

## The Mediating Role of Customer Satisfaction in The Relationship Between Service Quality And Loyalty

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### Abstract

Customer loyalty has become a strategic imperative for businesses in the service sector, especially in highly competitive environments such as independent cafés. This study investigates the mediating role of customer satisfaction in the relationship between perceived service quality and customer loyalty. Grounded in the Stimulus–Organism–Response (S–O–R) framework and Expectancy–Disconfirmation Theory, the research explores how emotional and evaluative responses to service experiences influence behavioral intentions. Data were collected from 120 repeat customers of Café Joempa Rasa in Pekanbaru, Indonesia, using a structured questionnaire based on SERVQUAL dimensions. The results, analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), revealed that customer satisfaction significantly mediates the effect of service quality on loyalty, confirming that loyalty is not merely a function of service delivery but is shaped through affective experiences. These findings suggest that independent cafés should prioritize satisfaction management as a strategic driver of retention, by fostering service experiences that are not only reliable but emotionally resonant. The study contributes to service marketing literature by contextualizing the service-satisfaction-loyalty link in a localized, culturally embedded setting, offering practical insights for small business service design and customer relationship strategies.

**Keywords:** customer satisfaction, service quality, customer loyalty, SERVQUAL

## 1. Introduction

In a rapidly evolving service economy, the concept of customer loyalty has emerged as a critical determinant of long-term business sustainability and competitive advantage. In particular, the food and beverage industry—including cafés and coffee shops—has become a focal point for research into the psychological and experiential drivers of consumer retention. In such competitive and highly saturated markets, mere transactional satisfaction is no longer sufficient; instead, businesses must foster emotional engagement and sustained positive experiences to encourage repeat patronage. Among the many variables that contribute to customer loyalty, service quality and customer satisfaction have been consistently identified as two of the most influential.

Indonesia has experienced significant growth in the independent café sector, with cities like Pekanbaru reflecting a dense network of coffee establishments catering to a wide range of demographic and psychographic profiles. These cafés serve not only as consumption spaces but also as communal hubs for work, leisure, and social interaction. In such contexts, customers' experiences extend far beyond the product itself and include the quality of interpersonal interactions, the attentiveness of staff, and the reliability of service. In response to these shifting consumer expectations, service quality has emerged as a strategic priority for café operators aiming to differentiate themselves and cultivate long-term customer relationships.

Café Joempa Rasa, a relatively new player in Pekanbaru's coffee scene, exemplifies the challenges and opportunities faced by independent cafés in meeting these demands. Within its first several months of operation, the café encountered fluctuating revenue patterns, which coincided with variations in service delivery and customer perceptions. In particular, service delays, inconsistent staff behavior, and limited responsiveness contributed to early declines in satisfaction. However, targeted interventions—including staff retraining and workflow adjustments—resulted in improved customer feedback and revenue recovery. These developments highlight the central role that service quality plays in shaping satisfaction and, consequently, in influencing customer loyalty.

The theoretical foundations supporting this relationship are well established in service marketing literature. The Stimulus–Organism–Response (S–O–R) framework suggests that service quality functions as an external stimulus that affects internal customer responses (satisfaction), which in turn shape behavioral outcomes (loyalty). Similarly, the Expectancy–Disconfirmation Theory (EDT) posits that satisfaction arises when customers' service expectations are met or exceeded, reinforcing the likelihood of repeated behavior. Within this conceptual logic, customer satisfaction operates not merely as an outcome of service quality but also as a critical mediating variable that transmits the influence of perceived service excellence into durable loyalty.

While the direct relationship between service quality and loyalty has been extensively explored, there is growing recognition of the need to understand the *mechanisms* through which this relationship occurs. Specifically, customer satisfaction is hypothesized to play a mediating role, transforming perceptions of quality into emotional and attitudinal commitment. However, empirical studies investigating this mediation remain limited in scope, especially in the context of independent cafés operating in emerging markets. Most existing studies focus on large-scale chains or rely on single-dimensional service quality measures, thereby neglecting the complexities inherent in localized service interactions.

Moreover, research is scarce in applying this mediation model to diverse customer groups with differing expectations, such as those served by Café Joempa Rasa. Independent cafés often cater to a broader demographic range—combining students, remote professionals, and community members—each of whom may evaluate service quality and satisfaction differently.

