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## SERVICE QUALITY AND CUSTOMER VALUE IMPACT ON LOYALTY: MEDIATING ROLES OF TRUST AND SATISFACTION (STUDY AT IKAN BAKAR CIANJUR SURABAYA RESTAURANT)

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### Abstract

*This study investigates the impact of service quality and customer perceived value on customer loyalty, mediated by trust and satisfaction, in the context of Ikan Bakar Cianjur (IBC) Surabaya. A quantitative approach involved 116 respondents who provided data through structured surveys. The analysis, conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM), reveals that service quality and perceived value significantly enhance trust and satisfaction but have a limited direct impact on loyalty. Instead, trust emerges as the key determinant of loyalty. The study underscores the importance of fostering trust and satisfaction to build long-term customer relationships and maintain competitive advantage. High service quality provides numerous advantages for a company. According to Kotler and Keller (2016), businesses that excel in service quality are likely to enjoy increased customer loyalty and a competitive edge in the marketplace. Customers who have positive service experiences are more inclined to return and recommend the business to others.*

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**Keywords:** Service Quality, Customer Perceived Value, Customer Loyalty, Customer Trust, Customer Satisfaction

### Introduction

Urbanization and changing customer habits are driving Indonesia's food industry's rapid modernization. This industry has much room to grow and innovate because food and drink are necessities for human survival (Yuliyanti, 2022). One of the biggest cities in Indonesia, Surabaya, is a prime example of this dynamic setting. Numerous dining places have opened due to its thriving economy and vast population, giving patrons an increasing number of options. The culinary industry in Surabaya presents a bright future for entrepreneurs since restaurants are always modifying their offerings to satisfy shifting consumer tastes.

Ikan Bakar Cianjur (IBC), a chain that specializes in traditional grilled fish meals, is one of the industry's most famous companies. IBC has 19 branches in major Indonesian cities, including five in Surabaya. IBC, which is well-known for emphasizing service timeliness, makes sure that client contacts are easy and friendly. For example, staff members quickly welcome new customers, direct them to a seat, and take orders and menus (Fajrin, 2017). IBC's dedication to providing exceptional service quality, which is essential for cultivating client happiness and loyalty, is reflected in this responsiveness.

The abilities of IBC's staff, who are crucial in determining the client experience, are also a major factor in the company's success. Excellent customer service affects how customers think and act, especially when making decisions. IBC wants to keep clients for the long run by offering value, trust, satisfaction, and loyalty. The foundation of consumer loyalty is recurring business, which can only be fostered by fostering solid relationships and upholding a great brand image (Smith and Wright, 2004).

Customer loyalty and efficient complaint resolution processes work together to produce customer loyalty, which is the practice of making recurring purchases of a good or service. Customers who often choose a brand because it meets or above their expectations are said to be loyal. The emotional reaction to a product or service's perceived performance in comparison to expectations, in turn, shapes satisfaction. For businesses like IBC, fostering customer pleasure and loyalty necessitates the creation of efficient marketing strategies and a dedication to ongoing development. Since it encourages involvement and a willingness to support the organization's long-term goals, customer happiness is vital.

This study looks at how customer loyalty at IBC Surabaya is influenced by service quality and customer perceived value in light of the growing competition in the restaurant business in Surabaya. In particular, it examines how happiness and trust function as mediators, offering suggestions for improving client retention in a cutthroat industry.

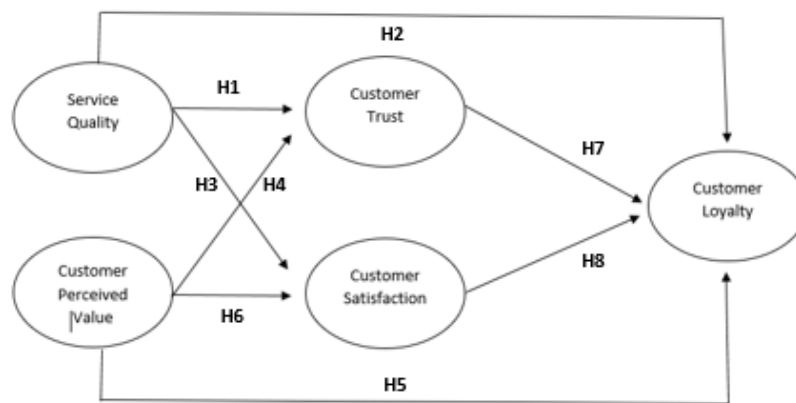
This background is important due to the increased competition in Surabaya's restaurant industry, including Ikan Bakar Cianjur (IBC). Retaining customers is essential for the long-term success of the business. The key question is whether perceived value and service quality can enhance customer loyalty—either directly or indirectly—through the mediating effects of satisfaction and trust.

