

# THE EFFECT OF SERVICE QUALITY AND FOOD QUALITY ON CUSTOMER SATISFACTION AND CUSTOMER RETENTION AT PRIDE COFFEE AND KITCHEN

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## ABSTRACT

*This research is done in Pride coffee and kitchen kediri, with the aim to know the influence of service quality and food quality to customer satisfaction and customer retention. The research approach used is qualitative with the type of causal research. This research was conducted by spreading questionnaires to 190 respondents using data analysis technique using Partial Least Square - Structural Modeling (PLS-SEM) with SmartPLS version 3.0 software. The result of research shows 1) Service quality and Food quality have a significant positive effect on customer satisfaction, whereas in Customer satisfaction variable, Service quality, Food quality have a significant positive effect on customer retention, Customer satisfaction mediates the effect of service quality on customer retention of mediation effect that is free partial mediation, 2) Customer satisfaction mediates the influence of food quality on the customer retention of mediation effect resulting from complimentary partial mediation*

**Keywords:** Quality of service, food quality, customer satisfaction, customer retention, Quantitative

## INTRODUCTION

Creative industry is a rapidly growing industrial sector today that is able to become one of the economic foundations that support the Indonesian economy. Creative industry is an industry derived from the utilization of creativity, skills and individual talents to create welfare and employment by generating and exploiting creativity and creativity, among many types of creative industries, culinary is a very potential and easily developed creative industries in Indonesia.

Food-related industries are increasingly in demand by the various layers of society because their application can be done by anyone with very limited capital to capital in a very large amount. According to the Ministry of Industry (2016), there are two main things that make the culinary industry to be very promising, the first is Indonesia which has a variety of cultures that also affect the so many variants of food menu spread from Sabang to Merauke, and the second is the market potential which will continue to be available in line with the increasing population of Indonesian society.

Based on data released by the Ministry of Industry, it is known that the culinary industry of the whole sub-sector of creative industry becomes the biggest contributor, that is 32.4%, followed by fashion or fashion industry by 27.9%, and last craft 14.88% in 2015 alone, the growth of restaurant and cafe business increased by 30%, especially in big cities (Ministry of Industry, 2016). Looking at current trends indicate a fairly rapid growth in business development in the field of food and beverage this is due to a shift in behavior and habits of the community to be able to gather with relatives in the middle of solidity routine. Coupled with the busy busyness and high mobility will make people tend to be susceptible to saturation so that eating outside the house as in the restaurant became one of the appropriate alternative choice to be able to meet the needs of food and social society.

Thus, it can be said that consumer behavior is a form of behavior or action performed by consumers in consuming a product or service, including in the process of assessment, evaluation, purchasing until the replacement of a product or service to meet their needs. The more restaurant the higher the competition will be. To overcome high competition, every restaurant must try to win the consumer by creating consumer-oriented marketing strategy (Sugianto and Sugiharto, 2013). With the increasing competition then every restaurant management must have a competitive marketing strategy of the product so that either new consumers or consumers who ever come can be interested to visit the restaurant again. To get a positive evaluation result, it is important to note some important factors such as quality of food product (food quality), service quality in influencing customer satisfaction so as to maintain good relationship between them or commonly called customer retention.

The purpose of creating quality service and good food quality is to make the customer have long-term and attached relationship so interested to visit the restaurant again. Satisfaction is a feeling of pleasure or disappointment that results from comparing perceived performance of a product (or outcome) to their expectations. Consumer satisfaction is created at the time of purchase, experience using the product or service and the period after purchase. Based on previous research conducted by Al-Tit (2015) states that service quality and food quality have a positive and significant impact on customer satisfaction and customer retention. Diaz (2017) also states that customer satisfaction has a positive and significant impact on customer retention.

