

FACTORS AFFECTING CUSTOMER  
LOYALTY ON DOMESTIC CAFE IN IPOH:  
A MEDIATION EFFECT OF CUSTOMER  
SATISFACTION

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## DECLARATION

We hereby declare that:

- (1) This undergraduate research project is the end result of our own work and that due acknowledgement has been given in the references to ALL sources information be they printed, electronic, or personal.
- (2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.
- (3) Equal contribution has been made by each group member in completing the research project.
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This thesis is especially dedicated to:

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## PREFACE

This research study is conducted as a fulfillment of the requirement of the course of Bachelor of Marketing (HONS) under Faculty of Business & Finance in University Tunku Abdul Rahman.

In Malaysia, cafe visiting is becoming an emerging trend and noticeable behavior. With the emergence of different type of cafes, customer will compare and rank these cafes to make a decision of their most favorite cafes. Entrepreneurs need to understand what factor will affect customer visitation and causing them to portray loyalty traits towards the cafe in this competitive industry. Therefore, this research is to investigate “Factors affecting customer loyalty on domestic cafes in Ipoh: A mediation effect of customer satisfaction”.

Researchers of this paper attempt to address SERVQUAL (assurance, empathy, responsiveness, reliability, and tangibles) and price fairness as the independent variables, customer loyalty as the dependent variable for this research. Besides, for a high end result, researcher also utilized customer satisfaction as the mediator between independent and dependent variables of this paper. As information and reading materials regarding the issues cafes industry in Malaysia is lacking, researchers hope to contribute the findings of this paper as an insight towards many Malaysian domestic cafe owners, as well as to those beginners who show interest in cafe business.

## ABSTRACT

The aims of this study is concerning on the importance of the service quality and price fairness will affect the customer satisfaction and customer loyalty on domestic cafe in Ipoh. A meditational model that links service quality & price fairness to customer loyalty via customer satisfaction is proposed. Questionnaire was distributed to 250 respondents who visit the cafes in selected 5 cafes in Ipoh. A total of 232 complete questionnaires were used to assess in the analysis. Qualitative research approaches were applied to gather data, Pearson's correlation coefficient and multiple regression analysis were employed for processing and analyzing the data. The result of this study revealed that empathy, reliability, tangible and price fairness have positive influence on customer satisfaction and customer loyalty, vice versa effect on responsiveness and assurance dimension. In addition, this study findings also indicated that customer satisfaction is just acting as a partial mediator among its relationship with service quality, price fairness and customer loyalty. It is a useful study that aid readers in exploring more information on the relationship among service quality, price fairness, customer satisfaction and customer loyalty.

Keyword: SERVQUAL, service quality, price fairness, customer satisfaction, customer loyalty, mediator, domestic cafe, cafe industry, Ipoh.

## **CHAPTER 1: OVERVIEW OF RESEARCH**

### **1.0 Introduction**

In chapter 1, the researchers intend to present the outline of this research. This chapter will consist of Research Background, Problem Statement, Study significant, Hypothesis of study, Research Objectives, Research Questions and Chapter layout.

### **1.1 Research Background**

Cafe is one of the rapid developing industries in the fast-food sector in global (Wong, 2014). It can be differentiated as serving breakfast, dessert and coffee, and it is believed that the trend is an integrated beverage and food (as cited in Wong, 2014). IBISWorld's Cafes (2015) reported that in the past five years, cafe industry is growing as a tremendous trend. Consumption in cafes is increasing as it turns in a popular trend (Swipely Team, 2014). As the number of local cafe is adding into the numbers, it is believe that this developing trend would stay for a long period, Malaysia Specialty Coffee Association (MSCA) president said ("Strong coffee waves create business opportunities", 2014).

However, with thriving numbers of cafe, grows competitors, survival in the industry is getting tougher, thus customer loyalty and satisfaction is critical in achieving success. Dawar & Frost (as cited in Gonzalez-Perez, Vasquez-Melo, & Rios-Molina, 2015) believes that the utmost important success factor in service sector is the relationship with customer. When there is good relationship between customers and service providers, it strengthens customer loyalty and decreases customer dissatisfaction (Rahman, Ahasanul & Jalil, 2014). As a positive side effect, company sales increases when customer's acceptance through customer loyalty is improved (Rahman, Ahasanul & Jalil, 2014). In addition, Al-Rousan & Mohamed (2010) discovered that all service business must make great effort in

service quality (SERVQUAL) to obtain customer satisfaction and customer loyalty. Plus, Getty and Thompson had proven that there is significant relationship among service quality, customer satisfaction and customer loyalty (as cited in Rahman, Ahasanul & Jalil, 2014). Therefore, the researchers of this paper attempts to facilitate Ipoh as the studies' location and addressing the service quality as the critical factors to customer satisfaction and customer loyalty.

