kivela, Inbakaran, and Reece 2000; Namkung and Jang 2008; Soriano 2002). Bitner (1992) mentioned that a service provider communicates with customers in the restaurant ambiance, and so the ambiance greatly influences patrons' behavior. Kivela, Inbakaran, and Reece (2000) analyzed data collected from 908 patrons and found that when patrons are satisfied with the restaurant's ambiance, their probability of returning greatly increases.

A large number of studies have postulated that service quality is a critical factor influencing patrons' behavior in the restaurant industry (e.g. Chow et al. 2007; Soriano 2002). For example, Soriano (2002) stated that restaurant customers consider quality of service to be an important factor when they select a restaurant, and Chow et al. (2007) cited service quality as an important strategy for positioning in the restaurant industry. Furthermore, hygiene practices have frequently been shown to be inefficient in controlling microbial growth and survival in the kitchen and dining room (FurChi et al., 2011). Therefore, future research could investigate the impact of hygiene practices on consumer preferences for fast food items in the Kathmandu Valley.

Consumers' willingness to purchase is affected by exogenous factors like processing, packaging, certification, and labeling, as well as consumers' knowledge and awareness about the products. Kamal P. Aryal et al. (2009) found that consumers are willing to pay premium prices for organic products to some extent. However, if an individual cannot clearly differentiate between two alternative products, a price premium on the organic product can confuse and/or affect the individual's purchasing decision. Therefore, future research could investigate the effectiveness of different marketing strategies for promoting organic products and increasing consumer awareness and access to these products.

In short, price, taste, ambiance, service quality, hygiene, and consumers' willingness to pay are important factors that influence patrons' behavior in the restaurant industry. Future research could investigate the impact of these factors on consumer preferences for fast food items in the Kathmandu Valley and the effectiveness of different marketing strategies for promoting organic products.

Methodology

The analysis of this research is mainly quantitative, with premium price, taste, location, ambiance, quality service, hygiene, consumer satisfaction, and willingness to pay as the variables being studied. Premium price, taste, location, ambiance, quality service, and hygiene are the independent variables, while willingness to pay is the dependent variable. As the study focuses on factors affecting willingness to pay, the unit of analysis for this study will be individual.

The research population for this study will be people who go to restaurants and pay a premium price for food in Nepal. The study will focus on the urban areas of Nepal, specifically the major cities of Kathmandu, Bhaktapur, and Lalitpur. A total of 100 respondents will be selected as a sample for this study, with approximately 1,200 restaurants in the Kathmandu Valley with an investment of Rs. 14 billion (Prasain, 2022). The sample size will
be determined using the 1:5 ratio, and the sample will be selected proportionately from each city to represent the total population. The information collected from data collection will be primary sources.

A set of questionnaires will be developed for the study items representing five independent variables (premium price, taste, location, ambiance, quality service, and hygiene) along with two dependent variables (consumer satisfaction and willingness to pay) and other demographic variables. A pilot test will be conducted on the questionnaire for better understanding of the questionnaire items. The questionnaire will be collected physically, through social media, emails, etc.

The internal validity of the study will be tested using Cronbach alpha. External validity will be tested by screening and sorting the missing responses, random responses, and irrelevant responses and sorting the consumers' responses.

**Hypotheses**

H1: Premium-priced foods have a relationship with willingness to pay.

H2: Taste has a relationship with willingness to pay.

H3: Ambiance of a restaurant has a relationship with willingness to pay.

H4: Quality service of a restaurant has a relationship with willingness to pay.

H5: Hygiene has a relationship with willingness to pay.

**Interpretation**

Table 1 consists of 116 respondents, the major respondents are male consisting of 55.3% and the female respondents consists of 41.3% where the majority of the respondents are of age 20-29 with 57.8% and 35.6% respondents have the earnings of above 60000.

The Cronbach alpha for the study is 0.737, which indicates that the data collected is fit for the study. Mishra, A.K., & Aithal, P. S., (2021 a&b), Mishra.A.K., (2019), Mishra, A.K., & Aithal, P. S. (2021) and Sah,S., Mishra,A.K.,(2020) have been adopting similar research methods in case of Nepal.

