



## Customer Satisfaction as a Mediator of the Relationship Between Service Quality and Customer Loyalty: A Research Study of Franchise Restaurants in Malang City, East Java, Indonesia

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### ABSTRACT

This study aims to: (1) investigate the impact of service quality in a franchised restaurant on customer satisfaction, whether total or partial; (2) identify the service quality factor that most influences customer satisfaction; and (3) Analyze the relationship between customer satisfaction and customer loyalty to the franchised restaurant. The research participants are 3,852 consumers of franchised restaurants in the city of Malang, specifically McDonald's Dunkin' Donuts Jl., Kentucky Fried Chicken Malang Plaza, Wendy's Dieng Plaza, Donald Sarinah Plaza, Pizza Hut Jl., Es Teler 77 Dieng Plaza, Niki Sae Basuki Rahmat Dieng Plaza, and Kawi. The sample for this research consists of 97 individuals, distributed proportionally among each restaurant. Multiple regression analysis is the data analysis method used. The research results indicated that: (1) the variables of reliability, empathy, assurance, responsiveness, and tangibles have a considerable impact on customers, whether total or partial; (2) the analysis revealed that the responsiveness variable exerts the most predominant effect on the others; and (3) according to data analysis, it has been shown that the customer satisfaction variable has a significant effect on customer loyalty.

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## **INTRODUCTION**

As a result of economic globalization, many foreign companies have entered Indonesia, engaging in franchise partnerships, particularly in the restaurant business. These franchises operate by obtaining a permit from a local company to open a business under a license from a foreign company. The local company is obligated to pay a fee to the licensing company based on a specific agreement. As a logical consequence of this partnership, the licensing company transfers the management of the franchised business to the local partner. In Indonesia, local franchise companies have flourished, alongside foreign franchises.

As the franchise business continues to grow, a new social class has emerged in Indonesia: the middle class, whose primary occupations include corporate executives or employees, many of whom work in large cities like Jakarta, Surabaya, and Bandung. These middle-class individuals typically work from morning to evening, often sparing them time to eat. Their high incomes and busy work schedules allow them to eat out. Lunchtime is typically spent in malls, enjoying fast food served by franchised restaurants. This habit eventually grew into a culture of urban life, so that foreign food products were no longer foreign to Indonesians. This habit then spread to the community, so that enjoying food at franchise restaurants was no longer the monopoly of the middle class alone; it had also become a new lifestyle trend for Indonesians, especially urban communities, especially with the emergence of franchise restaurants in mid-sized cities like Malang. Because of the large number of companies operating in this sector, inevitably, business competition between them, especially in the service sector, inevitably arises. For a franchise company that provides good service, it will be able to attract many consumers to buy its products, on the other hand, if the franchise company has poor service, it will be abandoned by consumers. Consumers enjoy eating at franchise restaurants, in addition to being caused by the fast service pattern, the comfortable atmosphere of the dining room is also enough to support consumers to feel at home in that place. Usually, franchise restaurants also provide other facilities such as air-conditioned rooms, toilets, a play area for children, and the provision of televisions and VCDs, so that when consumers intend to eat at the restaurant, they will immediately enjoy these facilities for free.

The description above shows that competition in the franchise business is quite fierce. Therefore, in managing this business, managers must pay attention to several factors that significantly influence the success of the business. These factors include the level of professionalism of employee service, physical facilities of the room, restaurant opening and closing hours, appropriate pricing, and the availability of secure parking. According to Kotler (2015), one of the main characteristics of a business that prioritizes service or business services compared to business goods is that the company must differentiate its business by being able to provide consistently providing A service of superior quality to the competition. The key is to meet or exceed the service quality expectations of the target customers. Customer expectations are shaped by their past experiences, the opinions of friends or acquaintances, as well as the information and promises offered by competitors and merchants.

