

# The Effects of Service Quality, Perceived Value on Customer Satisfaction and Loyalty in “Warunk Upnormal Jakarta”

Billy Muhammad Fadillah<sup>1</sup>, Sari Wahyuni<sup>2</sup>  
{billymf01@gmail.com<sup>1</sup>, sari.whyn@gmail.com<sup>2</sup>}

Universitas Indonesia, Indonesia<sup>1,2</sup>

**Abstract.** Warunk Upnormal, as one of the actors in the current fast and dynamic culinary industry, emerged with its relatively high growth and development rates amongst competitors. This study examines the effect of service quality and customer satisfaction on the loyalty of Warunk Upnormal customers in Jakarta. This research was a quantitative study with 169 samples have visited Warunk Upnormal at least two times. The data of this study were processed using SPSS and SmartPLS 3.0. The results show that service quality has a positive impact on customer satisfaction which eventually increases customer loyalty. Interestingly, the perceived value in this study could weaken the relationship between service quality and customer satisfaction. Consumers who are satisfied with Warunk Upnormal's service are not necessarily loyal, but consumer loyalty can be maintained if there is a consistent quality of service that can satisfy them.

**Keywords:** Service Quality, Customer Satisfaction, Loyalty, Perception of Value, Restaurant

## 1 Introduction

Currently, the need for food and beverages in the community has become a lifestyle. This is seen as an opportunity that can increase the growth of the culinary industry in Indonesia. Not only does it offer a delicious and unique taste, but also a medium for actualization and socialization.

This condition is seen by Warunk Upnormal, one of the Indonesian culinary industry players who is growing quite rapidly for the last couple of years. The Warunk Upnormal dish is a typical product sold in coffee shops in general. However, Warunk Upnormal comes with improvements in various aspects compared to other conventional coffee shops by its wide range of variants, great quality, excellent service, adequate facilities, to the comfortable atmosphere it offers. With simple menus that students like and easy to imitate, Warunk Upnormal can grow very fast. This is a separate note and concern about how Warunk Upnormal has grown so rapidly among its peers.

The number of people who visit Warunk Upnormal and the high competition between entrepreneurs in the food and beverage industry make customer service a crucial factor that needs to be considered in order to be outstanding in the industry. Understanding what consumers want and what they expect from the services will create added value in the minds of consumers (perceived value). Previous research states that service quality needs to receive great attention

from companies because service quality is directly related to the company's competitiveness and profit [1][2][3].

The food and beverage industry are required to continuously innovate because the market and consumer needs are increasingly specific, such as the use of themes in services, Instagram able places, and cute product packaging. Product quality is recognized as one of the strategic tools to achieve performance efficiency and improve business performance [4][5]. Several researchers have discussed the importance of service quality for service companies and have shown a positive relationship with profit, increase in market share, return on investment, customer satisfaction, and future purchase intention [6][7][8]. Some researchers state that there is a positive relationship between service quality and customer satisfaction [4][10].

Customer satisfaction also influences people to come as a result of the service perceived by consumers. According to Kotler and Keller [5], customer satisfaction is a form of affective and emotional responses that result from consumer evaluations, such as feelings about a product. Chen and Tsai [6] define customer satisfaction in two ways, namely specific transaction satisfaction and general or overall satisfaction. Satisfaction in certain transactions is intended for assessments made after consumers buy at a certain time, while overall satisfaction is intended as an assessment given by their entire customer experience during transactions with service providers. Hartono [7] argues a product that provides satisfaction is a product which consumers are looking for to a reasonable level. Satisfied customers will create a good relationship between producers and consumers, form conditions and desires for repeat purchases, even provide recommendations or advice, free word of mouth marketing that benefits the company [14][15][16]. Good service plays a vital role in shaping customer satisfaction values as well as related to the creation of profits for the company. The more quality the services provided, the higher the customer satisfaction will be [8].