The term “domestic” is referring to enterprises who engage business in their own country and emphasis well-established relationship with local customer by possessing local taste and meeting all different preference with product adaptation (Dawar & Frost, 1999). Researchers of this paper attempts to address only “Domestic cafes” as it is believed that local production adaptation can produce a different kind of product variety, thus creating customer satisfaction and customer loyalty is much easier (Kursunluoglu, 2009).

With blooming numbers of Ipoh cafe scenic in recent years (San, 2015), a small town but also the main town in Perak, Malaysia, is slowly bringing the cafe-hopping trend into the area (Amanda, 2014). In year 2015, the town has a record of 81 cafes in total and the number is certain to be still growing (KJ, 2015). Some believes that the trend was brought over by media influence, while some believes that it was the Malaysians who study abroad brought over the trend (Amanda, 2014). The market of this cafe culture covers not only young peoples but also adults over 30 (Amanda, 2014), proving this industry to be a potential growing trend in Malaysia.

## **1.2 Problem Statement**

The loyalty significance in service industries has been continuously embraced by many academicians all along in the past until present in their research (Asuncion et al., 2004; Bloermer et al., 1999, Caruana, 2002) and relates the potential impact that could be given on the service firm's sustainable competitive development (Gremler and Brown, 1996, Keaveney, 1995). Retaining loyal customer is very

essential to every company. Rosenberg & Czepiel; Gitomer proven that by acquiring a loyal customers base, it could benefit in terms of economic performance and prospect of new business as the cost of winning a new customer is six times greater than the cost of retaining an old one (as cited in Rai & Srivastava, 2012). Furthermore, poor service will consequently affect the overall of a business, business is ruined when customers are dissatisfied and tends to switch to others. Thus, it is important to monitor customer satisfaction and customer loyalty, and managed it continually in the service industry.

Dawar and Frost (as cited in Gonzalez-Perez, Vasquez-Melo, & Rios-Molina, 2015) believe that multinational business has strong advantage in abundant financial resource, powerful ability of management and advanced technology, which these elements have allow multinational business chain to succeed in business more easily when compare to domestic business. Due to limited resources held by a local production, the most effective and efficient way of achieving success by a domestic business would be providing excellent services to customer and obtain customer loyalty and customer satisfaction. Therefore, this paper attempts to provide a further insight on the best indicators in achieving customer satisfaction and customer loyalty.

Besides, the most essential problem faces by this paper's area of research is the lack of past empirical studies and research material. There are many studies on the restaurant industry about the brand loyalty, customer satisfaction and to name, by previous researchers (UKessays "Factors affecting consumer", n.d). However, the number of research on café industry is even less (UKessays "Factors affecting consumer", n.d). Therefore, this paper will be addressing more on factors affecting the customer loyalty in café industry by attempting to use the past scholars findings in restaurant industry which shares the closest nature of business with cafe and acts as a relation in the field of study as the foundation to this paper, but the study will be different as to restaurant, as the concept of both business is yet different.

Generally in services industry, in order to determine the market future need and services, companies and customers need to work closely to determine service

quality indicators alongside with other proactive factors (Rasheed & Abadi, 2014). However, there have been many negative critiques on Malaysia services sector when comparing to Singapore, Japan or other industrial economies (Rasheed et al., 2014). Thus, by identifying the key contributing factors, this paper aims to highlight probable indicators which could once boost up good perceptions toward Malaysia service industry again.

Moreover, there has been inconsistency on the result on the service quality (Assurance, Empathy, Reliability, Responsiveness and Tangibles) testing in food-service sector by past researchers. Some has proven that all five dimensions in the service quality has a significant relationship with customer satisfaction (Al-Tit, 2015), and customer loyalty (Saleeby, 2008; Yulisetiari, 2014). While, some has proven only partial of the five dimensions in the service quality takes significant effect on customer satisfaction (Tan, Oriade & Fallon, 2014; Ariffin & Rahma; 2014), and customer loyalty (Polyorat & Sophonsiri; 2010). Most of studies were based on restaurant as test subject, meanwhile this paper aims to study service quality on cafe as subject, and to determine which dimensions in the service quality shows effectiveness.

### **1.3 Research Objectives**

This research objective represents distinctive perception between IVs (Service Quality, Price Fairness and Switching Cost) and DV (Customer Satisfaction and Customer Loyalty).

#### **1.3.1 General Objective**

The main purpose of this research is to investigate the “Factors affecting customer loyalty on domestic cafes in Ipoh: Customer Satisfaction as A Mediation Effect.

#### **1.3.2 Specific Objective**

This research examines whether the factors of Assurance, Empathy, Responsiveness, Reliability, Tangible (SERVQUAL Model), Price fairness would affect customer loyalty through customer satisfaction.