This multidimensionality has yet to be fully captured in empirical models linking service quality, satisfaction, and loyalty. The present study addresses these gaps by examining the mediating role of customer satisfaction in the relationship between perceived service quality and customer loyalty, with a focus on a culturally embedded, community-oriented café setting in Indonesia.

## 2. Literature Review

The evolution of the service economy has fundamentally shifted the metrics of competitive advantage—from a product-centric focus to the delivery of rich, emotionally engaging customer experiences. Particularly in the hospitality and food service industries, where customer interaction is frequent and personal, businesses are compelled to go beyond product quality and embrace the psychological and experiential components of service delivery. The concept of customer loyalty is no longer interpreted as the automatic result of consistent service or product performance. Instead, it is increasingly viewed as the cumulative outcome of subjective evaluations formed through interactions between environmental stimuli, service perceptions, and emotional satisfaction.

To understand the interplay between these variables, several theoretical frameworks have been developed and adapted over time. Four such frameworks form the conceptual foundation of this study: the Stimulus–Organism–Response (S–O–R) model, Servicescape theory, the SERVQUAL model, and the Expectancy–Disconfirmation Theory (EDT). Together, these models allow researchers to examine the mechanisms through which customers internalize their experiences and translate them into behavioral intentions, such as loyalty, recommendation, or repeat visits.

The S–O–R model, introduced by Mehrabian and Russell (1974), remains one of the most widely used frameworks in environmental psychology and service marketing. According to this model, external stimuli—such as the physical environment, interpersonal interaction, or sensory cues—affect an individual’s internal state (the organism), which in turn triggers specific behavioral responses. In service environments like cafés, the stimuli may include lighting, music, crowd density, staff behavior, or spatial layout. These are processed by the customer through affective and cognitive filters, resulting in responses that range from satisfaction to brand commitment or even avoidance. The strength of this model lies in its capacity to explain how intangible, non-verbal elements contribute meaningfully to the service experience. As Donovan and Rossiter (1982) later emphasized, the emotional tone set by a service environment can either encourage or discourage approach behaviors, such as length of stay or likelihood of returning.

Building upon the psychological dimension of S–O–R, Bitner’s (1992) Servicescape Theory introduces a structured way to conceptualize the physical environment of service settings. Bitner argued that servicescapes are more than mere backdrops for service delivery—they are active influencers of perception, mood, and behavior. She classified servicescape elements into three domains: ambient conditions (temperature, scent, music), spatial layout and functionality (furniture arrangement, traffic flow), and symbols and artifacts (branding, signage, décor). In the café industry, these components are not only sources of sensory input but also shape symbolic and social experiences. A well-curated servicescape can generate feelings of belonging and comfort, which enhance emotional attachment to a venue. Country-specific studies, such as Imanuella and Budiono (2023) in the context of Indonesian cafés, have shown that layout and ambient design significantly affect emotional evaluations. Customers are more likely to return to environments that feel coherent with their identity and expectations. Similarly, Ha and Jang (2010) found that when the design and ambiance of a restaurant match

customer expectations, affective loyalty increases—even if the service is only moderately satisfying.

An essential component in this multidimensional model is service quality, a concept operationalized in marketing literature through the SERVQUAL model by Parasuraman, Zeithaml, and Berry (1988). This framework identifies five key dimensions—tangibles, reliability, responsiveness, assurance, and empathy—that collectively form customers' perception of service performance. Unlike servicescape, which emphasizes environmental factors, SERVQUAL focuses on human interaction and procedural delivery. Numerous studies in the food and beverage sector have affirmed that responsiveness and empathy tend to be the strongest predictors of satisfaction (e.g., Andaleeb & Conway, 2006). Prompt attention to customer needs, polite communication, and a willingness to personalize service can deeply influence satisfaction levels. Koay and Low (2025) further argue that in small, informal café settings, consistency in staff behavior and emotional intelligence are often more influential than physical design in securing repeat customers. This aligns with Schmitt's (1999) assertion that customer experiences are holistic, involving sensory, emotional, and interpersonal dimensions.

