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Innovative practices, where performance flourishes! Enhancing restaurant performance through location and innovative restaurant practices

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Abstract

Purpose – This study examines the influence of restaurant location and innovative restaurant practices on the performance of restaurant. The study further explores the moderating role of innovative restaurant practices in the relationship between restaurant location and performance.

Design/methodology/approach – The study employs a cross-sectional survey design. Data were gathered via structured questionnaires from 281 restaurant managers in Tanzania. Confirmatory factor analysis (CFA) was employed to assess the validity of the measurement model, while hypotheses were tested with the PROCESS macro.

Findings – The results indicate that both restaurant location and innovative practices significantly influence restaurant performance. Moreover, the implementation of innovative practices not only directly enhances performance but also strengthens the positive effect of a location on performance. This highlights the critical role of innovation in optimizing the benefits of a strategic location.

Practical implications – Restaurant owners should carefully choose locations for their business to enhance performance. They should also prioritize innovation through unique menu items, technology and creative marketing strategies to enhance performance. Additionally, owners and managers should focus on integrating innovation with location strategy, as innovative practices strengthen the effect of location on overall restaurant performance.

Originality/value – This research contributes to the limited empirical evidence on the influence of location and innovative practices on restaurant performance. Additionally, the study adds to the existing literature by examining the moderating effect of innovative restaurant practices on the relationship between restaurant location and performance, an aspect not previously explored in prior research.

Keywords Restaurant location, Restaurant performance, Innovative restaurant practices, Tanzania

Paper type Research paper

1. Introduction

Uncertainty becomes severe in restaurant industry as it operates in unique characteristics (Jawed, Vinod Tapar, & Dhaigude, 2023). For example, restaurants often experience fluctuations in demand due to seasonal variations, holidays, and special events, leading to uncertainty in forecasting demand (Jeong-Gil, Yi-Wei, & Nadzri, 2022). In addition, the restaurant industry is extremely competitive, with many establishments competing for customers' attention (Sun & Lee, 2021). This intense competition can lead to uncertainty regarding market share, pricing strategies, and customer loyalty. Moreover, restaurants offer food and beverage items which are perishable, with a limited shelf life (Ocampo, Marshall,

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Wellton, & Jonsson, 2021). Managing perishable food and beverage items adds complexity and uncertainty, as restaurants must balance supply and demand while minimizing waste and maintaining quality standards (Watanabe, Nascimento, Freitas, & Viana, 2022).

Based on that, restaurants are known for having one of the highest failure rates among small businesses (Yacoub & Harb, 2023; Parsa, Kreeger, van der Rest, Xie, & Lamb, 2021). It is estimated that approximately 25% of restaurants fail within their first year of operation (Angelini, Castellani, & Vici, 2024; Vasquez, 2019). Additionally, around 60% do not survive beyond three years, and a staggering 75% of all restaurant businesses fail within five years from inception (Nizam & Nettles, 2017; Vasquez, 2019). As such, the performance of restaurants has become an area of concern for researchers recently, with several studies addressing this problem (Chaturvedi, Kulshreshtha, Tripathi, & Agnihotri, 2024; Madanaguli, Dhir, Kaur, Srivastava, & Singh, 2022; Rodríguez-López, Alcántara-Pilar, Del Barrio-García, & Muñoz-Leiva, 2020).

Various factors have been examined to influence restaurant performance, including social media (Fernandez-Miguelez, Diaz-Puche, Campos-Soria, & Galan-Valdivieso, 2020; Han, Ozdemir, & Agarwal, 2023; Kim, Ku, Kim, Park, & Park, 2016; Kim, Li, & Brymer, 2016), innovation (Amidi, Darvishmoghaddam, Razmfarsa, & Othman, 2022; Lee, Hallak, & Sardeshmukh, 2016; Makona, Elias, Makuya, & Changalima, 2023), organizational culture (Jogaratnam, 2017; Mon, Yuswardi, & Tan, 2023), CEO duality (Guillet, Seo, Kucukusta, & Lee, 2013), social perceptions, organizational commitment (Bufquin, DiPietro, Park, & Partlow, 2013), and customer satisfaction (Gupta, McLaughlin, & Gomez, 2007). However, the influence of restaurant location on its performance has received little attention. To the best of authors' knowledge there is only one published study by Zhang and Enemark (2016) in Denmark which found that location significantly influence restaurant performance. Conversely, their study could not be generalized to reflect the situation in Tanzania given that Tanzania and Denmark have different geographic, cultural, and socioeconomic contexts. Factors such as population density, urbanization levels, income levels, cultural preferences, and dining habits may vary significantly between the two countries. These differences could influence how restaurant location affects performance.

Moreover, the majority of existing literature on restaurant location has primarily focused its impact on restaurant success (Hwang, Chung, & Kim, 2018; Sharma, Arora, & Kharub, 2021; Wang & Yan, 2017), customers' restaurant choice (Liu & Tse, 2018) and customer satisfaction (Kim, Lee, Kwon, Park, & Back, 2022; Kim, Lehto, & Behnke, 2022). There exists a significant difference between success and performance (Yucesoy & Barabási, 2016). Success is about achieving overall goals set by owners, including broader outcomes beyond just performance (Gorgievski, Ascalon, & Stephan, 2011). On the other hand, performance focuses narrowly on operational efficiency and effectiveness, measured by how well the restaurant executes strategies and achieves objectives. In this study, restaurant performance refers to how well a restaurant is operating in terms of achieving its objectives. It encompasses key performance indicators namely revenue, profit and market share (Morched & Jarboui, 2021). As a result, the influence of location might have different effects on the performance and success of restaurants.