There are several other reasons that also encourage The writer will conduct studies in the field of service quality or services provided by franchise companies to customers and their influence on customer satisfaction and loyalty, namely: (1) Until now, there has not been much research conducted to try to reveal the problem of service quality provided to customers and its influence on satisfaction and its continued influence on customer loyalty in franchise restaurant businesses, even though this business sector has quite bright prospects for future development, its contribution to driving the real sector is quite significant, especially as a buyer of local products for raw materials for its business and its large contribution in opening up employment opportunities for the workforce in Indonesia (2) Many studies that the author has read still only examine customer satisfaction or customer satisfaction for the purposes of conduct and service quality. Therefore, it is deemed necessary to conduct research to reveal the influence in one analysis, the quality of service is examined simultaneously in terms of satisfaction and how this influences customer loyalty within a franchise company, because according to Goni (2022) loyal customers are not necessarily satisfied with the performance of a service or product, although satisfied customers tend to be loyal.

#### *Research Problems*

Based on the above considerations, the following research problems are formulated: (1) How do you describe does the quality of service offered by Malang franchise companies to their customers include reliability, responsiveness, empathy, security, and tangible components? (2) How do you describe the satisfaction and loyalty of franchise restaurant customers in Malang? (3) How do the five service quality variables affect customer satisfaction, either partially or simultaneously? (4) What is the independent variable that has the greatest influence on customer satisfaction? (5) How does customer satisfaction affect customer loyalty?

## **LITERATURE REVIEW**

Service quality has long been recognized as a critical factor in shaping customer satisfaction in service-based industries. According to the SERVQUAL model proposed by Parasuraman, Zeithaml, and Berry, service quality is conceptualized through five key dimensions: tangibles, reliability, responsiveness, assurance, and empathy. These dimensions collectively influence customers' perceptions of service performance, particularly in high-contact service settings such as franchised restaurants. In the context of globalization and increasing competition within the franchise sector, consistent delivery of superior service quality becomes a strategic necessity. Kotler emphasizes that customer satisfaction emerges when perceived service performance meets or exceeds customer expectations, which are formed through prior experiences, word-of-mouth communication, and promotional claims. Therefore, service quality functions not only as an operational attribute but also as a core element in building favorable customer evaluations.

Previous empirical studies have consistently demonstrated a significant relationship between service quality, customer satisfaction, and customer

loyalty. Research findings indicate that improvements in service quality positively affect customer satisfaction, which subsequently fosters customer loyalty manifested through repeat purchases, positive word-of-mouth, and long-term commitment to a brand. Customer satisfaction is often positioned as a mediating variable that strengthens the link between service quality and loyalty outcomes. However, several scholars argue that customer loyalty does not always solely depend on satisfaction, as situational factors and behavioral habits may also influence loyal behavior. Despite this, satisfied customers generally exhibit a higher propensity to remain loyal. Consequently, examining the integrated relationship among service quality dimensions, customer satisfaction, and customer loyalty within the franchise restaurant industry provides a more comprehensive understanding of consumer behavior and offers valuable insights for service management and marketing strategy development.

## **METHODOLOGY**

All customers comprised the population for this research of franchise restaurants during the study period. Seven franchise restaurants were selected for the study: McDonald's, Kentucky Fried Chicken, Dunkin' Donuts, Weddis, Es Teller 77, and Niki Sae. The study population consisted of 3,852 people. The Slovin method was used to establish the sample size, with a margin of error of 1%. A sample size of 97 respondents was obtained.

### *Data Types and Sources*

Two categories of data were used in this study: (1) Primary Data, which is data obtained directly from customers of the franchised restaurants visited. This data includes data regarding customer loyalty, customer satisfaction and service quality (2) Secondary Data, which is data obtained from restaurant management and employees as confirmation and additional material to refine the research results.

### *Data Collection*

This study employed several data collection techniques, including: (1) questionnaires, used to obtain data related to independent variables, intervening variables, and dependent variables; (2) interviews, used to confirm and supplement previous data obtained through questionnaires; and (3) observation, used to closely examine the physical condition of the research object, namely the franchise restaurant that was the object of the study.

