

# Influence of the Upscale Café Servicescape on Satisfaction and Loyalty Intention

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**ABSTRACT.** This study aims to examine the relationship between servicescape, satisfaction, and loyalty intention in the Upscale Café setting. The sample of this study was 186 customers of Upscale Café in Tarakan City, Indonesia, on August 2019. To achieve the objectives of this study, SmartPLS 3.0 Professional was used to test convergent validity and discriminant validity as well as tools to develop structural models and test hypotheses. The results of this study indicated that servicescape had an insignificant direct effect on loyalty intention and satisfaction had a significant direct effect on loyalty intention. Meanwhile, the role of satisfaction in mediating the effect of servicescape on loyalty intention towards was fully mediated. Theoretically, the results of this study contribute to the development of the customer loyalty model, whereas pragmatically, it could be applied for marketing strategies to increase the Upscale Café customer loyalty.

*Keywords:* Servicescape, satisfaction, loyalty, upscale Café

## 1 INTRODUCTION

Changes in people's lifestyles, especially the changing middle class, have led to the increasing growth rate of the franchise industry and cafes in Indonesia (Setiawan, 2018). The increasing growth rate has then encouraged the government to make the food industry a priority subsector since 2018 (Warta, 2018). The positive support from the government and the increasing attractiveness of the Café business industry in recent years have resulted in an increasingly competitive level of competition and the ability to reach a targeted market share. To take advantage of opportunities and face this increasingly competitive competition, the sustainability of the café business is not only influenced by the ability to attract new customers but also how to attract every new customer to come back.

Customer loyalty is a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1997, p. 392). Attempts to determine the cause of restaurant customer loyalty have been carried out by several previous researchers who later found that customer loyalty is influenced by satisfaction (Shin et al., 2015; Suhud & Wibowo, 2016; Cibro & Hudrasyah, 2017; Wahab

et al., 2018; Sitinjak et al., 2019).

The satisfaction concept is categorized in the affective loyalty component (Oliver, 1997, p. 394), and has been widely studied in marketing over the last few decades. Some previous research revealed that restaurant customer satisfaction is influenced by the physical environment (Suhud & Wibowo, 2016; Wahab et al., 2018). However, Voon's study (2011) on in the "Fine Dining" and "Food Court" restaurant customer categories revealed that the physical environment measured through the servicescape variable does not have a significant effect.

In addition to differences in findings of the impact of the physical environment on satisfaction, several empirical studies examining the effect of the physical environment on loyalty intention also revealed inconsistent results. Suhud and Wibowo (2016), and Wahab et al. (2018) found that the physical environment has a positive and significant effect on loyalty intention. On the contrary, the findings of Voon (2011) on customer satisfaction in the "Fine Dining", "Fast Food", and "Food Court" categories revealed that servicescape does not have a significant effect.

In connection with the inconsistencies of the research mentioned above findings, this study aims to investigate: (1) the direct effect of services on satis-

faction; (2) the direct effect of services on loyalty intention; (3) the direct effect of satisfaction on loyalty intention. Additionally, the findings of this study are expected to be useful to enrich the literature on the antecedents of Upscale Café customer loyalty, both theoretically and pragmatically.

Referring to the Four-Stage Loyalty Model (Oliver, 1997), the relationship between the variables of this study is described in an empirical model, as can be seen in Figure 1.

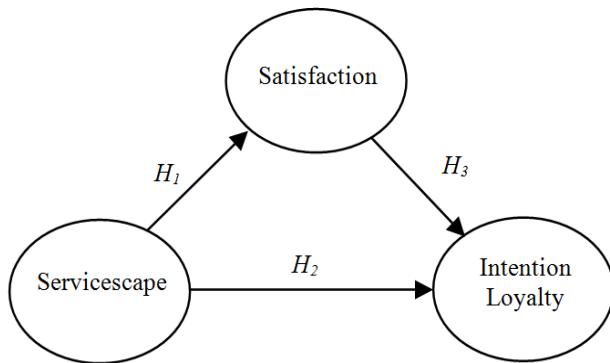


Figure 1. The research model

From the relationship among variables in Figure 1, the following hypotheses can be formulated:

- H1: There is a significant and direct relationship between services and satisfaction;
- H2: There is a significant and direct relationship between servicescape and loyalty intention;
- H3: There is a significant and direct relationship between satisfaction and loyalty intention.