Therefore, in this study, it is argued that location is of utmost importance in determining the performance of a restaurant business. A good location can serve as a marketing tool in itself (Le, 2015; Sefiani, Davies, & Bown, 2021). Likewise, Ariyanto, Supeni, and Hafidzi (2023) and Slack *et al.* (2022) argue that the right location can attract more customers, significantly boost a restaurants long-term performance and contribute to the restaurant's profitability. In addition, the effectiveness of geographical location on the performance of restaurants relies on the innovative practices of the restaurants (Doloreux & Shearmur, 2023; Kanaan, Abuhjeeleh, Darabseh, Taha, & Aljawarneh, 2023). Innovative practices allow restaurants to differentiate themselves from competitors and stand out in the market (Ivkov *et al.*, 2016). By introducing unique menu items, dining experiences, or service offerings, restaurants can attract more customers and increase their competitive advantage, especially in locations where competition

is high (Wu, Ku, & Wu, 2023). This means that, while a location may appear unattractive, innovative practices within the restaurant can make the location appealing and enhance its effectiveness in achieving successful restaurant performance. Likewise, restaurants with a culture of innovation are better equipped to adapt to changing market trends, consumer preferences, and competitive landscapes of their geographical location, ultimately leading to a competitive advantage and successful performance (Iraldo, Testa, Lanzini, & Battaglia, 2017).

Thus, this study seeks to investigate the influence of restaurant location on the performance, addressing the limited empirical evidence in this area. By doing so, it enriches the current understanding of how location can improve restaurant performance. Additionally, by investigating the performance implication of restaurant location, the study introduces the moderating effect of innovative practices within restaurants on the influence of location on performance of restaurants, an aspect not previously examined. Through an examination of the moderating effect of innovative restaurant practices, the study reveals the process by which restaurant location contributes to the successful performance of restaurant businesses. Revealing this process would allow restaurant owners and managers to better leverage location and innovative practices to boost their restaurants' performance.

2. Literature review and hypotheses development

2.1 Spatial interaction theory

Spatial interaction (SI) theory provides a comprehensive framework for understanding how geographical factors influence the performance of businesses. According to SI theory, factors such as distance, accessibility, attractiveness of the location play crucial roles in shaping customer behavior and business outcomes (Kim, Lee *et al.*, 2022; Kim, Lehto *et al.*, 2022; Le, 2015). The theory is based on five key concepts which are gravity model, friction of distance, catchment areas, accessibility and connectivity (Haynes & Fotheringham, 2020; Yan & Zhou, 2019). Friction of distance refers to the barriers, such as travel time or transportation costs, that reduce interactions between locations (Niedzielski & Eric Boschmann, 2014). Restaurants located closer to major roads or public transportation hubs experience less friction of distance, making them more accessible and attractive to customers (Haynes & Fotheringham, 2020). This understanding allows restaurant owners to strategically select locations that optimize customer reach and operational efficiency.

The gravity model posits that the interaction between two places (such as customer visits to restaurants) is directly proportional to the size (attractiveness) of the places (restaurant location) and inversely proportional to the distance between them (Drezner & Eiselt, 2023). This concept helps explain why restaurants located in densely populated or highly accessible areas tend to attract more customers (Kim, Lee *et al.*, 2022; Kim, Lehto *et al.*, 2022). Restaurants in densely populated areas are located near more potential customers. The greater the number of people living or working nearby, the higher the probability of attracting customers simply because there are more people in the vicinity who might visit the restaurant. In addition, SI theory aids in delineating catchment areas, which are geographic zones from which a restaurant draws its customers (Stutter, Baggaley, & Wang, 2021). Understanding catchment areas helps restaurant managers tailor their marketing strategies and menu offerings to local preferences for each restaurant location (Zentes *et al.*, 2012). Moreover, SI theory emphasizes that improved accessibility through technological advancements and enhanced connectivity with customers can make a restaurant more competitive (Yuan *et al.*, 2024). For instance, implementing online ordering, delivery services, or loyalty programs can improve accessibility and attract customers from a wider area, thereby reducing dependence on the immediate location for success.

Furthermore, Macharis and Kin (2017) contended that innovative restaurant practices can mitigate the negative impact of distance decay by attracting customers from farther away. Unique menu offerings and creative marketing campaigns can draw customers from surrounding areas, diminishing the adverse effects of less attractive locations on restaurant

performance (Tyagi & Bolia, 2022). For example, offering online ordering and delivery services or loyalty programs can enhance accessibility and connectivity, making the restaurant more appealing to potential customers (Kanaan *et al.*, 2023). Thus, innovative practices are crucial in making restaurant location effective for achieving business performance. Based on this understanding, this study argues that innovative restaurant practices are a critical factor in leveraging the location for enhancing the performance of restaurant businesses.

2.2 Location and restaurant performance

Restaurant location refers to the precise physical site where a restaurant is situated or established (Tzeng, Teng, Chen, & Opricovic, 2002). It encompasses the geographical position, surroundings, and accessibility of the restaurant within a particular area or neighborhood. The location of a restaurant plays a critical role in determining its visibility, accessibility to customers, proximity to target demographics, competition, operating costs, and overall business performance (Sefiani *et al.*, 2021). Restaurants located in highly visible and easily accessible areas tend to attract more customers (Ariyanto *et al.*, 2023). Visibility in a prominent location increases the likelihood of passersby noticing the restaurant, leading to more foot traffic (Yen, Mulley, Burke, & Tseng, 2020). This exposure can result in higher customer visits, enhancing revenues, and ultimately contributing to successful performance. Additionally, the competitive landscape in a particular location can impact a restaurant's performance. High competition or market saturation in an area may make it challenging for a new restaurant to stand out and attract customers (Ariyanto *et al.*, 2023). Conversely, locating in an area with fewer competitors or a unique market niche can provide a competitive advantage and drive restaurant business performance. Therefore, it is hypothesized that:

H1. Restaurant location positively influences restaurant performance.