With reference to the background and some existing empirical research, this study will focus on assessing customer satisfaction and retention by looking at the effect of service quality and food quality on customer satisfaction and customer retention on Pride Coffee and Kitchen. Based on the formulation of the problems that existed above, then some of the purposes of why this research is done is as follows:

1. To analyze the effect of service quality on Customer Satisfaction on Pride coffee and kitchen.
2. To analyze the influence of food quality on Customer Satisfaction on Pride coffee and kitchen
3. To analyze the influence of Customer Satisfaction to Customer Retention on Pride coffee and kitchen.
4. To analyze the effect of Service Quality on Customer Retention on Pride coffee and kitchen.
5. To analyze the effect of Food Quality on Customer Retention Pride coffee and kitchen
6. To analyze the influence of Service Quality to Customer Retention through Customer Satisfaction as intervening variable on Pride coffee and kitchen.
7. To analyze the influence of Food Quality on Customer Retention through Customer Satisfaction as intervening variable on Pride coffee and kitchen.

## **LITERATURE REVIEW OF**

### ***Service Quality***

Service quality is a measure of conformity of service level that has been given to the expectations of its customers. service quality is defined as any form of activity the company undertakes to meet consumer expectations (Diza et al. 2016). This shows that there are two main factors affecting service quality, ie expectation service and service received (performance). If the performance of service something with expectations, then service quality perceived as an ideal quality. Conversely, if the performance of the service is lower than expectation, then service quality is perceived poorly by the customer. Thus, the good or bad service quality of a business entity depends on the ability of the service provider business entity in fulfilling customer's expectation consistently (Indarini & Ernawati, 2012: 3).

### ***Food Quality***

Product quality is a product's ability to perform its functions including overall product, reliability, accuracy, ease of consumption, besides the quality of food products a set of characteristics possessed by a food product in meeting consumer needs (Sugianto and Sugiharto, 2013). The indicators that can be used to measure the quality of food products that is through the color, appearance, freshness and cleanliness of the food presented, portion, shape, temperature, texture, aroma, maturity level, and taste of the tongue is the ability to detect basic sweet, acid, salty, bitter in certain foods these four flavors are combined so that it becomes a unique and exciting flavor to be enjoyed.

### ***Customer Satisfaction***

Satisfaction is the overall attitude of consumers or customers after getting and using a goods and services. Consumer satisfaction is considered to be a purnabeli evaluation in which the selected alternatives will yield outcomes equal to or exceed consumer expectations (Fadli et al., 2013). Consumer satisfaction shows about the relationship between consumers with service providers (Khan & Fasih, 2014).

At this time the customer is very dependent on customer perceptions and expectations. A company needs to know several factors that affect customer perceptions and expectations. Factors that influence customer perception and expectation in relation to consumer satisfaction, among others: 1). Product quality, 2). Quality of service, 3). Price, 4). Situation, 5). Personal consumers (Tanjung and Sanawiri, 2017).

### ***Customer Retention***

Today many business actors maximize the role of CRM (Customer Relationship Management) in order to establish relationships with customers. Griffin (2003: 5) in Tanjung & Sanawiri (2017) customer retention describes the length of the ongoing relationship with the customer. The level of customer retention is the percentage of subscribers who have met a number of repeat purchases over a certain period. Customer retention can be defined as the purpose of the customer to stay with the service provider (Ullah, et al, 2015). Customer retention focuses on the interpretation of repurchase patterns as a manifestation of loyalty. To maintain customer retention, the company must improve the quality aspects of relationships namely trust, commitment, satisfaction and quality of service (Hurriyati and Widiastuti, 2008).

## **CONTEXT**

### ***Service Quality and Customer Satisfaction***

Quality of service as a measure of how good the level of service provided is able to match customer expectations (Tjiptono, 2015). While Satisfaction is the feeling of pleasure or disappointment of someone who emerged after membandingkan performance (result) of the thought of the desired performance (or results). If performance is below expectations, customers are not satisfied. If performance meets the price, then the customer is satisfied (Kotler and Keller, 2018: 177).

Dao and Tin (2015) stated that service quality is able to give a significant influence to customer satisfaction.

H<sub>1</sub>: Service Quality has significant influence to Customer Satisfaction on Pride coffee and kitchen

### ***Food Quality and Customer Satisfaction***

Food Quality is the characteristic quality of a food that is customized through customer expectations to be accepted for consumption (Winarjo et al, 2016: 3). If the quality of food received consumer good then consumer satisfaction will also be awakened and when the quality of food received well then the customer perception of the food becomes good and this will make consumer satisfaction woke up and increased. Rashid et al (2014) also revealed that food quality is able to influence customer satisfaction significantly.