In independent cafés, where service is typically delivered in a more relaxed and relational manner, the SERVQUAL dimensions need to be interpreted within the socio-cultural norms of the community. For instance, empathy may not only involve attentiveness but also a sense of communal connection or recognition—factors that are often underrepresented in standardized service models but critical in localized contexts like Indonesia. Therefore, contextualizing SERVQUAL within the lived experiences of customers in independent cafés is not only methodologically relevant but also practically necessary for actionable insights.

While both servicescape and service quality contribute directly to customer experiences, the process through which customers internalize these factors and translate them into satisfaction and loyalty is best explained through the Expectancy–Disconfirmation Theory (EDT) developed by Oliver (1980; 1997). EDT posits that satisfaction results from a comparison between what a customer expects and what is actually experienced. If the experience meets or exceeds expectations, positive disconfirmation occurs, resulting in satisfaction. Conversely, when performance falls short, negative disconfirmation leads to dissatisfaction. This evaluative process is central to understanding how customers judge service encounters. According to Wu and Liang (2009), it is not the objective performance of the service that determines satisfaction, but the subjective alignment—or misalignment—between expectations and perceptions. In the context of cafés, this includes both the functional aspects (speed of service, menu availability) and the experiential aspects (ambiance, staff warmth, social energy).

In the case of Café Joempa Rasa, such theoretical models are highly applicable. The café, having experienced fluctuating revenues linked to inconsistent service, exemplifies how small variances in layout or staff behavior can shift customer evaluations dramatically. The alignment between customers' initial expectations and their actual emotional experience becomes the critical bridge to loyalty. Studies such as those by Chandra and Augustinus (2022) reinforce this point, showing that atmospheric coherence and positive social cues strongly predict revisit intention in the Indonesian café industry.

More recent empirical studies have attempted to integrate these frameworks into composite models that account for both emotional and evaluative variables. Ladhari et al. (2009) demonstrated that emotional satisfaction fully mediated the relationship between environmental factors and behavioral intentions in full-service restaurants. Similarly, Jin et al. (2016) found that experiential value—including aesthetic appeal and emotional engagement—directly influenced brand trust and loyalty in Korean coffee chains. These results support a layered understanding of loyalty: it is not a linear product of quality but a filtered outcome shaped through multiple psychological and contextual variables.

Nevertheless, a major limitation in existing literature is the tendency to apply these models in settings that are either highly standardized (e.g., franchises) or demographically narrow (e.g., student-focused cafés). As a result, many studies overlook the complexity and fluidity of customer expectations in independent, community-rooted cafés. In such places, the customer base is heterogeneous—encompassing students, professionals, families, and retirees—each bringing different mental models and emotional triggers into the service encounter. The need for inclusive, adaptive service strategies that account for this diversity is rarely addressed in mainstream research.

Another underexplored area is the independent analysis of layout as a standalone construct. Though layout is traditionally subsumed under the servicescape umbrella, its unique influence on movement patterns, social interaction, and seating dynamics justifies a more targeted investigation. As Lin and Mattila (2010) observed, the configuration of a service environment can act as a spatial script that guides behavior and influences emotional comfort. In independent cafés, poor layout design can lead to perceived crowding or confusion, which in turn erodes satisfaction even if other service elements are functioning well.

### **3. Method**

This study employed a quantitative research strategy with an explanatory orientation, designed to explore how customer satisfaction functions as a mediating variable between perceived service quality and customer loyalty. The investigation was situated at Café Joempa Rasa, a locally owned coffee establishment in Pekanbaru, Indonesia, selected for its varied customer demographic and recent operational adjustments aimed at enhancing service experience in response to customer feedback. Given the objective of analyzing causal relationships between variables, the explanatory design aligns with the study's intent to model the interdependencies among service quality, satisfaction, and loyalty in a naturalistic business setting.

The target population encompassed all patrons who visited Café Joempa Rasa during the research timeframe, which spanned from April to June 2025. To ensure the reliability of responses and familiarity with the café's service environment, the sampling approach was purposive, limited to individuals who had patronized the café at least twice. This inclusion criterion was aimed at capturing more informed evaluations. A total of 120 valid responses were gathered, which is statistically adequate for partial least squares-based structural equation modeling (PLS-SEM), ensuring robustness and sufficient analytical power.