2.3 Innovative service practices and restaurant performance

Service innovation practices are one of the key sources of performance in restaurant businesses (Makona *et al.*, 2023). Restaurants that implement innovative practices often focus on enhancing the overall customer experience (Lee *et al.*, 2016). This includes unique menu offerings, interactive dining experiences, and incorporating technology for ordering and payment, all of which can lead to higher customer satisfaction and repeat business. Satisfied customers are more likely to return and recommend the restaurant to others, leading to increased revenue and market share, which ultimately leads to improved performance. In addition, innovative practices can streamline operations and improve efficiency in various aspects of the restaurant (Singh, Singh, & Dhir, 2024), such as kitchen processes and inventory management. This can result in reduced costs, faster service, and better use of resources, ultimately boosting profitability and the performance.

Moreover, innovation can help restaurants differentiate themselves from competitors and establish a strong brand identity (Makona *et al.*, 2023). This uniqueness fosters customer loyalty as customers are more likely to return to a restaurant that offers something they can't find elsewhere (Eroglu & Michel, 2018). Higher customer retention rates contribute to stable revenue streams and overall performance. Similarly, a strong brand identity through innovation gives a restaurant a competitive edge in the market (Wu *et al.*, 2023). This competitive advantage can translate into increased market share and revenue. Furthermore, emerging trends in digital technologies are revolutionizing restaurant management and service innovation (Park, Lee, & Back, 2023). The integration of online ordering and delivery platforms has expanded restaurant reach and provided convenience for customers, significantly impacting performance (Elkhwesky, El Manzani, & Elbayoumi Salem, 2024). Contactless payment systems and digital wallets enhance the dining experience by offering secure and efficient transaction methods, ultimately leading to improved performance (Park *et al.*, 2023). Based on that, it is thus worth hypothesizing that:

H2. Innovative restaurant practices positively influence restaurant performance.

2.4 The moderating effect of innovative restaurant practices

Innovative restaurant practices can influence the choice and effectiveness of a restaurant location for better performance (Backman, Klaesson, & Öner, 2017; Lee *et al.*, 2016). A restaurant in a prime location may use innovative practices to attract and retain customers more effectively, leading to higher performance metrics. On the other hand, innovative practices can mitigate the disadvantages posed by a less favorable location (Orlando & Verba, 2005). For instance, restaurants in less strategic locations can use innovation to overcome accessibility issues by providing online services (Nithin, Selvabala, Praveen, & D, 2023), or provide unique value to the food to overcome visibility issue (Wu *et al.*, 2023). Additionally, innovative practices can make a restaurant stand out in a competitive market, attracting customers from nearby areas or even from further afield (Ivkov *et al.*, 2016). A strategically chosen location that allows the restaurant to showcase its innovative offerings can drive foot traffic and contribute to higher revenue and performance. Therefore, this study explores the notion that the performance of restaurants can be achieved through their strategic location, provided that the restaurant performs innovative practices. Building upon this premise, the study hypothesizes that the link between restaurant location and performance could be influenced by the level of innovative practices within the restaurant. This suggests that as the level of innovative practices increases within a restaurant, the influence of location on performance is likely to be more pronounced. Thus, the study hypothesizes that:

H3. Innovative service practices significantly moderate the influence of restaurant location on restaurant performance.

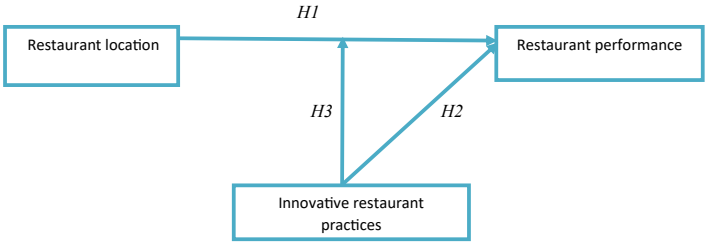
2.5 The conceptual framework

The conceptual framework of this study is illustrated in Figure 1. The framework was developed through a comprehensive review of both theoretical and empirical literature. According to the framework, the study posits that the location of a restaurant leads to improved performance in the restaurant business. Additionally, the framework theorizes that innovative restaurant practices moderate the relationship between restaurant location and the performance of the restaurant business.

3. Methodology

3.1 Research design and study areas

The study employed a cross-sectional design, collecting data at a single moment. This design was chosen to provide a snapshot of the current state of the phenomenon being studied, as opposed to longitudinal design which emphasizes the tracking of changes over time (Creswell,



Source(s): Figure by authors

Figure 1. The conceptual framework

2014). The design is deemed both effective and efficient as it facilitates the gathering of a substantial amount of data within a short timeframe. (Kresmodel, 2018). The study was carried out in the cities of Dar es Salaam and Dodoma in Tanzania. The selection of Dar es Salaam as one of the study locations is based on several considerations. Being a major business hub in Tanzania, the city is characterized by a bustling commercial environment and significant human interaction (Andreoni, 2017). This unique environment, with its multitude of activities and a high influx of people, provides an ideal setting to examine the dynamics of restaurant services (Swai, 2019). Furthermore, the presence of numerous visitors and a large number of offices in Dar es Salaam and Dodoma create specific conditions that contribute to a heightened demand for restaurant services, making the cities apt locations for studying the phenomenon under investigation.