H<sub>2</sub>: Food Quality significantly influence Customer Satisfaction on Pride coffee and kitchen.

### ***Customer Satisfaction and Customer Retention***

Tanjung & Sanawiri (2017) argue that satisfaction is a much broader concept than merely an assessment of service quality, but also influenced by other factors. Consumers who are satisfied with the products produced by the company then he will be reluctant to move to another company and will maintain and become a regular customer for the company. Al-Tit (2015) and conducted by Diaz (2017) show that customer satisfaction has a significant positive effect on customer retention.

H<sub>3</sub>: Customer Satisfaction has a significant effect on Customer Retention on Pride coffee and kitchen.

### ***Service Quality and Customer Retention***

Lewis and Booms (1983) in Tjiptono (2015) mean that the quality of service as a measure of how good the level of service provided is able to match customer expectations. If the customer's perception is in line with expectations, then the quality of service is considered good or positive. Good service quality will make customers feel at home to remain loyal customers from somewhere. This is in accordance with research conducted by Al-Tit (2015) explained that service quality relationships can provide a positive and significant impact on customer retention.

H4: Service Quality has significant effect on Customer Retention on Pride coffee and kitchen.

**Food Quality and Customer Retention**

Research conducted by Andreas (2016) product quality presented at the restaurant Mrs. Rusli significantly influence terhadap customers who will make a loyal buy back (loyal).

H5: Food Quality has a significant effect on Customer Retention on pride coffee and kitchen

**Service Quality and Customer Retention through Customer Satisfaction as Intervening variable**

Based on research conducted by Al-Tit (2015) states that Customer Satisfaction mediate the relationship between service quality and customer retention.

H6: Service Quality significantly influence Customer Retention through Customer Satisfaction as intervening variable

**Food Quality and Customer Retention through Customer Satisfaction as intervening variable**

According to Ullah, et al (2015) Customer retention is the time when a customer uses a company's product or service or decisions in which he or she will remain or leave the service provided by the company. The higher level of product quality presented by Mrs. Rusli's restaurant will increase customer satisfaction which indirectly also increase customer loyalty (Andreas, 2016).

H7: Food Quality significantly influence Customer Retention through Customer Satisfaction as intervening variable The model of analysis in this study is described as follows

**RESEARCH METHODS**

The type of research used is the type of causal research using a quantitative approach. This research is done in Pride coffee and kitchen. The next step is to determine the number of samples from the existing population. The study population is Pride coffee and kitchen consumers. Data collection techniques in this study using questionnaires to determine the number of questionnaires that should be disseminated then the researchers chose nonprobabilitas samples, where nonprobabilitas techniques used in determining the number of samples in this study is purposive sampling (Silalahi, 2015: 410). The calculation of the number of samples refers to Ferdinand (2006) which has sample measurements depending on the number of indicators used in all latent variables. The number of samples is indicator multiplied by 5-10, therefore the minimum number of samples required is 190. The data analysis technique used in this research is the PLS-SEM technique because this research is aimed at developing the theory.