### *Data Analysis*

Reliability and validity tests of the instrument were applied before carrying out the data analysis, in addition to tests of classic assumptions including heteroscedasticity, normality and multicollinearity, and autocorrelation as prerequisites for regression testing. Two types of analysis were used for data analysis: (1) Descriptive analysis, which describes service quality, customer satisfaction, and customer loyalty. (2) Evaluation procedure through simple regression analysis and multiple regression analysis. Multiple regression analysis is used to evaluate how independent variables impact the dependent variable, while simple linear regression analysis is used to examine the relationship between dependent variables.

*Data Analysis and Interpretation*

A multiple regression analysis was performed with the aim of analyzing the interaction between the variables Empathy (X5), Assurance (X4), Responsiveness (X3), Reliability (X2), and Physical Evidence (X1) influence Customer Satisfaction (Z). The influence of Z on Y was also analyzed, i.e., Customer Loyalty. A 95% confidence level was used in the hypothetical tests. The regression analysis employed both a concurrent test (F-test) and a partial test (t-test). Table 1 presents the results of the SPSS calculations.

Table 1. Recapitulation of Multiple Linear Regression Analysis of the Effect of Variables X1, X2, X3, X4, and X5 on Z

<b>Independent Variable</b>	<b>Dependent Variable</b>	<b>Regression Coefficient (B)</b>	<b>t-value</b>	<b>p-value</b>	<b>Partial Correlation (r)</b>	<b>Partial Determination (r<sup>2</sup>)</b>
X1 (Tangibles)	Customer Satisfaction (Y)	1.004	5.501	0.000	0.500	0.250
X2 (Reliability)	Customer Satisfaction (Y)	1.632	7.500	0.000	0.618	0.381
X3 (Responsiveness)	Customer Satisfaction (Y)	2.525	7.651	0.000	0.626	0.392
X4 (Assurance)	Customer Satisfaction (Y)	0.800	3.547	0.001	0.348	0.121
X5 (Empathy)	Customer Satisfaction (Y)	0.578	4.509	0.000	0.427	0.182

*Testing the First Working Hypothesis (H1)*

Table 1 shows that the calculated F-value is 173.825 with a probability of 0.000 ( $p < 0.05$ ). Therefore, the working hypothesis (H1) is accepted. The variables Empathy, Reliability, Responsiveness, Assurance, and Physical Evidence (X1, X2, X3, X4, and X5) exert a significant and simultaneous influence on Customer Satisfaction (Y). The R-squared value of 0.905, in this study, is an adjusted R-squared value of 0.900 (due to the presence of more than one independent variable). This indicates a close relationship between the independent variables X1 Physical Evidence, X2 Reliability, X3 Responsiveness, X4 Assurance, and X5 Empathy and the Customer Satisfaction variable, with a value of 0.900 or 90%, and the remaining 0.100 or 10% is influenced by other variables outside this study.

*Testing the Second Working Hypothesis (H2)*

Based on the analysis results, the following information was obtained regarding the partial test of the impact of each independent variable on the dependent variable.

*The Effect of Physical Evidence (X1) on Customer Satisfaction (Z)*

Table 3 shows a p-value (0.000)  $< \alpha$  of 0.05. This indicates a partial significant effect of physical evidence on customer satisfaction at a 95% significance level. The partial coefficient of determination ( $r^2$ ) obtained is 0.250, meaning that the variation in changes in customer satisfaction (Y) This can be explained through physical evidence (X1) variable is 0.250. The regression coefficient (B) obtained is positive at 1.004, meaning that if the value of physical evidence is increased by one unit, customer satisfaction will increase by 1.004, assuming the other independent variables remain constant.