3.2 Sampling and data collection

The sampling frame comprised 1,280 restaurant businesses from the chosen regions, with the list created using data provided by the city councils of both regions. Because the sampling frame was known, Yamane's (1967) formula was employed to estimate the sample size. With a sampling frame of 1,280 restaurant businesses, a confidence level of 95%, and a margin of error of 5%, the calculated sample size was 305 restaurant businesses. The study employed a simple random sampling technique. A sampling frame was compiled from the lists of all registered restaurants in two cities, with each restaurant assigned a unique identifier. Using the Statistical Package for Social Science (SPSS), random numbers were generated to select a sample of 281 restaurants. This approach guaranteed that each restaurant had an equal chance of being included in the sample, thereby maintaining randomness, minimizing selection bias, and ensuring the representativeness of the sample (Cooksey & McDonald, 2019).

Data were collected from 281 restaurant business managers via a survey carried out between January and April 2023. Out of 305 questionnaires administered, 281 valid and effective responses were collected, resulting in a response rate of 92.13%. Managers are key in executing innovative practices and adapting strategies to enhance restaurant performance. (Lee *et al.*, 2016). They are responsible for decision-making related to menu design, pricing strategies, marketing initiatives, and the adoption of new technologies, all of which can significantly impact the restaurant's success (Sharma *et al.*, 2021).

A structured questionnaire was employed for data collection. The questionnaire was chosen as it allows for extensive coverage and gathers a significant amount of information quickly. (Saunders, Lewis, & Thornhill, 2019). Likewise, the use of a structured questionnaire was preferred to mitigate potential bias for both respondents and the researcher (Kim, Ku *et al.*, 2016; Kim, Li *et al.*, 2016). Prior to the actual survey, the questionnaire underwent a pre-test by 25 restaurant managers. Several items were reworded to improve clarity based on feedback from pre-test participants who found certain questions ambiguous. For instance, majority of items related to innovative practices were simplified to ensure they were easily understood by respondents with varying levels of familiarity with the concept. As a result, adjustments were made to ensure the content and design were straightforward and clear for the respondents.

3.3 Measurements of study variables

The scales used to measure restaurant location, innovative restaurant practices, and restaurant performance were adapted from established literature, validated, and applied in prior research. In particular, the scale used to measure restaurant location was derived from studies by Ariyanto *et al.* (2023), Yen *et al.* (2020) and Kincaid, Baloglu, and Busser (2010). Five items were used to measure restaurant location. The scale items for measuring innovative restaurant practices were adapted from Luca, Luca, and Rossi (2021). This scale comprises six items. The scale for measuring restaurant business performance were adapted from the studies by Morched and Jarboui (2021). This scale comprises three items related to an increase in sales, net profit, and market share. The measurement items of the study's variables are presented in Appendix.

3.4 Data analysis

In this study, confirmatory factor analysis (CFA) within the structural equation model (SEM) was employed to assess adequacy of the proposed measurement model, including model fit indices, reliability, and the validity of the data and measures. CFA is well-suited for assessing the validity of measured items for latent variables in multivariate data analysis (Hair, Black, Babin, & Anderson, 2018). Likewise, CFA was chosen for its ability to confirm the factor structure of the instruments based on theoretical expectations (Kline, 2016). Additionally, Hayes' PROCESS macro was used to test the hypotheses. The PROCESS macro was chosen for its recognized efficacy as a powerful and modern tool for conducting regression analysis, especially when dealing with additional variables such as moderators (Hayes, 2022) as in this study. One of the key features of the PROCESS macro is that it uses bootstrapping techniques to obtain confidence intervals, which provides a more accurate estimate of the significance of the relationships between the variables (Hayes, Montoya, & Rockwood, 2017). Moreover, various recent studies have employed SEM to evaluate the measurement model and used Hayes' PROCESS macro to test the hypotheses. These studies include those by Al-Hakimi, Saleh, Borade, Hasan, and Sharma (2023), Ismail (2023), Jaffu (2023), Lwesya and Achanta (2023), Ringo, Tegambwage, and Kazungu (2022), Ringo, Kazungu, and Tegambwage (2023) and Ringo, Tegambwage, and Kazungu (2023).

3.5 Common method bias

Common method bias refers to a systematic error that occurs when a single method is used to measure all constructs in a study (Kock, Berbekova, & Assaf, 2021). In this research, data were gathered through a single survey with the same response method applied across all constructs and collected from a single source, potentially raising the possibility of common method bias. To assess this potential bias, Harman's single-factor test was utilized. The results showed that a single factor accounted for about 30.19% of the variance in the model. This finding suggests that common method bias was not a significant issue in this study, as the variance is below the 50% threshold (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

3.6 Validity and reliability testing

In this study, both convergent and discriminant validity were examined. Convergent validity was assessed by comparing the average variance extracted (AVE) with the threshold value of 0.5. The results presented in Table 1 show that all variables have AVE values greater than 0.5, indicating the achievement of convergent validity. Discriminant validity was assessed using the Fornell Larcker criterion, which compares the square root of the AVE to the correlations between the study variables to determine validity. The values of the square roots of AVE, as indicated in Table 2, were found to be greater than the corresponding inter-correlations, confirming the achievement of discriminant validity (Fornell & Larcker, 1981). To test the internal consistency of the data, Cronbach's alpha (α) and composite reliability (CR) were employed as indicated in Table 1. All variables exhibited Cronbach's alpha coefficients greater than 0.7, indicating the attainment of internal consistency (Cronbach & Shavelson, 2004). Likewise, the CR values for all variables surpassed the 0.70 threshold, confirming the attainment of internal consistency (Hair *et al.*, 2018). Moreover, each item has a loading value greater than 0.5, which supports the reliability and validity of the items in explaining the study's constructs, as presented in Figure 2 and Table 1.