<table>
<thead>
<tr>
<th>Particular</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>63</td>
<td>55.3%</td>
</tr>
<tr>
<td>Female</td>
<td>47</td>
<td>41.3%</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>3.4%</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>100%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 20</td>
<td>20</td>
<td>17.2%</td>
</tr>
<tr>
<td>20-29</td>
<td>67</td>
<td>57.8%</td>
</tr>
<tr>
<td>30-39</td>
<td>16</td>
<td>13.8%</td>
</tr>
<tr>
<td>40-49</td>
<td>9</td>
<td>7.8%</td>
</tr>
<tr>
<td>Above 50</td>
<td>4</td>
<td>3.4%</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>100%</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 20000</td>
<td>23</td>
<td>19.8%</td>
</tr>
<tr>
<td>20000 to 40000</td>
<td>20</td>
<td>17.2%</td>
</tr>
<tr>
<td>40000 to 60000</td>
<td>32</td>
<td>27.6%</td>
</tr>
<tr>
<td>Above 60000</td>
<td>41</td>
<td>35.3%</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>100%</td>
</tr>
</tbody>
</table>
From the collected data we can see that 29.6% independent variables define the dependent variable.

We can observe that the P-value between premium price, taste, ambiance, and quality service with respect to willingness to pay has a p-value less than 0.05. This indicates a significant positive correlation with the willingness to pay. At the same time, the P-value of hygiene is greater than 0.05, which indicates significant negative correlation. It can be concluded that premium price, taste, ambiance, and quality service have a significant positive correlation with the willingness to pay. This means that consumers are willing to pay more for a restaurant that offers high-quality food, good ambiance, and excellent service. On the other hand, hygiene has a significant negative correlation with the willingness to pay, indicating that consumers are less likely to pay a premium for food if they perceive the restaurant to be unclean or unsanitary.

Previous research has also shown that price is an important factor in consumer behavior when selecting a restaurant (Kumar, A., & Singh, A. (2014)). Consumers are willing to pay a premium for locally sourced menu items (Kim, Y. G., & Eves, A. (2015)) and organic products (Kim, Y. G., & Jang, S. S. (2015)). Quality of service is also an important factor in consumer behavior. Overall, the findings suggest that restaurant owners should focus on providing high-quality food, good ambiance, and excellent service to attract customers and increase their willingness to pay. They should also prioritize hygiene and cleanliness to avoid negative perceptions among customers.

Premium Price: The research indicates a significant positive correlation between premium price and willingness to pay (Kumar, A., & Singh, A. (2014)). This suggests that consumers are willing to pay more for higher-priced menu items or premium dining experiences.

Table 2: Correlation

<table>
<thead>
<tr>
<th></th>
<th>Premium Price</th>
<th>Taste</th>
<th>Ambiance</th>
<th>Quality Service</th>
<th>Hygiene</th>
</tr>
</thead>
<tbody>
<tr>
<td>avg_wp</td>
<td>1.305***</td>
<td>.189*</td>
<td>.305**</td>
<td>.152*</td>
<td>.001</td>
</tr>
<tr>
<td>sig. (2-tailed)</td>
<td>.001</td>
<td>.016</td>
<td>.001</td>
<td>.041</td>
<td>.992</td>
</tr>
<tr>
<td>N</td>
<td>116</td>
<td>116</td>
<td>116</td>
<td>116</td>
<td>116</td>
</tr>
</tbody>
</table>

Taste: The research emphasizes the importance of food quality and taste in influencing patrons' behavior and willingness to pay (Kumar, A., & Singh, A. (2014)). Consumers value the taste of the food and are more likely to pay a premium for dishes that are flavorful and enjoyable (Khan, M. A., & Khan, M. A. (2020)). Ambiance: The ambiance of a restaurant has been found to have a significant positive impact on patrons' behavior and satisfaction (Kumar, A., & Singh, A. (2014)). A pleasant and inviting atmosphere can enhance the overall dining experience and increase the willingness to pay. Quality Service: Service quality is another important factor that influences patrons' behavior and willingness to pay (Kumar, A., & Singh, A. (2014)). Providing excellent customer service can lead to higher satisfaction levels and a greater willingness to pay for the dining experience (Khan, M. A., & Khan, M. A. (2020)).

Hygiene: The research suggests that hygiene practices in restaurants may have a significant negative correlation with willingness to pay (Kumar, A., & Singh, A. (2014)). Consumers prioritize cleanliness and food safety, and poor hygiene practices can deter them from paying a premium for the dining experience (Khan, M. A., & Khan, M. A. (2020)).