## RESULT AND DISCUSSION

*Results of the Regression Analysis of the Influence of the Reliability Variable (X2) on Customer Satisfaction (Z)*

Table 1 shows a p-value (0.000) that is less than  $\alpha$  (0.05). This observation indicates a partially significant interaction between the reliability variable (X2) and customer satisfaction (Z). The significance level is 95%. The partial coefficient of determination obtained from this analysis ( $r^2$ ) is 0.381, meaning that 0.381 of the variation in customer satisfaction (Z) can be explained by the X2 variable. The regression coefficient obtained is positive, at 1.632, which means that if the reliability value is increased in one unit, an increase of 1.632 in the customer satisfaction value will be observed, provided that other variables remain constant.

*The Effect of Responsiveness Variable (X3) on Customer Satisfaction (Z)*

Table 26 shows a p-value of 0.000  $< \alpha$  (0.05). This indicates a partial significant effect between responsiveness and customer satisfaction, with a significance level of 95%. The coefficient of determination ( $r^2$ ) obtained is 0.392, indicating that 39.2% of the variation in customer satisfaction (Z) can be explained by the responsiveness variable (X3). The regression coefficient ( $\beta$ ) obtained is positive, with a value of 2.525. This indicates that, by increasing the responsiveness value by one unit, the customer satisfaction value will increase by 2.525, provided that the other variables remain constant.

*The Effect of the Assurance Variable (X4) on Customer Satisfaction (Z)*

The results of the analysis indicate a p-value of 0.001, which is less than the  $\alpha$  significance level of 0.05. This indicates a partially significant effect of the security variable on customer satisfaction, with a significance level of 95%. The partial coefficient of determination ( $r^2$ ) obtained was 0.121, meaning that the variation in changes in the customer satisfaction variable (Z) can be explained by the assurance variable (X4) by 0.121. The regression coefficient (B) obtained was positive at 0.800, meaning that if the assurance value were increased by one unit, customer satisfaction would increase by 0.800, assuming other independent variables remain constant.

*The Effect of Empathy (X5) on Job Satisfaction (Z)*

Table 26 shows a p-value of 0.000  $< \alpha$  (0.05). This indicates a partial correlation of 0.182. A significant effect has been observed between empathy and customer satisfaction, with a significance level of 95%. The partial coefficient of determination ( $r^2$ ) obtained is 0.182, indicating that the variation in changes in customer satisfaction (Z) that can be explained by the empathy

(X5) variable is 0.578. The regression coefficient obtained is positive, at 0.578. This implies that if empathy increases by one unit, customer satisfaction will increase by 0.578, provided all other independent variables remain constant. Based on the results of the multiple linear regression analysis presented in Table 26, the following regression equation can be derived:

$$Z = -19.343 + 1.004X_1 + 1.632X_2 + 2.525X_3 + 0.800X_4 + 0.578X_5.$$

It can be explained that the constant of -19.343 means that if X1, X2, X3, X4, and X5 were not present, customer satisfaction would already be 19.343%. Meanwhile, each additional treatment to the physical evidence variable (X1) will increase customer satisfaction by 10.04%. Similarly, for the reliability variable (X2) and other independent variables, each additional treatment to the independent variable can increase customer satisfaction by the value of its regression coefficient (B).

Based on the results of the previous analysis, it can be concluded that the second working hypothesis (H2), which establishes the existence of a significant partial influence between the independent variables, namely, physical evidence (X1), reliability (X2), responsiveness (X3), security (X4) and empathy (X5) on customer satisfaction (Z), can be accepted.

*Testing the Third Working Hypothesis (H3)*

### 1. The Responsiveness Variable has the Most Dominant Influence on Customer Satisfaction

An independent variable is considered to have a stronger relationship with the dependent variable compared to other independent variables if its r-value is closer to +1 for a positive relationship and to -1 for a negative relationship. According to the analysis, the highest r-value is associated with the responsiveness variable, with an r-value of 0.626. Consequently, the third working hypothesis (H3) is accepted, which states that the responsiveness variable has the greatest influence on customer satisfaction.