4. Results and discussion

4.1 Characteristics of restaurant businesses

In this study, 64.1% of restaurant businesses were in Dar es Salaam, while 35.9% were in Dodoma. This distribution reflects Dar es Salaam's status as the economic and commercial center of Tanzania, with a more developed infrastructure and a larger, more diverse customer

Table 1. Confirmatory factor analysis results

Variable	Loadings	α	CR	AVE
Restaurant location (RL)		0.897	0.897	0.636
RL 1	0.74			
RL 2	0.83			
RL 3	0.81			
RL 4	0.82			
RL 5	0.79			
Innovative restaurant practices (IRP)		0.901	0.903	0.603
IRP 1	0.73			
IRP 2	0.76			
IRP 3	0.78			
IRP 4	0.69			
IRP 5	0.87			
IRP 6	0.81			
Restaurant performance (RP)		0.899	0.901	0.747
RP 1	0.87			
RP 2	0.90			
RP 3	0.82			

Note(s): α, Cronbach's alpha; CR, Composite Reliability; AVE, Average Variance Extracted
Source(s): Survey data (2023)

Table 2. Results for discriminant validity

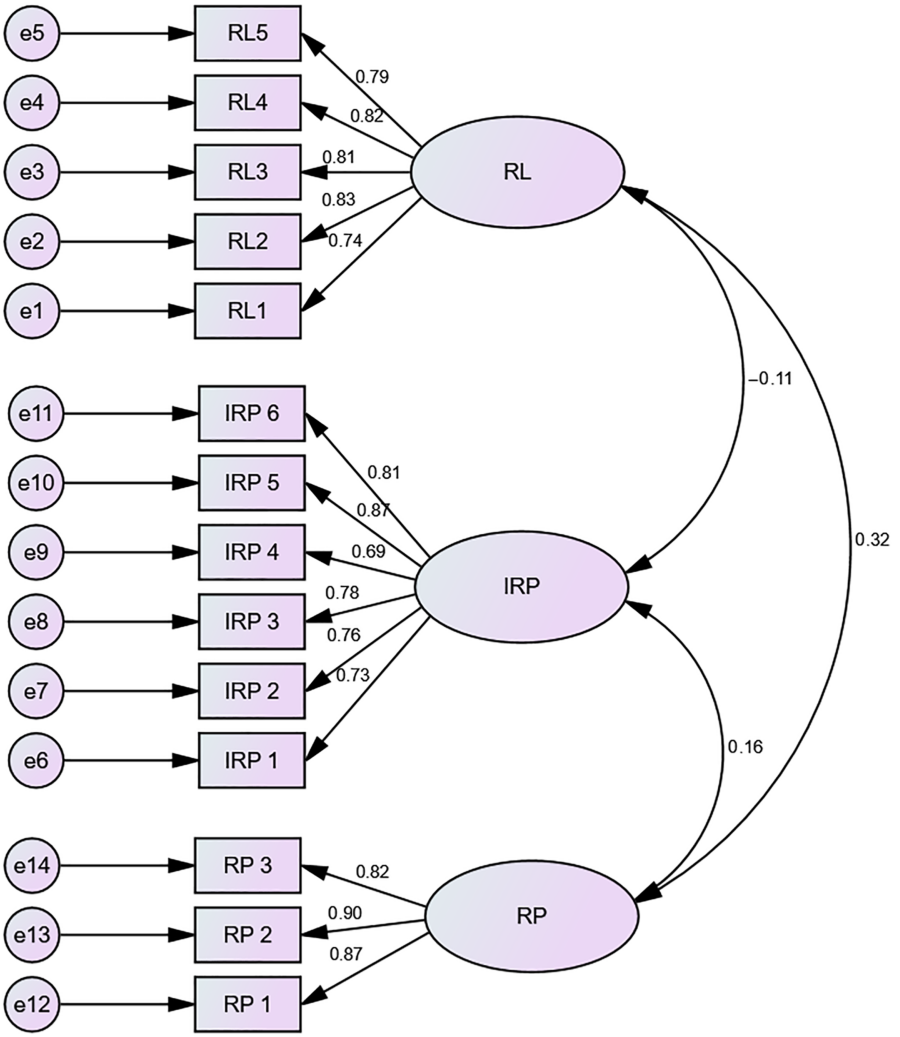
Variable	MSV	ASV	RL	IRP	RP
RL	0.105	0.059	*0.798*		
IRP	0.207	0.020	−0.115	*0.777*	
RP	0.105	0.066	0.324	0.164	*0.864*

Note(s): The square roots of AVE are indicated in diagonals (italicized), with construct inter-correlations in lower half of the table. All construct inter-correlations are less than the corresponding square root of AVEs
Source(s): Survey data (2023)

base (Swai, 2019). As per the definition of SMEs in Tanzania based on the SME Development Policy of 2003, in this study, 41.6% of the restaurants were small-sized, 27.8% were medium-sized, 18.1% were micro-sized, and 12.5% were in large size. The largest proportion being small-sized restaurants indicates that small enterprises dominate the restaurant industry in the regions studied. This reflects a typical business structure where small enterprises are more numerous due to lower entry barriers and capital requirements compared to larger establishments (Beck & Demirguc-Kunt, 2006). In addition, the results based on the ownership of restaurant businesses, as indicated in Table 3, reveal that 51.6% of restaurant businesses are partnership-owned, 31.7% are sole proprietorships, while 16.7% are company-owned. This indicates a diversity in how restaurant businesses are owned, suggesting a mix of collaborative ownership, individual ownership, and corporate ownership within the restaurant industry.