## 2 RESEARCH METHODS

### 2.1 Sample and Data Collection

The study population of this study was all customers of the upscale Café in Tarakan City, Indonesia, on August 2019. The sample of this study was drawn by a non-probability method, namely accidental sampling. In order to obtain the desired number of samples, the research questionnaire was distributed to 5 upscale cafes in Tarakan, with a total of 50 sets of questionnaires in each Café. Once they entered the café, every customer was asked by the receptionist whether he/she is willing to be a respondent. A set of questionnaires to be filled out was given to customers who were willing to be a respondent, and the questionnaires should be returned before they pay their order at the cashier. From the 250 ques-

tionnaires distributed, 193 or 77% of the respondents answered the questionnaire, and only 186 or 96% of respondents completely filled out the questionnaire that could be used as material for the analysis of this study. The majority of respondents in this study were male (67%), aged between 35-45 years (36%), graduated from high school (52%), employees of private companies (40%), at least coming to the Café once a week (53%), and domiciled in Tarakan (79%).

### 2.2 Variables and measurement

There were three variables used in this study, namely, servicescape, satisfaction, and loyalty intention. The measurement of servicescape was adopted from Voon (2011). Satisfaction was measured by five indicators adopted from Cronin *et al.* (2000), Jani & Han (2011). Customer loyalty was measured through the four indicators used by Shin *et al.*, 2015. A Likert scale measured alternative answers for each indicator, ranging from 1 (strongly disagree) to 5 (strongly agree).

### 2.3 Data analysis

The tests for the measurement model and hypothesis were analyzed using PLS-SEM and processed with SmartPLS. PLS is an SEM approach based on the recursion of the main components and regression to describe the variance of the model constructs (Chin, 1998). PLS allows researchers to avoid bias and inconsistent estimate parameters. Hence, it serves as a useful analytical tool between the variables while minimizing type II and the analysis for small samples (Chin *et al.*, 2003; Echambadi *et al.*, 2006). The PLS-path model also allows researchers to conceptualize higher-order factors using the recurrent manifest variable (Chin *et al.*, 2003; Tenenhaus *et al.*, 2005; Kleijnen *et al.*, 2007). Structural models developed with PLS-SEM do not need to be evaluated with GoF, because it includes a sufficient model of measurement and structural models (Hair *et al.*, 2014, p. 186).

## 3 RESULTS

### 3.1 Measurement Model

Constructs utilized in a developed research model were resulted from valid and reliable instruments or measurement tools. Instrument validity can be

measured by convergent validity. Validity test results proved that all research variables recorded loading factors of more than 0.50, AVE of more than 0.50, and composite reliability of more than 0.70. Based on the Fornell Larcker Criterion, it also fulfilled the discriminant validity value, because the square-root of the AVE value for each variable was higher than the correlation rate between each variable.

Table 1. Measurement Model Results

Latent Variables and Indicators	Outer Loading	CR	AVE
<i>Servicescape</i>		0.900	0.504
Appealing physical facilities	0.714		
Parking space always available	0.676		
Clean dining area	0.789		
Appropriate temperature	0.635		
Has a nice music	0.825		
Has appropriate color scheme	0.737		
Has a nice smell (scent)	0.652		
Appropriate labels and signage	0.730		
Has a good design and layout	0.600		
<i>Satisfaction</i>		0.866	0.565
My choice of this Café is a wise idea	0.851		
I think that I did the right thing when I purchased this Café service	0.779		
This facility of this Café is exactly what is needed for this service	0.676		
My overall experiences at this Café are satisfactory	0.737		
Overall, I am satisfied with the Café service	0.703		
<i>Loyalty Intention</i>		0.901	0.695
Continual usage	0.831		
Recommendation of the Café	0.783		
Intention of continuous use even if it is expensive compared to other Café	0.873		
Intention to continuous used even if the cost is high	0.845		

Table 2. Regression Results

Variables	Sqrt AVE	Correlation (Fornell Larcker Criterion)		
		Servicescape	Satisfaction	Loyalty Intention
Servicescape	0.504	1.000		
Satisfaction	0.565	0.558	1.000	
Loyalty Intention	0.695	0.408	0.511	1.000

Source: SmartPLS Output

Note: CR=Composite Reliability; AVE=average variance extracted; Sqrt AVE= square-root of the AVE.