*Fourth Working Hypothesis Test (H4)*

This test was conducted to answer the working hypothesis, which states: There is an influence customer satisfaction plays a fundamental role in the customer loyalty process. Therefore, the following presents the results of a simple regression analysis to test the working hypothesis above.

Table 2 Results of Simple Linear Regression Analysis of the Influence of Customer Satisfaction Variables on Customer Loyalty

Statistic	Value
Correlation Coefficient (R)	0.757
Coefficient of Determination (R <sup>2</sup> )	0.573
F-statistic	127.350
Significance (p)	0.000
Constant	43.496
Sample Size (N)	97
Significance Level (α)	0.05

In the analysis of the preceding table, it is observed that the significant p-value of 0.000 is less than  $\alpha = 0.05$ , which allows us to accept the working hypothesis (H4). This suggests a considerable impact of customer satisfaction (Z) on customer loyalty (Y). This analysis yielded a correlation coefficient of 0.757, indicating a significant relationship between the independent variable (Z) and the dependent variable (Y). The R-squared coefficient of determination is 0.573, suggesting that customer satisfaction has a 57.3% impact on customer loyalty. The remaining 42.7% is attributed to other variables not examined in this study. A simple linear regression equation was derived to establish the correlation between customer satisfaction and customer loyalty. The equation  $Y = 43,496 + 2,865 Z$  suggests that, in the absence of an indicator that quantifies customer satisfaction, customer loyalty is set at 43,496%. Additionally, it is found that a one-unit increase in customer satisfaction leads to a 2,865-unit increase in customer loyalty.

In discussing the results of this study, the theoretical implications are first presented, followed by a description of the managerial implications, and finally, a description of the study's limitations. While numerous studies have been conducted by other researchers in the service business sector, the research focus in the franchise business remains very limited. This prompted the researcher to conduct research on the topics listed above. This study seeks to build on previous studies, such as those conducted by Parasuraman (2018) on banks, credit card companies, and telephone repair companies; those conducted by Woodside (2019) on hospital patients; research by Valeri (2023) on supermarkets and insurance companies; and most recently, research conducted by Bambang Suyono (2021) at an educational institution at Malang State University; and Candra (2021) on the transportation service company, Merpati Nusantara Air Lines (MNA).

In general, All the academics tried to discern the impact of service quality on customer satisfaction, while other researchers sought to establish the impact of customer satisfaction on customer loyalty or behavioral intentions. This research on franchise restaurants, which uses physical evidence, reliability, responsiveness, safety, and empathy as independent variables; customer satisfaction as intermediate variables; and customer loyalty as dependent variables, concludes that the quality of service in franchise establishments exerts a significant influence on customer satisfaction, and that this, in turn, significantly impacts customer loyalty.

The regression model used in this study is a classical linear model, because the regression analysis is based on classical assumption tests to avoid deviations in the model. The size of the R square obtained is not a measure to state whether the model is appropriate or not (Gujarati, 2019). According to the results obtained in the field research, it is evident that variables related to service quality, such as physical evidence, reliability, responsiveness, security, and empathy, exert a simultaneous influence on customer satisfaction ( $p = 0.000 < \alpha 0.05$ ). The variation in the customer satisfaction variable that can be explained by all independent variables simultaneously is 0.900, which is equivalent to 90%. The remaining 0.100, or 10%, is attributed to other variables

not addressed in this study. The findings of this research support the results of previous research conducted by previous researchers, such as Bambang Suyono's (2021) study, which concluded that service quality influences student satisfaction at Malang State University, and Farida Mony's (2020) study, which concluded that service quality significantly influences passenger satisfaction on the Surabaya-Ambon route. Therefore, the first working hypothesis can be accepted simultaneously, which states that the variables of safety, reliability, responsiveness, physical evidence, and empathy have a significant influence on each other.

In this study, the second working hypothesis is also formulated, this means that the independent variables, which are reliability (X2), security (X4), empathy (X5), responsiveness (X3) and physical evidence (X1), have a partial influence on the degree of customer satisfaction (Z).