4.2 Model fit results

The model fit indices were examined to evaluate the appropriateness of the model for the data collected. The findings showed a strong fit, with a Chi-square minimum value to degrees of freedom (CMIN/DF) ratio of 1.925. The chi-square value (CMIN) was 142.425, and the degrees of freedom (DF) amounted to 74. Consequently, the CMIN/DF ratio of 1.925 fell within the acceptable threshold of 3, indicating an excellent model fit (Hair, Black, Babin, &



Source(s): Survey data (2023)

Figure 2. Confirmatory factor analysis diagram

Anderson, 2010). Additional model fit indices assessed include the comparative fit index (CFI) of 0.971, incremental fit index (IFI) of 0.971, Tucker–Lewis index (TLI) of 0.964, goodness of fit index (GFI) of 0.933, adjusted goodness of fit index (AGFI) of 0.905, standardized root mean square residual (SRMR) of 0.042, and root mean square error of approximation (RMSEA) of 0.057. All these indices fell within the acceptable range, indicating that the model fits the data well (Hooper, Coughlan, & Mullen, 2008).

4.3 The results of hypotheses and discussion

The study's three hypotheses were examined using Hayes' PROCESS macro. Table 4 depicts the influence of restaurant location and innovative practices on the performance of restaurant.

Table 3. Characteristics of restaurants

Variable	Frequency	Percent
Restaurant size		
Micro	51	18.1
Small	117	41.6
Medium	78	27.8
Large	35	12.5
Total	281	100
Ownership		
Sole proprietorship	89	31.7
Partnership	145	51.6
Company	47	16.7
Total	281	100
Restaurant age (Years)		
1–3	54	19.2
4–10	126	44.9
More than 10	101	35.9
Total	281	100
Region		
Dar es Salaam	180	64.1
Dodoma	101	35.9
Total	281	100

Source(s): Survey data (2023)

Table 4. Regression results

Variables	Coeff	Se	T	*p*	LLCI	ULCI
Constant	3.817	0.037	103.401	0.000	3.744	3.890
RL	0.359	0.055	6.513	0.000	0.250	0.467
IRP	0.323	0.054	5.931	0.000	0.216	0.430
RL*IRP	0.243	0.052	4.685	0.000	0.141	0.345
R^2	0.298					
F(sig.)	39.172			0.000		
R^2 change	0.056					
F(sig.) change	21.950			0.000		
Low IRP (−0.763)	0.173	0.060	2.895	0.004	0.055	0.291
Mean IRP (0.000)	0.359	0.055	6.513	0.000	0.250	0.467
High IRP (+0.763)	0.544	0.075	7.263	0.000	0.397	0.692

Source (s): Survey data (2023)

Moreover, it presents the moderating role of innovative restaurant practices in the relationship between restaurant location and performance. The model's R-squared value of 0.298 indicates that 29.80% of the variation in restaurant performance is attributed to location. Furthermore, the model was statistically significant with a *p*-value below 0.001 and an F-value of 39.172. In H1, it was hypothesized that restaurant location positively influences the performance of restaurant businesses. The results in Table 4 indicate that restaurant location positively influences the performance of restaurant businesses ($\beta = 0.359$, $p < 0.001$). Likewise, the confidence intervals of 0.250 (lower level) and 0.467 (upper level) indicate no zero value in between, suggesting that the influence of restaurant location on restaurant performance is

statistically significant at the 95% confidence level. As a result, H1 is supported by the data collected.

The beta value obtained (β = 0.359), which reflects the intensity of the relationship, implies that a one-unit increase in restaurant location corresponds to a 0.359 increase in restaurant performance. This means that as the factor representing restaurant location increases, the restaurant performance tends to increase by approximately 0.359 units. Specifically, restaurants situated in high-traffic, visible locations tend to perform better than those situated in less visible or low-traffic locations. These findings contribute to the broader understanding of the critical role location plays in restaurant success, reinforcing the importance of strategic site selection for stakeholders in the restaurant industry. The findings support the argument made by Namkung and Jang (2008) that a restaurant strategically located near its target audience, whether in a residential area, near offices, or close to entertainment venues, is likely to perform better.