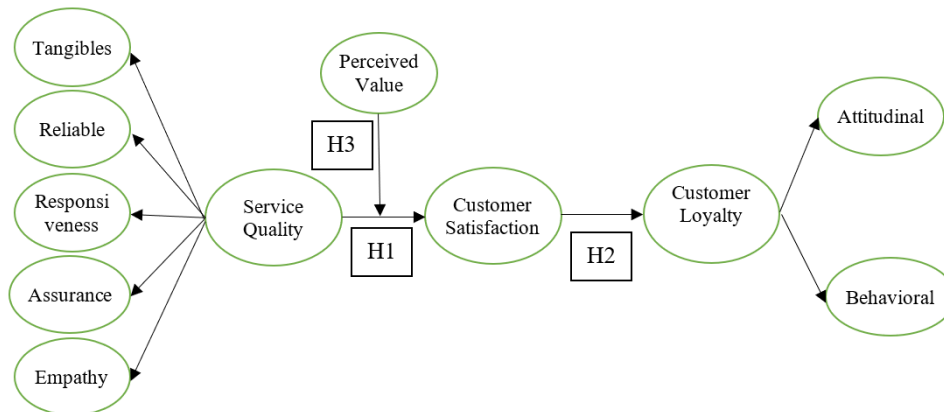
Continuous customer satisfaction can make consumers repeat their purchases in one brand making them to be loyal customers. Loyal customers exhibit three characteristics, such as spending more money to buy company products or services, encouraging people to buy company products or services, and believing that it is necessary to buy the products or services from the company. Chaudhuri and Holbrook [17] state that loyalty is formed by the attitudinal loyalty and behavioral loyalty. Attitudinal loyalty means loyalty shown by consumers, by buying the same product and having tolerance for the price. Meanwhile, behavioral loyalty means repeated purchases of the same product and the behavior of recommending the product to others.

Good products, good service, satisfaction, and consumer loyalty are some of the factors that support business development. The sense of satisfaction to being loyal is driven by perceptions that are formed in the minds of consumers. Perceptions of consumer value also need to be considered so that business actors can understand consumer assessments of products made by entrepreneurs. Consumers can appreciate the economic benefits of the buying process, or find better services tailored to their own needs. Another benefit enjoyed by consumers during the buying process is the social benefits which arise from forming relationships. Therefore, retaining a customer is ten times cheaper than buying a new customer, obliging companies to make efforts to retain customers. Companies must focus on managing the value perceived by consumers.

Cronin et al. [18] show that the value perceived by consumers becomes a marketing manager and researcher since it possesses a huge impact on outcome variables, such as customer satisfaction and behavioral intention [19]. Furthermore, Parasuraman and Malhotra [20] support the importance of looking back at the value perceived by consumers as the most significant predictor of repurchase intention. Woodruff [21] suggests that by recognizing the relationship

between perceived value and other variables, such as service quality, satisfaction, and behavioral intention, managers are able to efficiently allocate their firm's resources.

## 2 Model



**Fig. 1.** Research Model  
(Modified from Huang et al. [11])

This research model was a modification of the research of Huang et al. [11] as this study added variable perceived value that moderates the relationship between service quality and customer satisfaction. In general, it was quite challenging to measure service quality. The main purpose of measuring service quality was to ascertain whether the services provided are in accordance with customer expectations. The instrument used in this study is DINESERV, as specific development of service quality in the food and beverage industry [18]. Good quality service gives satisfaction to consumers [23]. Satisfied consumers who make repeat purchases are said to be loyal [24][25][26][27].

This research was conducted by distributing questionnaires through electronic social media (Google Form). The population and samples in this study were all consumers and visitors of Warunk Upnormal in Jakarta. This research used a nonprobability sampling technique, namely purposive sampling where the sample was selected based on the assessment criteria made by the researcher. The criteria for respondents who can fill out this questionnaire were people who have visited Warunk Upnormal in Jakarta, both men and women in the age range under 15 years old who domiciled in Jakarta and have visited Warunk Upnormal in Jakarta at least twice. The minimum number of samples collected is the number of indicators multiplied by five [28], so that the minimum number of samples collected is 5 x 46 (indicators) or 230 respondents. The analytical methods used in this research are Linear Regression and Descriptive Statistics. The collected data were analyzed using measuring instruments SPSS and SmartPLS.

### 3 Result and Discussion

**Table 1.** Path Coefficient and T-Statistic

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Results
Customer Satisfaction - > Loyalty	0.575	0.570	0.054	10.611	0.000	Accepted
Service Quality -> Customer Satisfaction	0.622	0.629	0.098	6.317	0.000	Accepted
Moderating Effect -> Customer Satisfaction	-0.041	-0.043	0.031	1.335	0.182	Not Accepted

(SmartPLS, 2020)

Two hundred and forty-five questionnaires were collected with 235 valid questionnaires. All indicators of this study can be said to be valid (value  $0.50 <$ ) and reliable (value  $0.50 <$ ). The value of the hypothesis obtained in the study can be seen in Table 1. The values are shown in the t-statistic column in Table 1 which indicate the significance level of the hypothesis. Table 1 also shows the relationship between variables shown through the Original Sample column where the relationship between variables is considered positive if the Original Sample value is positive and the hypothesis is said to be accepted if the value listed on the t-statistic exceeds 1,645 (95% confidence level). The results of this study indicate that the hypothesis H1 and H2 are accepted, while H3 is not.