Previous research has shown that the direct correlation between perceived value, loyalty, and service quality is often minimal. As a result, this study employs mediation to gain deeper insights. Customer satisfaction and trust emerge as key elements that can strengthen relationships and provide a more comprehensive understanding.

This study primarily focuses on customer loyalty, which has not been extensively addressed in Surabaya's traditional dining establishments. The objective is to explore the processes that cultivate client loyalty, with particular emphasis on the mediating role these components play.

Previous studies, such as those by Fajrin (2017) and Kusuma (2022), suggest that customer satisfaction alone is not a sufficient condition for fostering loyalty. For example, satisfied customers may still prefer competitors due to external factors or insufficient trust. This gap emphasizes the necessity of exploring the mediating roles of trust and satisfaction in the customer loyalty process, particularly within the restaurant industry.

The objectives of this study are formulated as follows: 1. To determine whether service quality affects customer trust. 2 To determine whether service quality affects customer satisfaction. 3.To determine whether service quality affects customer loyalty. These are the theoretical frameworks. H1: Service quality has a positive effect on customer trust, H2: Service quality has a positive effect on customer loyalty, H3: Service quality has a positive effect on customer satisfaction, H4: Customer perceived value has a positive effect on customer trust, H5: Customer perceived value has a positive effect on customer loyalty, H6: Customer perceived value has a positive effect on customer satisfaction, H7: Customer trust has a positive effect on customer loyalty, H8: Customer satisfaction has a positive effect on customer loyalty.



**Figure 1**

## Research Methods

This study utilizes a quantitative research design, employing a structured survey to test the proposed relationships. The theoretical framework integrates concepts from SERVQUAL and the Expectancy-Disconfirmation Model.

In this research, I collected and analyzed numerical data using standardized measurement instruments and statistical analysis to test hypotheses and address research questions. Sugiyono (2015) states that quantitative research methods are founded on a positivist philosophy.

The study involved 116 respondents, all customers at the Ikan Bakar Cianjur Restaurant in Surabaya. A non-probability sampling technique, specifically a purposive sampling method, was employed. The respondents were customers who purchased directly from or dined at the Ikan Bakar Cianjur Restaurant.

In total, there were 116 individuals in the sample. Kristiningsih (2020) suggests that the minimum sample size should be 5 to 10 times the number of variable indicators studied. Given that this research included 24 variable indicators, in this research, the number of variable indicators was  $24 \times 5 = 120$ . Thus, the appropriate sample size ranged from 100-200 respondents. However, only 116 respondents completed the questionnaire out of the 120 distributed since four respondents did not meet the eligibility criteria. It is important to note that the data source for this study was customers who had visited the Ikan Bakar Cianjur Restaurant in Surabaya. Responses were recorded on a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree).

PLS-SEM was used to evaluate the reliability, validity, and path coefficients. Key metrics included Cronbach's Alpha for internal consistency, AVE for convergent validity, and  $R^2$  for explained variance.

## Results and Discussion

**Table 1.** Description of Respondents Based on Gender

| Gender | Percentage |
|--------|------------|
| Men    | 47         |
| Women  | 69         |
| Total  | 116        |

The data in the table illustrates that the majority of the respondents are women. Out of 116 participants, 40.5% were men and 59.5% were women.

**Table 2.** Description of Respondents Based on Age

| Gender | Percentage |
|--------|------------|
| 18-20  | 22         |
| 21-31  | 53         |
| 31-40  | 23         |
| >40    | 18         |
| Total  | 116        |

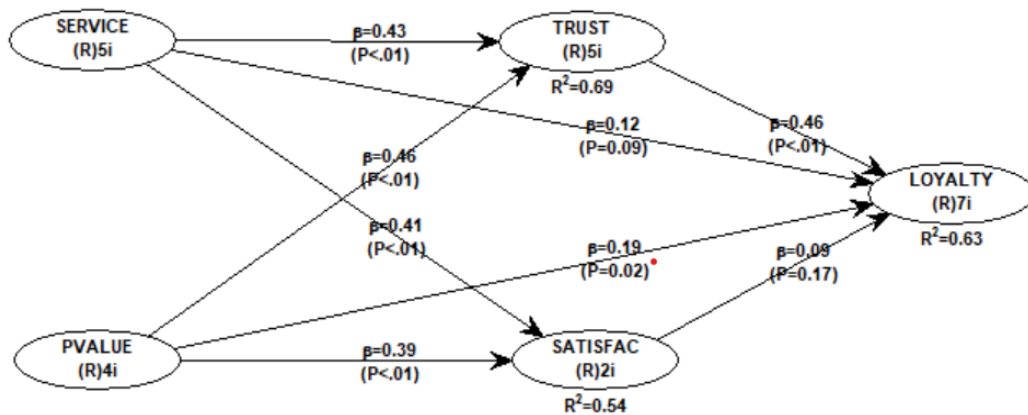
Table 2 indicates that the Ikan Bakar Cianjur Restaurant in Surabaya was visited by more individuals aged between 18 to 40 years. In testing indicators with data analysis techniques using partial least squares (PLS).