Data collection was facilitated through a structured survey instrument, disseminated both physically on the premises and via online channels. Respondents were briefed on the research objectives and voluntarily participated after giving informed consent. The study adhered to ethical principles, ensuring participant anonymity and confidentiality throughout the process.

The questionnaire was divided into three thematic sections, each aligning with a key construct under investigation. The first section measured perceived service quality, operationalized using the five-dimensional SERVQUAL model (Parasuraman et al., 1988), which includes tangibles, reliability, responsiveness, assurance, and empathy. Items were rated on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The second section gauged customer satisfaction, incorporating evaluative and emotional indicators adapted from Oliver (1997), such as expectation fulfillment, emotional response to service, and overall satisfaction. The third section addressed customer loyalty, drawing from validated indicators developed by Zeithaml et al. (1996), focusing on behavioral intentions like revisitation, advocacy, and brand commitment.

A pilot study was conducted with 20 respondents prior to full deployment, intended to test the clarity, reliability, and internal coherence of the survey items. Cronbach's alpha values for all latent constructs exceeded the 0.70 threshold, confirming satisfactory internal consistency and measurement reliability.

For data analysis, the study utilized Partial Least Squares Structural Equation Modeling (PLS-SEM) through the SmartPLS 4.0 software suite. This analytical technique was deemed suitable given the study's exploratory character and the model's complexity. The analysis followed a two-stage approach: First, the measurement model was assessed to verify construct validity through item loadings, composite reliability, Average Variance Extracted (AVE), and discriminant validity. Second, the structural model was evaluated by examining path coefficients, bootstrapping significance levels (with 5,000 subsamples),  $R^2$  values for endogenous variables, and effect sizes ( $f^2$ ), along with  $Q^2$  statistics to assess predictive relevance.

Special attention was given to testing the mediating influence of customer satisfaction. Mediation analysis was executed by evaluating the significance of indirect effects using the bootstrapping method. The magnitude and statistical relevance of the mediation pathway were assessed through bias-corrected confidence intervals and p-values. This comprehensive methodological framework was designed to generate empirically grounded insights into how perceived service quality translates into customer loyalty—both directly and indirectly—within the context of small, independent cafés operating in dynamic and culturally specific markets like Indonesia.

#### **4. Result and Discussion**

The data collected from 120 respondents were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 4.0. The analysis proceeded through two primary stages: (1) evaluation of the measurement model to ensure reliability and validity, and (2) evaluation of the structural model to test hypotheses and assess the mediating role of customer satisfaction.

##### *4.1 Measurement Model Evaluation*

The evaluation of the measurement model was conducted to verify the adequacy and reliability of the research indicators. This involved assessing four primary aspects: indicator reliability, internal consistency, convergent validity, and discriminant validity. Initial analysis confirmed that all indicator loadings exceeded the benchmark value of 0.70, suggesting that the observed variables were sufficiently representative of their corresponding latent constructs.

To determine internal consistency, both Cronbach's Alpha and Composite Reliability (CR) were calculated for each construct. All three key constructs in the model—Service Quality, Customer Satisfaction, and Customer Loyalty—produced reliability scores above 0.80. These results reflect strong coherence among the items measuring each construct, fulfilling the standard criteria for reliable latent variable measurement.

For assessing convergent validity, the Average Variance Extracted (AVE) was examined. The AVE values exceeded the minimum threshold of 0.50 across all constructs, indicating that more than half of the variance in each construct was explained by its associated indicators. Specifically, the AVE for Service Quality was 0.682, for Customer Satisfaction 0.713, and for Customer Loyalty 0.741. These values confirm that the constructs possess satisfactory levels of convergent validity.

To ensure discriminant validity, the study employed two methods: the Fornell-Larcker criterion and the Heterotrait-Monotrait (HTMT) ratio. The square root of each construct's AVE was greater than the correlation values shared with other constructs, thus meeting the Fornell-

Larcker requirement. In addition, all HTMT ratios were found to be below the recommended ceiling of 0.85, suggesting that each construct was empirically distinct and not overlapping with others in the model.