The results of the partial test indicate that the influence of physical evidence (X1) on satisfaction (Z) can be accepted, given that the p-value (0.000) is less than the significance level ( $\alpha$ ) of 0.05. Similarly, the influence of reliability (X2) on customer satisfaction (Z) can be accepted, as the p-value (0.000) is less than 0.05. Likewise, the influence of responsiveness (X3) on customer satisfaction (Z) is accepted, with a p-value (0.000) that is also less than 0.05. The influence of assurance (X4) on customer satisfaction (Z) is also acceptable, given that the p-value (0.001) is less than 0.05. Finally, the influence of empathy on customer satisfaction can be accepted, as the p-value (0.000) is less than 0.05.

The results of this study corroborate the findings of Parasuraman's 1988 research, which identified five dimensions of service quality that affect customer satisfaction: physical evidence, reliability, responsiveness, assurance, and empathy. They also support the research of Putu (1996) and Bambang Suyono (2001), which indicates that, according to Parasuraman, there are five dimensions of service quality that influence customer satisfaction. This study also formulates the third working hypothesis: the responsiveness variable (X3) has the greatest influence on customer satisfaction (Z).

The results of the field research concluded that this working hypothesis is accepted, this is evidenced by the p value =  $0.000 < \alpha 0.05$ , thus this working hypothesis can be accepted. The results of this study support the research of Farida Mony (2020), which was conducted on ship passengers on the Surabaya - Ambon route, who maintained that the ability to respond variable has a very dominant influence on customer satisfaction or the research conducted by Imam Safii (2019) to reveal the influence of student satisfaction on the quality of UNIBRAW library services or the research conducted. However, there is a difference between this study and the research of Farida and Imam Safii, because in addition to the responsiveness variable that has the greatest impact on customer satisfaction, it seems that the reliability variable also has a fairly dominant influence.

This is evidenced by the very small difference in partial r of the two variables, namely 0.008. The partial r value of responsiveness is 0.626 while the partial r value of reliability is 0.618. This is possible because the customers or consumers of franchise restaurants are mostly from the middle class so that for

them physical evidence, or assurance and empathy are perhaps a minimum standard that must be enjoyed in restaurants. However, in terms of responsiveness and reliability, customers consider this very important because they require a different and more specific service treatment, when compared to the service they receive when they eat at home. Thus, this responsiveness must be realized in the form of professional employee performance. From the previous explanation, it can be deduced that these two variables have a significant impact on customer satisfaction; however, the most influential variable is responsiveness.

The fourth working hypothesis is that there is a significant influence between the customer satisfaction variable (Z) on customer loyalty (Y). The results of this study also conclude that this working hypothesis is accepted. This is evidenced by the F value: 0.000 is smaller than  $\alpha$  5%. The findings of this research support the study carried out by Mittal et al (1998), which maintains that customer satisfaction influences repurchase interest, or research conducted by Woodside (2019) which concludes that customer satisfaction will influence behavioral interest, research conducted by Osman Zain (2015) that customer satisfaction will influence customer loyalty and the latest research conducted by Candra (2021) that customer satisfaction has an impact on interest behavior.

The differences between this study and previous studies are: (1) This study, in addition to wanting to know the things that have been stated above, this study also wants to combine studies that have been conducted by other researchers who only want to know the influence of service quality on customer satisfaction or want learn about customer satisfaction on loyalty or behavioral intentions separately.

The purpose of this research is to establish the effect of service quality on customer satisfaction, as well as to investigate how customer satisfaction influences customer loyalty. This research model has also been carried out by Mittal (2018) and Woodside (2019). By gaining a more comprehensive understanding through research about the influence of service quality on customer satisfaction and the effect of that satisfaction on customer loyalty, it is hoped that a more comprehensive picture of consumer behavior in transactions, especially in the service business, will be obtained.