The purpose of this study is to analyze the relationship between service quality and customer loyalty mediated by customer satisfaction at Warunk Upnormal Jakarta. Based on the statistical results above, the study found three findings which are discussed in the following paragraph.

First, it was found that the quality of the services had an effect on the satisfaction experienced by consumers. This research is in line with the results of previous research by Zena and Hadisumarto [23] who examined the relationship between these variables in the same food industry. In general, this also applies to other industries, such as automotive and telecommunications [29].

Second, consumer satisfaction affects consumer loyalty. The visible form of loyalty is the existence of repeated purchases by consumers; therefore, this has an impact on company performance. This is in line with previous research by Anderson et al. [6], Oliver [26], and Rust and Oliver [8]. However, it is necessary to pay attention to the results obtained by Oliver [26] which describe the relationship between customer satisfaction and loyalty which is influential in different ways. This means that loyal consumers are usually satisfied, but the converse is not always true. Moreover, the company must also consider the treatment for consumers who are still sensitive to the price.

Third, one of the most interesting findings in this study is the perception of value which does not influence the relationship between service quality and loyalty. The statistical results show that the value perception variable tends to weaken the relationship between service quality and loyalty. The value perception that is built from the consumer's experience of company services is not yet strong given that the respondents who filled out the questionnaire and visit to the restaurant were more influenced by the environment. In addition, the intensity of the arrival of consumers to the company also needs to be considered in assessing the perceptions formed in the minds of consumers.

## 4 Conclusion

Service quality is a form of service that consumers expect can provide a pleasant experience to give a sense of satisfaction to consumers; likewise, with the quality of service that consumers expect at Warunk Upnormal. The quality of service is not only seen from the quality of food and beverage menu served, but also from the atmosphere of the restaurant, the equipment used, and the parking area. Warunk Upnormal service quality needs to be preserved in order to maintain customer satisfaction. This is considered to be a great concern because the majority of Warunk Upnormal consumers are millennials where the level of satisfaction is very easily influenced by the surrounding environment, friends, or social media. Warunk Upnormal needs to sustain their quality of services provided, especially to millennial consumers who are very easily affected by various external factors. There are several things that should be improved when viewed from the respondent's descriptive statistics which have the smallest value, such as the willingness of employees to submit waiting times, informing offered promos, and remembering details of consumer orders. Several aspects of service quality that need to be maintained can be seen from the high descriptive statistics of respondents in each dimension, such as the appearance of employees who are always clean, alert, and polite, affordable prices, and the easy access to reach Warunk Upnormal.

Consumer satisfaction that is experienced directly by consumers can make consumers come again, even if it is merely to buy a product or enjoy the atmosphere created by Warunk Upnormal. Repeated purchases and arrivals can be said to be a form of consumer loyalty. Building consumer loyalty cannot only be done if consumers are satisfied with their second visit, even the third. Consumer loyalty is built on the frequency of consumers coming and enjoying services at Warunk Upnormal. Repeated visits and experiences that satisfy consumers can build consumer loyalty. Customer loyalty can easily be tarnished by an unpleasant experience on a single visit. It takes a long time to build consumer loyalty from an experience that is always pleasant. For this reason, consistency of good service quality is needed to maintain consumer loyalty. Most of Warunk Upnormal's consumers are sensitive to price. This is shown by their market share which is dominated by students and university students. When these consumers become loyal, consumers will often hold events at Warunk Upnormal.

The perception of value formed in the minds of Warunk Upnormal consumers does not have effect on the quality of services provided by Warunk Upnormal. This may be due to the large number of respondents who came to Warunk Upnormal are students. In addition, the majority of students are still financially dependent on their parents so that they are very easily influenced by the sensitivity of the price offered. Perceived experiences do not last long and are insufficient to form perceptions of value in the minds of consumers, especially millennial consumers who visit only because of the influence of friends or social media. Most of respondents were university students, whose emotional development was still very much influenced by the environment, especially by friends. So that the personal experience that is manifested in the perception of value felt by the respondent has not hit it yet. In addition, the number of respondents who visited Warunk Upnormal three times was also quite large, amounting to approximately 40% of respondents. To be able to form perceptions of value, consumers must feel and/or enjoy the services provided many times or approximately four times or more.

Considering this research was only conducted at Warunk Upnormal in Jakarta, the results cannot represent similar restaurant industries outside Jakarta. Subsequent research can examine similar businesses outside Jakarta, such as eastern Indonesia or western Indonesia. This is because service quality can be influenced by local culture or local tastes so that it will affect consumer satisfaction in these areas.

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