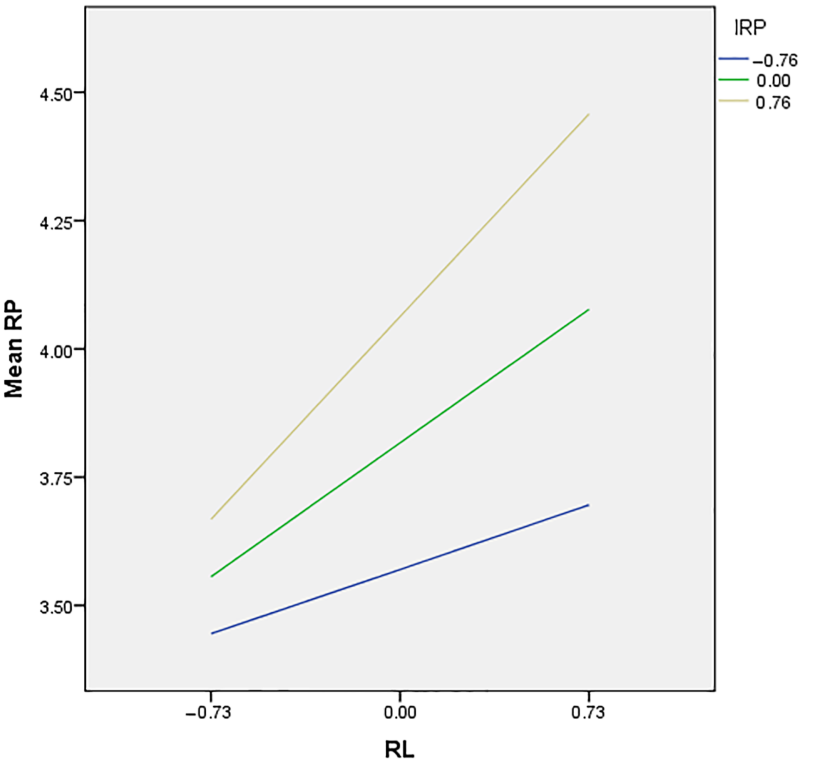
In H2, it was hypothesized that innovative restaurant practices positively influences restaurant performance. The results in Table 4 indicate that innovative restaurant practices positively influence the performance of restaurant businesses (β = 0.323, $p < 0.001$). Likewise, the confidence intervals of 0.216 (lower level) and 0.430 (upper level) indicate no zero value in between, suggesting that the influence of innovative restaurant practices on restaurant performance is statistically significant at the 95% confidence level. Thus, H2 is supported by the collected data. The beta value obtained (β = 0.323), which reflects the intensity of the relationship, implies that a one-unit increase in innovative restaurant practices corresponds to a 0.323 increase in restaurant performance. This finding contributes to the broader understanding of the restaurant industry's dynamics by emphasizing that innovation is a crucial driver of performance. This highlights the importance of adopting and continually evolving innovative practices such as introducing unique menu items, leveraging technology for enhanced customer experiences, and implementing creative marketing strategies. This finding support the argument made by Lee *et al.* (2016) that innovative restaurant practices can enhance the overall dining experience, attracting and retaining customers which in turn improve the performance. Similarly, Chattopadhyay and Shah (2014) revealed that the implementation of innovative restaurant practices improves efficiency, contributing to better overall performance.

In Hypothesis 3 (H3), it was posited that innovative restaurant practices significantly moderate the effect of location on the performance of restaurant. According to the results in Table 4, the interaction term (RL*IRP) is positive and statistically significant, showing a beta (β) value of 0.243 and a *p*-value of 0.000. Moreover, the model's R-squared increased by 5.60%, indicating that the interaction between restaurant location and innovative practices accounts for a significant 5.60% of the variance in restaurant performance. The obtained *p*-value of 0.000, which is less than 0.001, indicates that innovative restaurant practices significantly moderate the influence of restaurant location on restaurant performance. Furthermore, the confidence intervals, as shown in Table 4, range from 0.141 at the lower bound to 0.345 at the upper bound.

The fact that zero is not included within the confidence range suggests that innovative restaurant practices significantly moderate the effect of restaurant location on performance. Therefore, hypothesis 3 is statistically validated by the data at a 95% confidence level. The findings indicate that when a restaurant implements innovative practices, the influence of restaurant location on restaurant performance is stronger compared to when the restaurant does not implement innovative practices. This suggests that the effect of restaurant location on restaurant performance varies across different levels of innovative practices implemented by the restaurants. Specifically, Table 4 shows that for restaurants with low innovative practices (−0.763), the beta value (β) representing the strength of the relationship is 0.173. For restaurants with no innovative practices (0.000), the beta coefficient is 0.359. Furthermore, for restaurants with high levels of innovative practices (+0.879), the beta coefficient rises to 0.544. The results imply that the relationship between restaurant location and restaurant

performance depends on the extent of innovative practices adopted by the restaurants. Therefore, to capitalize on the potential advantages of favorable restaurant locations leading to enhanced restaurant performance, the implementation of innovative restaurant practices is essential.

The moderating role of innovative restaurant practices in the relationship between restaurant location and performance was confirmed, indicating the effect of location on performance significantly strengthens as the level of innovative practices in the restaurant increases. The finding implies that the positive influence of restaurant location on performance increases when higher levels of innovative practices are adopted. In essence, a prime location alone is not sufficient for maximizing restaurant success; the integration of innovative practices enhances the benefits derived from a strategic location. This finding contributes to the broader understanding of the restaurant industry by highlighting the interplay between location and innovation. It underscores the idea that innovation is not just a supplementary factor but a critical component that amplifies the advantages of a well-chosen location. Furthermore, as illustrated in Figure 3, the positive influence of restaurant location on performance is significantly strengthened by innovative restaurant practices. Therefore, restaurants that adopt innovative practices are more likely to boost their performance via strategic location choices. This indicates that the influence of restaurant location on performance is significantly stronger for restaurants implementing high levels of innovative practices.