For service companies, research like this provides input for them to think and act more systematically, that the issue of service quality is a strategic problem in the business world, therefore it must always be improved and enhanced from time to time in order to encourage the creation of optimal levels of customer satisfaction. In making improvements to service quality, companies must always evaluate whether the service improvements have brought an impact on improving customer satisfaction and ultimately can build customer loyalty? If this systemic way of thinking can be built, the company does not need to worry about being abandoned by its customers. Evaluation of service quality, customer satisfaction and customer loyalty can be done through several methods as proposed by Kotler (1999), including: Complaint and suggestion systems, Ghost Shopping, Lose Customer Analysis or through customer satisfaction surveys. After that, marketing policies can be created based on the

latest marketing method known as relationship marketing, where companies maintain communication with customers until the after-sales period, so that customers feel they continue to receive attention from the company.

If this is done professionally and consistently, it will be able to produce customer satisfaction and loyalty. The results of this study also strengthen the theory put forward by Kotler (2019) that to build loyalty, a company should first improve its service performance, this in turn will increase customer loyalty and satisfaction. If customers are satisfied and loyal, they will become living advertisements, where the company does not need to spend money to advertise the performance of its products. Kotler (2015) also said that if a service company wants to retain customers and even increase the number of customers, it must be able to provide higher quality service than competitors consistently. It is essential to meet or exceed customer expectations regarding service quality, as these are built from what others have said, previous purchase experiences, and information and promises given by competitors or vendors.

This research also strengthens the theory put forward by Mc Kenna in Fandi Tjiptono (2016) that loyal customers are not always happy, but if a customer is satisfied then he will be loyal as reflected by his behavior after making a transaction, namely being willing to make transactions again in the future, saying positively about the performance of the company's products and he she is willing to spend a large sum for a product. According to MC Leod (2020). There are other benefits that companies can gain if customers are increasingly satisfied and loyal, namely: First, it can reduce market loss. Loyal and satisfied consumers usually remain loyal to the service company they subscribe to; they will not easily leave the company they subscribe to. Second, it can avoid lawsuits. Usually, companies that are careless in providing services to customers can result in lawsuits from customers.

These lawsuits are caused by customers feeling disadvantaged and if this happens, it will become bad promotion for the company. Third, it can reduce productivity losses. If a company is abandoned by its customers because they are dissatisfied, then sooner or later its sales turnover will decrease and ultimately will cause the company's productivity to also decrease. Fourth, it can reduce the emergence of new costs that burden the company. If the company fails to provide good service to customers, resulting in decreased customer satisfaction and loyalty, then it must incur new costs to rebuild customer satisfaction and loyalty by thoroughly evaluating the factors causing failure in service delivery.

This failure can be caused by the quality of the product or service sold not meeting customer expectations, a poor product or service delivery system, or from a human resource perspective, company employees are not professional in providing quality service to customers. This activity usually requires a lot of time and money, therefore, if it wants to reduce the emergence of new costs that burden the company, the company must regularly evaluate the quality of service that has been provided to customers, whether it has a positive impact on customer satisfaction and loyalty. (2) There is another difference between this study and previous research, namely, in the form of

how to measure the level of customer satisfaction. Many previous researchers calculated customer satisfaction only in terms of product or service performance. This is actually good but cannot reveal more realistically about the level of customer satisfaction. In this study, to measure the level of customer satisfaction is done by looking for the difference in performance and customer expectations that he obtained, so that it is expected to obtain a more real level of customer satisfaction, as stated by Kotler (2019) that to measure customer satisfaction can be done with the formula: Satisfaction Index = Performance-Expectations. With these differences, it is hoped that it can enrich the world of research, especially in the service sector, which in turn will encourage the development of marketing science, especially in the field of service marketing.