#### 4.2 Structural Model Evaluation

Following the confirmation of the measurement model's validity and reliability, attention was directed to the structural model to evaluate the strength and significance of the hypothesized relationships among the study's core variables. This assessment involved an analysis of path coefficients, coefficient of determination ( $R^2$ ), and predictive relevance ( $Q^2$ ) to determine both the explanatory power and predictive capacity of the model.

The  $R^2$  values indicated that the model accounted for a substantial portion of the variance in both dependent variables. Specifically, Customer Loyalty yielded an  $R^2$  of 0.637, meaning that approximately 63.7% of the variability in loyalty behavior could be explained by the model's predictors. Similarly, Customer Satisfaction had an  $R^2$  of 0.589, suggesting that 58.9% of its variance was attributable to perceptions of service quality. These figures reflect a high degree of explanatory power, supporting the robustness of the conceptual framework.

The structural relationships among the variables were examined through path coefficient analysis, with significance levels assessed using the bootstrapping method (5,000 resamples). The results demonstrated the following statistically significant effects:

- a. The path from Service Quality to Customer Satisfaction showed a strong positive association ( $\beta = 0.768$ ,  $t = 14.532$ ,  $p < 0.001$ ), indicating that improvements in perceived service quality substantially enhance satisfaction levels.
- b. The linkage between Customer Satisfaction and Customer Loyalty also emerged as both strong and significant ( $\beta = 0.701$ ,  $t = 12.148$ ,  $p < 0.001$ ), underscoring the pivotal role of emotional and evaluative responses in fostering loyalty.
- c. The direct path from Service Quality to Customer Loyalty was found to be moderately strong and statistically significant ( $\beta = 0.284$ ,  $t = 3.451$ ,  $p = 0.001$ ), suggesting that while service quality independently contributes to loyalty, its full influence is better understood when satisfaction is considered as an intermediary variable.

Collectively, these findings support the theoretical assumption that service quality not only exerts a direct influence on loyalty, but also acts indirectly through customer satisfaction. This dual pathway reflects the multi-dimensional nature of loyalty formation, where cognitive evaluations and affective experiences converge to shape sustained customer commitment.

#### 4.3 Mediation Analysis

To assess the mediating role of customer satisfaction, a bootstrapping procedure with 5,000 resamples was performed. The indirect effect of service quality on customer loyalty through satisfaction was found to be significant:

- a. Indirect Effect:  $\beta = 0.538$ ,  $t = 9.872$ ,  $p < 0.001$

Given that both the direct and indirect effects are significant, this confirms partial mediation, indicating that customer satisfaction serves as an important mechanism through which service quality influences customer loyalty. This finding supports the theoretical assumptions of the Stimulus–Organism–Response (S–O–R) model and Expectancy–Disconfirmation Theory (EDT), where customer satisfaction acts as an internal response that translates perceived service quality into behavioral loyalty.

#### *4.4 Discussion*

The findings of this study reinforce the crucial role of service quality as a foundational element in shaping both customer satisfaction and loyalty, particularly within the nuanced and relational context of independent cafés. The strong positive relationship observed between service quality and satisfaction confirms longstanding theoretical assertions, highlighting that when customers perceive the delivery of service to be empathetic, responsive, and reliable, their overall evaluation of the experience becomes more favorable. This outcome aligns with the SERVQUAL-based understanding that emotional aspects of service—such as personal attention and genuine care—can be more influential than tangible factors in certain service environments. Moreover, the positive link between customer satisfaction and loyalty further underscores the argument that emotional fulfillment serves as a prerequisite for behavioral commitment. In this regard, satisfaction acts not merely as a by-product of good service, but as a psychological mechanism that amplifies the customer's desire to return, recommend, and remain connected with the brand.

What differentiates this research from prior studies is its embeddedness in a local, real-world setting where service is neither heavily scripted nor procedurally rigid. Conducted at an independent café in Pekanbaru, Indonesia, this study reveals how interpersonal dynamics, cultural sensitivity, and informal relational cues shape customers' affective evaluations and loyalty intentions. Unlike standardized coffee chains, which tend to emphasize consistency, independent cafés operate within more fluid service environments. Here, warmth, familiarity, and personalized interaction often have a stronger impact than standardized procedures. The results suggest that in such contexts, the SERVQUAL dimensions of empathy and responsiveness carry more psychological weight than tangibility or even reliability. Interestingly, the findings also show that even when service quality is perceived to be high, loyalty is significantly enhanced only when customer satisfaction is also present, which confirms the mediating role of satisfaction as both a cognitive and emotional filter through which customers interpret service experiences.