### 3.2 Structural Model

The evaluation of collinearity symptoms in the structural model of this study shows that the VIF value among predictor constructs is higher than 0.20 and lower than 5.00. Therefore, it is not necessary to eliminate constructs or combine predictors in one construct (Hair et al. 2014, p. 170). As such, the assessment of structural models to determine the significance of path coefficient, prediction power ( $R^2$ ), and predictive relevance ( $Q^2$ ) can be continued.

Figure 2 shows that two of the developed paths have a significant effect, namely the path from servicescape to satisfaction with a coefficient value of  $\beta = 0.511$ ;  $p = 0,000$  and satisfaction to loyalty intention with a coefficient of  $\beta = 0.512$ ;  $p = 0,000$ . Conversely, the direct effect of servicescape on loyalty intention was not significant because  $\beta = 0.142$  with a value of  $p = 0.205$  is greater than 0.050. Furthermore, the value of  $R^2$  for each endogenous variable can be categorized as high because it is greater than 0.20 (Hair et al., 2014, p. 175) and evaluation based on  $Q^2$  values also shows that exogenous constructs have predictive relevance to endogenous constructs because they are greater than 0.

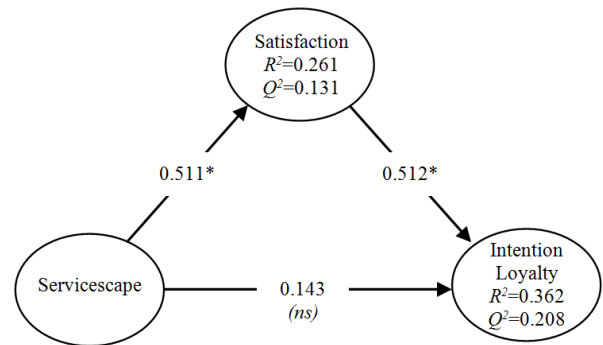


Figure 2. Results of Structural Model

Note: \* $p = 0.000$ ;  $ns =$  not significant ( $p = 0.205 > 0.050$ )

The test of satisfaction mediation role in the model could be continued if the indirect effect of services towards loyalty intention has a significant influence. Figure 2 shows that the indirect impact of services on loyalty intention was 0.143 and not significant at  $p = 0.205 > 0.05$ . Therefore, it could be concluded that the influence of services towards loyalty intention was fully mediated by satisfaction.

## 4 CONCLUSIONS

The first hypothesis proposed in this study, namely "there is a significant and direct relationship between services and satisfaction," is supported by data and proven. This finding shows that the better the café Servicescape, the higher the level of customer satisfaction. The results of this study are in line with the results of Suhud & Wibowo (2018) and Wahab et al. (2018), but contradict the findings of Voon (2011).

The second hypothesis, namely "there is a significant and direct relationship between service sales and loyalty intention," is not proven and rejected. This finding is in line with the results of Voon (2011) and Suhud & Wibowo (2016), but contrary to the study of Wahab et al. (2018).

The third hypothesis, namely "there is a significant and direct relationship between satisfaction and loyalty intention," is supported by data and accepted. Thus, the results of this study reinforce previous empirical findings which reveal that satisfaction is an antecedent of loyalty (Suhud & Wibowo, 2016; Cibro & Hudransyah, 2017; Wahab et al., 2018; Sitinjak et al., 2019).

The pattern of upscale Café customer loyalty models based on the results of this study are: "servicescape (cognitive) →satisfaction (affective) →customer loyalty (conative)". Thus, the study findings contribute to strengthening the postulate of the Four-Stage Loyalty Model (Oliver, 1997).

Pragmatically, the findings of this study can be considered as material for developing a marketing strategy plan. In this case, the marketing manager of the Upscale Café must be able to create a better service landscape than competitors. The better the café servicescape, the higher the customer satisfaction. In the end, satisfied customers will be loyal to the Café and an increasing number of loyal customers will ease the café to achieve the targeted market share.

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