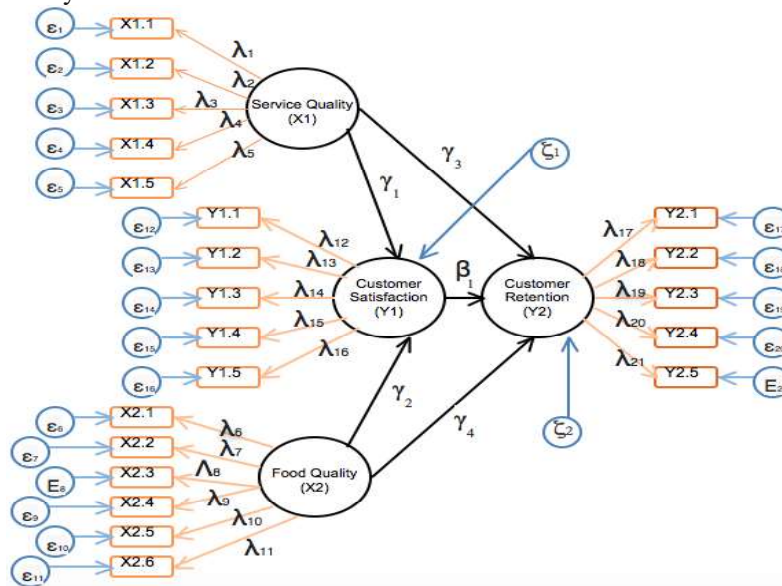
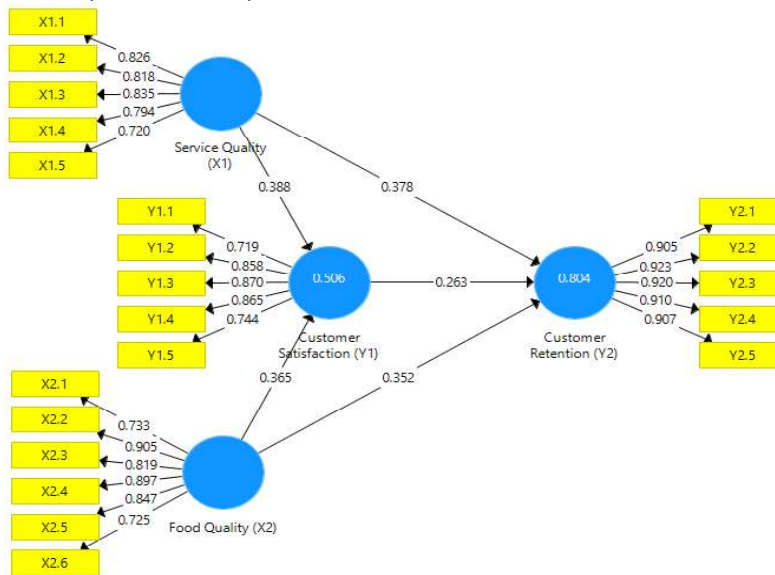


Figure 1. Conceptual Framework

Source: Processed (2018)

**FINDINGS**

**Measurement Model (Outer Model)**



**Figure 2. Outer Model**  
Source: Processed Researcher, 2018

**Table 1 Loading Factor Score**

|             | <i>Customer Retention</i> | <i>Customer Satisfaction</i> | <i>Food Quality</i> | <i>Service Quality</i> |
|-------------|---------------------------|------------------------------|---------------------|------------------------|
| <b>X1.1</b> |                           |                              |                     | 0,826                  |
| <b>X1.2</b> |                           |                              |                     | 0,818                  |
| <b>X1.3</b> |                           |                              |                     | 0,835                  |
| <b>X1.4</b> |                           |                              |                     | 0,794                  |
| <b>X1.5</b> |                           |                              |                     | 0,720                  |
| <b>X2.1</b> |                           |                              | 0,733               |                        |
| <b>X2.2</b> |                           |                              | 0,905               |                        |
| <b>X2.3</b> |                           |                              | 0,819               |                        |
| <b>X2.4</b> |                           |                              | 0,897               |                        |
| <b>X2.5</b> |                           |                              | 0,847               |                        |
| <b>X2.6</b> |                           |                              | 0,725               |                        |
| <b>Y1.1</b> |                           | 0,719                        |                     |                        |
| <b>Y1.2</b> |                           | 0,858                        |                     |                        |
| <b>Y1.3</b> |                           | 0,87                         |                     |                        |
| <b>Y1.4</b> |                           | 0,865                        |                     |                        |
| <b>Y1.5</b> |                           | 0,744                        |                     |                        |
| <b>Y2.1</b> | 0,905                     |                              |                     |                        |
| <b>Y2.2</b> | 0,923                     |                              |                     |                        |
| <b>Y2.3</b> | 0,920                     |                              |                     |                        |
| <b>Y2.4</b> | 0,910                     |                              |                     |                        |
| <b>Y2.5</b> | 0,907                     |                              |                     |                        |

To test discriminant validity for constructs, this study first used a cross-loading table, indicating that the measurement items for each indicator in the corresponding latent variable had a higher score than the other latent variables. Cross loading indicator with reflexive indicator that is by seeing the value of cross loading for each variable must be  $> 0.70$ . (Ghozali, 2015: 74).