**Table 3.** Output Combined Loading and Cross Loading

|      | SERVICE | VALUE  | LOYALTY | TRUST  | SATIS  | TYPE<br>ad | SE    | P<br>VALUE |
|------|---------|--------|---------|--------|--------|------------|-------|------------|
| SQ1  | 0.801   | 0.414  | 0.125   | -0.149 | -0.146 | Reflect    | 0.076 | <0.001     |
| SQ2  | 0.789   | -0.233 | 0.345   | -0.115 | -0.347 | Reflect    | 0.076 | <0.001     |
| SQ3  | 0.710   | -0.646 | -0.263  | 0.294  | 0.006  | Reflect    | 0.078 | <0.001     |
| SQ4  | 0.696   | -0.057 | 0.090   | 1.096  | -0.973 | Reflect    | 0.078 | <0.001     |
| SQ5  | 0.697   | 0.502  | -0.356  | -1.095 | 1.467  | Reflect    | 0.078 | <0.001     |
| CPV1 | -0.104  | 0.886  | 0.163   | -0.804 | 0.460  | Reflect    | 0.074 | <0.001     |
| CPV2 | -0.014  | 0.874  | 0.133   | 0.270  | -0.642 | Reflect    | 0.074 | <0.001     |
| CPV3 | -0.183  | 0.826  | -0.301  | 0.776  | -0.191 | Reflect    | 0.075 | <0.001     |
| CPV4 | 0.645   | 0.396  | -0.031  | -0.417 | 0.786  | Reflect    | 0.084 | <0.001     |
| CL1  | -0.176  | 0.060  | 0.701   | -0.696 | 0.231  | Reflect    | 0.078 | <0.001     |
| CL2  | 0.046   | 0.170  | 0.648   | 0.063  | 0.913  | Reflect    | 0.079 | <0.001     |
| CL3  | 0.241   | -0.127 | 0.842   | -1.716 | 1.096  | Reflect    | 0.075 | <0.001     |
| CL4  | -0.375  | 0.363  | 0.817   | -0.035 | 0.100  | Reflect    | 0.076 | <0.001     |
| CL5  | 0.134   | -0.061 | 0.829   | 0.909  | -1.052 | Reflect    | 0.075 | <0.001     |
| CL6  | 0.765   | -0.320 | 0.445   | -1.390 | 0.465  | Reflect    | 0.083 | <0.001     |
| CL7  | -0.411  | -0.239 | 0.619   | 2.885  | -1.765 | Reflect    | 0.079 | <0.001     |
| CT1  | -0.024  | -0.233 | -0.026  | 0.835  | -0.584 | Reflect    | 0.075 | <0.001     |
| CT2  | 0.229   | 0.067  | -0.411  | 0.812  | -0.188 | Reflect    | 0.076 | <0.001     |
| CT3  | -0.160  | 0.156  | 0.281   | 0.759  | -1.305 | Reflect    | 0.077 | <0.001     |
| CT4  | -0.215  | -0.236 | 0.110   | 0.837  | 0.632  | Reflect    | 0.075 | <0.001     |
| CT5  | 0.161   | 0.261  | 0.059   | 0.843  | 1.306  | Reflect    | 0.075 | <0.001     |
| CS1  | -0.126  | 0.048  | -0.112  | 0.342  | 0.931  | Reflect    | 0.073 | <0.001     |
| CS2  | 0.126   | -0.048 | 0.112   | -0.342 | 0.931  | Reflect    | 0.073 | <0.001     |

Based on Table 3, it can be seen that not all indicators have met the requirements for convergent validity, namely some indicators are significant and some are not significant with a p-value <0.001. (Soebandhi, 2022).

Not all indicators meet the requirements of convergent validity, as seen from several insignificant factor loading values with p-values <0.001. This indicates that some indicators may be less able to represent the construct being measured. Most indicators show higher loading on the construct being measured compared to other constructs, indicating quite good discriminant validity, although there are some deviations.



**Figure 2**

The following are the results of the research using the PLS-SEM (Structural Equation Model) method involving a sample of 116 respondents.