It is important to note that these findings may vary depending on the specific context and cultural factors. However, the available research highlights the significance of price, taste, ambiance, and quality service in influencing consumers' willingness to pay in the restaurant industry. Further research can explore these factors in more depth and investigate their impact on consumer preferences and behavior.
Table 3: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized B</th>
<th>Coefficient Std Errors</th>
<th>Standardized Coefficients Beta</th>
<th>t</th>
<th>Sig.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.914</td>
<td>.543</td>
<td>1.684</td>
<td>.095</td>
<td></td>
</tr>
<tr>
<td>avg_T</td>
<td>.147</td>
<td>.094</td>
<td>.152</td>
<td>1.557</td>
<td>.122</td>
<td></td>
</tr>
<tr>
<td>avg_PP</td>
<td>-.109</td>
<td>.081</td>
<td>-.122</td>
<td>-1.345</td>
<td>.182</td>
<td></td>
</tr>
<tr>
<td>avg_A</td>
<td>.338</td>
<td>.125</td>
<td>.258</td>
<td>2.704</td>
<td>.008</td>
<td></td>
</tr>
<tr>
<td>avg_QS</td>
<td>.108</td>
<td>.064</td>
<td>.145</td>
<td>1.692</td>
<td>.094</td>
<td></td>
</tr>
<tr>
<td>avg_H</td>
<td>.221</td>
<td>.073</td>
<td>.270</td>
<td>3.046</td>
<td>.003</td>
<td>000</td>
</tr>
</tbody>
</table>

However, from the table 3 p-value for taste, premium price, ambiance, and quality service are >0.05 we accept the null hypothesis, which means that willingness to pay for food is positively dependent on taste, premium price, ambiance, and quality service. And negatively dependent on hygiene. There is a significant positive correlation between premium price, taste, ambiance, and quality service with the willingness to pay in the restaurant industry. Consumers are willing to pay more for high-quality food, good ambiance, and excellent service. On the other hand, hygiene has a significant negative correlation with the willingness to pay, indicating that consumers are less likely to pay a premium for food if they perceive the restaurant to be unclean or unsanitary.

Previous research has also shown that service quality is an important factor in consumer behavior when selecting a restaurant. Customers' satisfaction with different service attributes was found to be above average, and all service attributes had a significant and positive effect on overall satisfaction. Moreover, food quality, service quality, and ambiance were found to have a significant positive effect on consumers' patronage and willingness to pay in restaurants.

Furthermore, research has shown that consumers are willing to pay a premium for locally sourced menu items and organic products. The price factor has many particularities that affect consumer behavior in the process of restaurant selection. Analysis of consumers' willingness to pay for food quality, service, and ambiance allowed a clear distinction between the types of restaurants.

Overall, the findings suggest that restaurant owners should focus on providing high-quality food, good ambiance, and excellent service to attract customers and increase their willingness to pay. They should also prioritize hygiene and cleanliness to avoid negative perceptions among customers.

**Conclusion**

Based on the findings of the study, it can be concluded that consumers in Kathmandu Valley are willing to pay a premium for high-quality food, good ambiance, and excellent service. The study found a positive correlation between premium price, taste, ambiance, and quality service with the willingness to pay, while hygiene had a negative correlation. These findings are consistent with previous research that has emphasized the importance of price, taste, ambiance, and quality service in influencing consumer behavior in the restaurant industry.

The study also highlights the need for restaurant owners to prioritize hygiene and cleanliness to avoid negative perceptions among customers. This is particularly important in the context of the COVID-19 pandemic, where consumers are more concerned about food safety and hygiene practices.

Overall, the findings of this study can be useful for restaurant owners in designing their marketing strategies and enhancing the effectiveness of their product offerings. By focusing on factors that are important to consumers, such as taste, ambiance, and quality service, restaurant owners can attract more customers and increase their willingness.
to pay. Additionally, by prioritizing hygiene and cleanliness, they can build trust and loyalty among their customers.

**Limitations**

The following limitations have been considered while making this study.

1. The study cannot be generalized but can be taken as an indicator since it was done for academic purposes.
2. The study was done by considering three cities in Nepal: Kathmandu, Lalitpur, Bhaktapur. Sampling was done accordingly.

**Authors Note**

We are students at Kathmandu College of Management, Gwarko Lalitpur, Nepal, studying International BBA Program, batch 2019-2023, 3rd year marketing. This article is based on our academic research report to fulfill the requirement in marketing research of the sixth semester submitted to the college. We would like to thank Mr. Ritesh Thakur for supervising and guiding us for the preparation of this report.

**References**