Source(s): Survey data (2023)

Figure 3. Slope plotting for the interaction effect (RL*IRP)

5. Conclusion, implications and directions for future research

5.1 Conclusion

The primary objective of this research was to investigate the influence of restaurant location and innovative practices on restaurant performance, as well as the moderating role of innovative practices in the relationship between location and performance. To accomplish the objective, the study utilized spatial interaction theory to create a conceptual model, which was then empirically tested within the context of restaurant businesses in Tanzania. The impetus for this research stemmed from the scarce empirical evidence concerning the effect of restaurant location on performance, as most prior research has concentrated on restaurant success and choice. The study's findings reveal that restaurant location and innovative restaurant practices significantly contribute to determining the performance of restaurants. Additionally, it was found that innovative restaurant practices significantly moderate the influence of restaurant location on the performance, and this effect varies across different levels of innovative practices within the restaurant. That is, a higher level of innovative practices within restaurants enhances the effect of restaurant location on the performance of restaurant businesses.

5.2 Theoretical implications

This study examined the influence of restaurant location and innovative practices on restaurant performance, as well as the moderating effect of innovative practices on the relationship between location and performance. By doing so, it addresses a gap in the literature, as limited empirical research has focused on how restaurant location affects performance. Most previous studies have primarily looked at how location influences restaurant success and choice, rather than performance outcomes. Therefore, this study offers valuable insights to the fields of hospitality, innovation, and business management. Moreover, the study contributes to the literature by introducing innovative restaurant practices as a moderating variable, highlighting their role in strengthening the influence of location on performance, a concept not previously explored. The findings reveal that the effect of restaurant location on performance is stronger when the restaurant adopts and implements innovative practices. Furthermore, the study extends the application of spatial theory to the restaurant industry, illustrating how restaurant location, coupled with innovative practices, plays a critical role in achieving successful performance. This advances the theoretical understanding of these dynamics and adds a new dimension to the theory by demonstrating how location and innovative practices contribute to restaurant performance. In doing so, the study fills a gap in the literature and enhances our understanding of how restaurant businesses can effectively achieve superior performance.

5.3 Practical implications

The study presents important practical implications for the restaurant industry. Firstly, it confirms that restaurant location positively influences restaurant performance, making it essential for owners and managers to prioritize selecting locations that offer high foot traffic, strong visibility, and accessibility. For example, restaurants in urban centers, near transport hubs, or in areas with strong commercial or residential presence are more likely to attract consistent customer flows, thus enhancing performance. Additionally, the study reveals the importance of innovative restaurant practices in boosting performance. Restaurant owners and managers should consistently introduce and implement innovative practices, such as creating unique menu offerings, adopting digital technologies like mobile ordering or self-service kiosks, and leveraging social media for targeted marketing campaigns. By staying innovative, restaurants can differentiate themselves from competitors, attract more customers, and thereby boost market share, revenues, and profits, ultimately improving performance.

Moreover, the study finds that innovative practices can enhance the positive effects of location on performance, emphasizing that successful restaurants do more than rely on good locations, they continuously innovate to stay competitive and successful. Therefore, owners

should invest in staff development, foster a culture of innovation, and stay up-to-date with industry trends. Furthermore, allocating resources effectively between choosing the right location and innovation initiatives is crucial. This includes conducting detailed market analysis to select optimal locations while also investing in technologies, staff training, and sustainable business practices to maintain a competitive edge. A balanced focus on strategic location and continuous innovation will enable restaurants to thrive in an increasingly competitive and dynamic market.

5.4 Limitations and directions for future research

The study covered restaurants in Tanzania, which raises concerns about whether the findings can be generalized to restaurants in other countries. Variations in culture in terms of culinary traditions, consumer preferences, and dining habits may not be the same in all countries, and this could affect the relationships. Similarly, disparities in economic conditions such as purchasing power and consumer spending habits vary across countries, potentially causing variations in results in other countries. To overcome this limitation, future studies should either replicate the study's conceptual model in other countries or conduct a multi-country analysis with restaurants from diverse countries. Such approaches would broaden our understanding and improve the generalizability of the findings. Additionally, this study used a cross-sectional design, which restricts the ability to observe how shifts in restaurant location and innovative practices impact restaurant performance over time. Future research could use longitudinal designs to track these variables over time and assess their effects on performance, potentially yielding different insights and expanding our understanding. Furthermore, the study used unidimensional measures for innovative restaurant practices. Future research could enhance the findings by incorporating multidimensional measures, as innovation often encompasses various aspects such as product, process, and marketing innovations. Relying on a unidimensional measure may oversimplify the complexity of innovation, providing a more restricted view. Furthermore, future research could explore other potential moderating variables, such as entrepreneurial and marketing orientations, to provide deeper empirical insights and expand the current understanding.

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(The Appendix follows overleaf)

Appendix

Table A1. Measurement scales

Restaurant location	Accessibility to customers (RL 1)
	Availability of adequate parking area (RL 2)
	Near other restaurants/competitors (RL 3)
	With high quality transport connections within walking distance (RL 4)
	Visibility of the restaurant (RL 5)
Innovative restaurant practices	Ability to develop new restaurant offerings (IRP 1)
	Introducing innovative solutions to address restaurant customer needs or problems (IRP 2)
	Creatively change the number and quality of the customer touch-points to match the customer context (IRP 3)
	Crafting a novel customer experience for the restaurant (IRP 4)
	Implementing new processes and systems that allow restaurant employees to serve customers more efficiently and effectively (IRP 5)
	Developing new or enhanced internal restaurant delivery systems (IRP 6)
Restaurant performance	An increase in restaurant revenue (RP 1)
	An increase in restaurant profit (RP 2)
	An increase in restaurant market share (RP 3)

Source(s): Ariyanto *et al.* (2023), Yen *et al.* (2020), Luca *et al.* (2021), Morched and Jarboui (2021)

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