**Table 4.** Path Coefficients Resume

| Symbol | Hypotheses  | Path Coefficients | P-value | Decision        |
|--------|---|-------------------|---------|-----------------|
| H1     | Service quality has a positive effect on customer trust                 | 0,43              | <0,01   | Significant     |
| H2     | Service quality has a positive effect on customer loyalty               | 0,12              | 0,09    | Not Significant |
| H3     | Service quality has a positive effect on customer satisfaction          | 0,41              | <0,01   | Significant     |
| H4     | Customer perceived value has a positive effect on customer trust        | 0,46              | <0,01   | Significant     |
| H5     | Customer perceived value has a positive effect on customer loyalty      | 0,19              | 0,02    | Not Significant |
| H6     | Customer perceived value has a positive effect on customer satisfaction | 0,39              | <0,01   | Significant     |
| H7     | Customer trust has a positive effect on customer loyalty                | 0,46              | <0,01   | Significant     |
| H8     | Customer satisfaction has a positive effect on customer loyalty         | 0,09              | 0,17    | Not Significant |

It is evident from the Path Coefficients Resume table why a hypothesis is deemed significant or not significant. It was found that service quality, customer perceived value, and customer satisfaction did not significantly influence customer loyalty, but other hypotheses were found to influence each other.

1. Significant Relationship:

- Service quality has a significant impact on trust and customer satisfaction, but it does not directly influence loyalty.
- Customer perceived value greatly affects both trust and customer satisfaction.
- Customer trust significantly contributes to customer loyalty.

2. Insignificant Relationship:

- Service Quality and Perceived Value do not directly affect Customer Loyalty.
- Customer Satisfaction does not have a significant effect on Loyalty.

3. Implication:

- Although service quality and perceived value are important in building trust and satisfaction, these factors are not strong enough to directly affect customer loyalty.
- Customer trust is a key factor that mediates the relationship between service quality/perceived value and loyalty.

## Discussion

This study examines the relationship between service quality, perceived value, trust, satisfaction, and customer loyalty at Ikan Bakar Cianjur Restaurant (IBC) in Surabaya. The findings reveal several significant insights:

1. **Direct Relationship:** Customer loyalty is not significantly influenced by perceived value or service quality. Although customers may feel they are receiving good value or high-quality service, these factors alone are not sufficient to ensure loyalty. A crucial element that has a strong direct impact on loyalty is customer trust. This aligns with previous research highlighting the importance of trust in fostering lasting relationships between customers and businesses.
2. **Indirect Relationship:** The connection between customer loyalty and perceived value or service quality is influenced by trust and satisfaction. This means that loyalty will be affected by perceived value and service quality only if customers are happy and trust the establishment.
3. **Implications of Research Results:** Since consumer trust is the most important factor influencing loyalty, these findings highlight the need to concentrate on strategies that foster it. Despite the importance of client satisfaction, the study's findings indicate that loyalty is not always ensured by contentment. Even so, external variables like price competition or menu variety may cause happy consumers to move to another restaurant.

Service quality has a positive effect on customer trust, Next, Service quality has a positive effect on customer loyalty, Service quality has a positive effect on customer satisfaction, Customer perceived value has a positive effect on customer trust, H5: Customer perceived value has a positive effect on customer loyalty, Customer perceived value has a positive effect on customer satisfaction, . Customer trust has a positive effect on customer loyalty, Customer satisfaction has a positive effect on customer loyalty.

According to Ningsih and Segoro (2014), customer satisfaction encompasses a person's attitudes, evaluations, and emotional reactions that occur after a purchase. It reflects a sense of happiness with a good or service. Additionally, Yap, Ramayah, and Shahidan (2012) defined satisfaction as the overall sentiment a client holds towards a service provider. Rondonuwu (2013) identifies several measures of consumer satisfaction, including.

Customer loyalty can fluctuate over time. An individual may be strongly loyal at a certain point and become less so (or conversely, start off neutral and develop loyalty). You might notice that loyalty shows up in their purchasing patterns, but doesn't lead to related behaviours like recommendations, referrals or positive reviews.

Because of its power and its complexity, it's important to track customer loyalty over time, using a range of metrics that capture the entire customer journey through business data and customer feedback. That way, you can understand which parts of your customer base should be your priority, what drives loyal behaviours, and how you can encourage customer loyalty towards your company.

## Conclusion and Recommendation

The study's findings indicate that perceived value and service quality significantly impact customer satisfaction and trust; however, they do not have a direct effect on customer loyalty. Consequently, trust plays a crucial role in fostering customer loyalty. This suggests that restaurants should focus on building trust through clear communication of their unique value, providing reliable service, and adopting a personalized approach toward patrons to enhance customer loyalty.

Practical recommendations include creating customer loyalty programs, improving the overall customer experience, and frequently surveying customers to understand their needs better. Additionally, conducting further research with a larger sample size and incorporating factors such as location and pricing could help generalize the results and provide a deeper understanding of the elements that influence customer loyalty.

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