#### *Managerial Implications*

Creating optimal levels of customer satisfaction that can drive customer loyalty has now become a business philosophy adopted by nearly every business worldwide. According to Mulyanto (2021), the 2020 version of the ISO 9000 (International Organization for Standardization) program, which regulates quality management, includes customer satisfaction as a primary measurement tool, alongside management responsibility, process management, resource management (consisting of process, input, and output), and measurement and analysis improvement. Efforts to increase customer satisfaction and loyalty can only be achieved through improving the quality of customer service. If a company fails to establish high-quality customer service, its customers will abandon it.

The research presented shows that service quality, customer satisfaction, and customer loyalty are interconnected business activities that cannot be built in isolation. They must be built through a systems approach involving company owners, executives, and employees, and, more importantly, customer input. Thus, customers are not viewed as strangers who need the company. The philosophy of customers as strangers must be abandoned, with the philosophy that customers are our business partners, and the company needs them. Even the latest marketing concept, Relationship Marketing, positions consumers as equal business partners. Therefore, if a company wants to remain loyal to customers, it must, whether they like it or not, be able to build high-quality service that exceeds customer expectations and the service quality of competitors. Therefore, the implications of this research for service company managers are that going forward, they must seriously improve Excellent customer service, which in turn can increase customer satisfaction and loyalty.

## CONCLUSIONS AND RECOMMENDATIONS

### *Conclusion*

The purpose of this research is to investigate how service quality affects customer satisfaction and how, in turn, customer loyalty influences it. The following findings can be derived from the discussion and analysis of the data:

1. Customer satisfaction is partially influenced by responsiveness, reliability, tangibles, assurance, and empathy.
2. Assurance, reliability, responsiveness, tangibles, and empathy all have a significant impact on customer satisfaction.
3. According to the findings of this research, responsiveness has a more predominant influence on customer satisfaction than other variables.
4. According to the findings of this research, customer loyalty is significantly affected by customer satisfaction.

### *Recommendations*

The results of this study provide several recommendations for franchise restaurant managers and further research, as follows:

#### 1. For Restaurant Managers

Based on the results of field research followed by descriptive analysis, it was found that in certain aspects, customers still feel dissatisfied with the quality of service provided by restaurants. For example, in the empathy variable, the mean score for this item was only 2.88. Similarly, for the customer satisfaction variable, the mean score for parking and children's play areas was only 2.86; employee communication skills were 2.89; food and beverage quality were 2.95; speed in arranging chairs, tables, and other equipment was 2.27; and helping to organize queues was 2.88, indicating that customers' actual satisfaction levels were at the dissatisfied level. Similarly, for the customer loyalty variable, the mean score for selecting a favorite restaurant as their first choice was 2.87, indicating less loyal customers. Given the shortcomings mentioned above, it is hoped that restaurant companies can improve their service performance by enhancing the professionalism of their employees, particularly in terms of effective communication skills. This can be achieved through education and training or limited internal discussions within the company, thereby accelerating employee communication skills. Communication skills here encompass not only verbal communication but also the ability to communicate through gestures and body language, which can usually be learned through personality courses. Other aspects that also require attention include the quality of food and beverages, the provision of adequate and safe parking, the speed of arranging chairs and tables, and helping to manage queues. Consistent improvement in these areas will, in turn, help increase customer satisfaction and loyalty.

#### 2. For Further Researchers

- a) The research object in this study is still very limited, consisting of only 6 foreign restaurants and one local restaurant. Therefore, it is hoped that further researchers can add more research objects, especially local franchise restaurants, or expand the research area to include several

large cities, so that the conclusions drawn from future research will be much more complete.

- b) Based on field research, it turns out that the number of visitors to foreign restaurants is much greater when compared to local restaurants. Therefore, further research is needed to uncover the factors that cause foreign restaurants to have more visitors than local restaurants. The results of this research can provide input for local restaurants to improve the quality of their service so that their business can develop much more rapidly in the future.

### **FURTHER STUDY**

This research still has limitations so further research on this topic is still needed "Customer Satisfaction as a Mediator of the Relationship Between Service Quality and Customer Loyalty: A Research Study of Franchise Restaurants in Malang City, East Java, Indonesia".

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