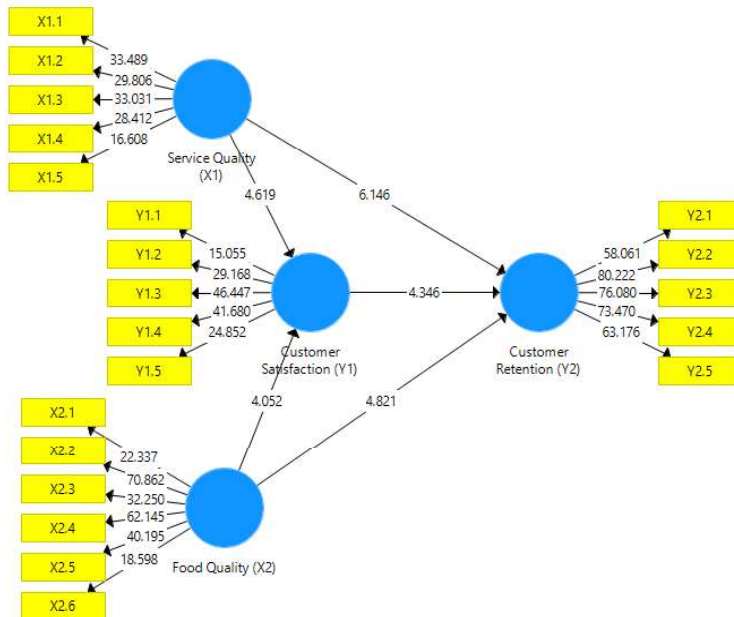
**Table 2 Average Variance Extracted (AVE)**

|                              | AVE   | Nilai Kritis | Kesimpulan |
|------------------------------|-------|--------------|------------|
| <i>Service Quality</i>       | 0,639 | $> 0,5$      | Good       |
| <i>Food Quality</i>          | 0,679 |              |            |
| <i>Customer Satisfaction</i> | 0,662 |              |            |
| <i>Customer Retention</i>    | 0,834 |              |            |

The results of the data analysis show that the Cronbach alpha and Composite Reliability tests show that all constructs show values above the threshold (0.6 for cronbach alpha and composite reliability). To test the convergent validity, composite reliability, loading factor, and AVE (Average Variance Extracted) are tested by looking at the individual reflection size of each item of the indicator which is said to be high if the correlation is greater than 0.7, the composite reliability exceeds 0.7, and the AVE exceeds 0.5. Based on the data presented in the note that the value of each is in accordance with the provisions of the test then research has met the criteria of data validity.

**Evaluation of Structural Model (Inner Model)**

Inner model evaluation is used to determine the effect that occurs between independent latent variables (service quality, food quality) to latent dependent variable (customer satisfaction and customer retention).



**Figure 3. Outer Model**  
Source: Processed Researcher, 2018

**Table 3 Results of Coefficient of Determination**

|                              | R <sup>2</sup> | Keterangan |
|------------------------------|----------------|------------|
| <i>Customer Satisfaction</i> | 0,506          | Good       |
| <i>Customer Retention</i>    | 0,804          | Good       |

**Table 4 Results of Path Coefficiens**

| effect   | OrIiginal Sample | T Statistics |
|--|------------------|--------------|
| <i>Service quality to customer satisfaction</i>    | 0,388            | 4,794        |
| <i>Food quality to customer satisfaction</i>       | 0,365            | 4,010        |
| <i>Customer satisfaction to customer retention</i> | 0,263            | 4,379        |
| <i>Service quality to customer retention</i>       | 0,378            | 6,121        |
| <i>Food quality to customer retention</i>          | 0,352            | 4,705        |

Based on the results of table 3 test coefficient of determination shows that Value indicates that customer retention variable on Pride Coffee and Kitchen consumers influenced by service quality, food quality, and customer satisfaction of 80.4%, while the rest of 19.6% influenced by other factors . While the total Q2 value generated is 90.3% which shows the percentage of data that can be explained by the model is 90.3% while the rest of 9.7% is influenced by other variables that are not contained in the model.