The implications of these results are far-reaching, especially for café operators and service managers in emerging economies where consumer expectations are evolving rapidly. First, there is a clear need for service providers to move beyond procedural training and instead focus on emotional engagement. This means equipping staff with interpersonal skills that foster connection, trust, and adaptability. Training programs should not only target efficiency and task completion but also emphasize emotional intelligence, such as the ability to read customer moods, respond empathetically, and create a sense of personal recognition. Second, customer satisfaction should be treated as a strategic objective, not just a passive outcome. Café managers should implement regular feedback loops—whether through digital surveys, casual conversations, or social media engagement—to monitor and manage satisfaction levels in real time. Satisfaction must be nurtured continuously, especially in competitive markets where customers have multiple options and are increasingly value-conscious.

Third, the findings indicate that physical investments in service quality, such as modernizing furniture or upgrading menus, may have limited impact on loyalty unless they are paired with initiatives that strengthen emotional connection. For instance, while a clean and aesthetically pleasing space may attract first-time visitors, it is the warmth of the interaction and the feeling of being understood that determines whether customers return. The implication is that loyalty cannot be bought through infrastructure alone; it must be earned through meaningful service encounters that resonate with customers on a personal level. In designing their service strategies, operators should thus combine functional excellence with relational depth, ensuring that every customer touchpoint delivers not only efficiency but also care and relevance.

From a broader perspective, the study contributes to service marketing theory by validating the role of satisfaction as a psychological intermediary that links perception with action. The structural model confirmed that service quality has both a direct and indirect effect on loyalty, but that the indirect path—through satisfaction—is stronger and more significant. This finding expands upon traditional linear models of loyalty formation, offering a more nuanced view in which loyalty is seen as the outcome of emotional alignment, not just performance assessment. Furthermore, the study invites further research into how specific dimensions of service quality (e.g., empathy vs. responsiveness) operate differently across service contexts, customer segments, and cultural settings.

## **5. Conclusion**

The findings of this study carry significant implications for both theory and practice in the context of customer relationship management, particularly within independent service-based businesses such as cafés. By confirming the mediating role of customer satisfaction in the relationship between service quality and loyalty, this study provides a nuanced understanding of how service-related efforts are translated into long-term customer commitment. The research underscores that loyalty is not a direct consequence of service quality alone, but a product of emotionally resonant experiences that affirm and even exceed customer expectations.

For practitioners, this insight highlights the importance of designing service strategies that not only deliver on operational efficiency but also foster meaningful customer satisfaction. Café managers and business owners should recognize that satisfaction is a dynamic and perceptual construct—shaped not only by visible elements such as facility cleanliness or promptness of service, but also by more subtle, human-centered factors such as empathy, attentiveness, and emotional intelligence in staff interactions. Investing in service training that cultivates these interpersonal competencies may yield greater loyalty returns than focusing solely on procedural enhancements.

Furthermore, this study suggests that satisfaction should be actively measured and managed as a strategic performance indicator. Businesses that monitor satisfaction levels and treat them as an early signal of potential loyalty or disengagement will be better positioned to make timely service improvements. Feedback systems that are responsive and adaptive can play a key role in reinforcing the satisfaction-loyalty pathway, especially in businesses operating in competitive local markets where consumer preferences are rapidly evolving.

From a broader business strategy perspective, the study reinforces the value of service quality as a foundation, but elevates customer satisfaction as the true vehicle through which loyalty is earned and sustained. This shift in emphasis calls for more integrated customer experience management approaches—where every touchpoint, from greeting to service delivery, is evaluated for its emotional impact. For independent cafés, which often rely on community goodwill and repeat patronage, the ability to consistently deliver satisfying experiences may determine survival and growth in an increasingly saturated industry.

In conclusion, the insights from this study support a more human-centered, emotionally attuned approach to service design—where quality is not only about doing things right, but also about making customers feel right. Businesses that embrace this dual focus will be better equipped to cultivate loyal, satisfied customers who return not just for the product, but for the experience that surrounds it.

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