Hypothesis test in this research is shown in table 4 it can be seen that the value of T Statistical obtained at 4.794 with a significant level of 0.000 is smaller than 0.05 so it can be said that service quality has a significant positive effect on customer satisfaction. The value of T Statistics obtained by 4.010 with a significant level of 0.000 is smaller than 0.05 so it can be said that food quality has a significant positive effect on customer satisfaction. Value of T Statistics obtained by 4.379 with a significant level of 0.000 smaller than 0.05 so it can be said customer satisfaction have a significant positive effect on customer retention. The value of T Statistics obtained by 6.121 with a significant level of 0.000 is smaller than 0.05 so it can be said that service quality has a significant positive effect on customer retention. The value of T Statistics obtained by 4.705 with a significant level of 0.000 is smaller than 0.05 so it can be said that food quality has a significant positive effect on customer retention.

## DISCUSSION

### **Influence Service Quality To Customer Satisfaction**

Based on the results of data analysis that has been done previously obtained the result that the first hypothesis in this study accepted, it means service quality have a significant effect on customer satisfaction on Pride Coffee and Kitchen. The results of this study in line with research conducted Dao and Tin (2015) which states that service quality is able to give a significant effect on customer satisfaction.

### **Effect of Food Quality on Customer Satisfaction**

Based on the results of data analysis that has been done previously obtained the result that the second hypothesis in this study accepted, it means food quality has a significant effect on customer satisfaction on Pride Coffee and Kitchen. Influence of **Customer Satisfaction to Customer Retention**

Based on the data analysis that has been done previously obtained the result that the third hypothesis in this research can be accepted that show customer satisfaction have a significant effect to customer retention in Pride Coffee and Kitchen.

### **Influence Service Quality To Customer Retention**

Based on the results of data analysis that has been done before, the results obtained that the fourth hypothesis in this study accepted, meaning service quality significantly influence customer retention on Pride Coffee and Kitchen. In line with this research is research conducted by Al-Tit (2015) which shows customer retention significantly influenced by service quality.

### **Effect of Food Quality on Customer Retention**

Based on data analysis that has been done previously obtained the result that the fifth hypothesis in this research can be accepted which indicate food quality have significant effect to customer retention on Pride Coffee and Kitchen

### **Effect of Mediation Effect Through Customer Satisfaction as Intervening Variable**

Based on the data analysis that has been done, the result of the influence of service quality on customer retention through customer satisfaction and the influence of food quality on customer retention through customer satisfaction produce mediation effect type, that is complimentary partial mediation. The results of this study in accordance with research conducted by Al-Tit (2015) which shows customer satisfaction mediate the relationship between service quality and customer retention

## **CONCLUSION**

Based on the results of analysis and discussion presented earlier, the conclusion in this study service quality has a significant positive effect on customer satisfaction on Pride Coffee and Kitchen. Influence that happens is unidirectional means the more the quality of services provided Pride Coffee and Kitchen it will increase customer satisfaction. Food quality has a significant positive effect on customer satisfaction in Pride Coffee and Kitchen. Influence that happens is unidirectional means the more quality food served Pride Coffee and Kitchen it will increase customer satisfaction. Customer satisfaction, Service quality and Food quality have a significant positive effect on customer retention in Pride Coffee and Kitchen. Influence that happens is unidirectional means the more satisfied customers of service and food in Pride Coffee and Kitchen it will increase customer retention.

Customer satisfaction, Service quality and Food quality have a significant positive effect on customer retention in Pride Coffee and Kitchen. Influence that happens is unidirectional means the more satisfied customers of service and food in Pride Coffee and Kitchen it will increase customer retention. Customer satisfaction mediates the effect of service quality on customer retention on Pride Coffee and Kitchen. The resulting mediation effect is complimentary partial mediation. Customer satisfaction mediates the influence of food quality on customer retention on Pride Coffee and Kitchen. The resulting mediation effect is complimentary partial mediation.

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