## **1.4 Research Questions**

Research questions are constructed as follow based on research objectives:

1. How does service quality (Assurance, Empathy, Responsiveness, Reliable, and Tangible) significantly affect customer satisfaction?
2. How does service quality (Assurance, Empathy, Responsiveness, Reliable, and Tangible) significantly affect customer loyalty?
3. How does price fairness significantly affect customer satisfaction?
4. How does price fairness significantly affect customer loyalty?
5. How does customer satisfaction significantly affect customer loyalty?
6. How does customer satisfaction as a mediator affect the relationship among service quality (Assurance, Empathy, Responsiveness, Reliable, and Tangible), price fairness and customer loyalty?

## **1.5 Hypothesis of Study**

H1: There is a positive relationship between service quality and customer satisfaction.

H2: There is a positive relationship between service quality and customer loyalty.

H3: There is a positive relationship between price fairness and customer satisfaction.

H4: There is a positive relationship between price fairness and customer loyalty.

H5: There is a positive relationship between customer satisfaction and customer loyalty.

H6: There is a mediation effect of Customer satisfaction on the relationship among service quality, price fairness and customer loyalty.

## **1.6 Significance of the Study**

Over the years, alongside with the frequent development of Malaysia hospitality industry, there have been an increasing numbers of cafes and intense competitions among the cafes. Through thorough addressment on consumer's perceptions regarding key contributing factors such as service quality and customer responses towards such perceptions, this paper intends to provide an insight to entrepreneurs and managers in service industry a comprehensive understanding about how customer satisfaction and customer loyalty could be influenced, achieved and improved in a practical perspective.

This paper attempts to focus on the implication of SERVQUAL scale to measure service quality, which can be defined as the differences between customer expectations of service and perceived service (Sabrina, 2012). On the other hand, there are many researchers who have tested effectiveness of SERVQUAL model in many other industries in the past; however little was found on café studies. Therefore, this paper would serve as a brand new reading and reference material to all academicians and practitioners to advance their knowledge on how satisfy customers and retain loyal customers could be achieved in the cafe service sectors.



Besides studying on SERVQUAL, this paper studies additional variables such as price fairness that has proven to be able to provide most distinct picture on factors that could affect customer satisfaction and customer loyalty. By referring this research, all readers are able to understand how price fairness brings greatest impact on customer satisfaction and customer loyalty as well.

## **1.7 Chapter Layout**

Chapter One - Introductory outline of the research study overview.

Chapter Two - Reviewing on the literature of studies area and theory used to support the study.

Chapter Three - Explaining how empirical studies will be carried out.

Chapter Four - Presentation of the generated results based on the collected data.

Chapter Five - Concluding the research by proving the theoretical implications on practitioner environment, explaining the limitations and recommendation of the study filed for future research.

## **1.8 Conclusion**

Overall, Chapter one provides a basic understanding and also the importance of studying Factors Affecting Customer Loyalty through Customer Satisfaction on Domestic. This chapter serves as a guideline for this research further development.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

In Chapter two, all researchers focus on discovering and reviewing past research studies which are related to this paper study area, and attempt to involve relevant theory on the research topic at the same time. A conceptual framework is also developed for a better understanding of overall study and to show the relevant between all the variables. Lastly, hypothesis of the six variables are further explained in this chapter through addressing past empirical studies by other researchers.

### **2.1 Review of Literature**

#### **2.1.1 Customer Loyalty**

Concept of loyalty is the predisposition to repurchase a product or service or customer expectation (Auh & Johnson, 2005). While Abdullah (2012) believes that customer who showed positive behavior to service holders are customers who are loyal. According to Galka and Strunk assumption, customer loyalty is based on a person's favorable attitude and behavior responses to repeat purchase from the same firm or brand again (as cited in Zakaria, 2014). Jacoby and Chestnut pointed that customer loyalty is a behavioral result that customer preference in a brand with compare to other similar one (as cited in Bobalca, 2013). Customer loyalty can be explored through behavior of customer and customer intention (Schweizer, 2008).

According to past researchers' studies, customer loyalty was found to have a direct effect on products purchasing power by consumers (Magi, 2003;

Leenheer et al., 2007; Morrison & Huppertz, 2010), shopping goods or services purchase quantity (Baloglu, 2002), consumers' activities and consumer post-purchasing attitude (Richard Ho et al., 2009) (as cited in Rahman, Ahasanul & Jalil, 2014).

Rowley mentioned that loyal customers can bring several benefits to company such as reduce marketing expenditures to attract new customers, improve company profitability and loyal customer is the less-price effective (as cited in Zakaria, 2014). Besides that, loyal customers are willing to provide recommendation, spreading positive word of mouth (WOM) and willing to pay more for the same product compare to other unknown companies (Ammari, 2012). Furthermore, the greatest the level of customer being loyal towards a product or service, customers tend to often repurchase and spend more money (Dehghan, 2011).

### **2.1.2 Service Quality**

According to the original work of Parasuraman et al. (1985), many researchers and practitioners garner interest on studying the subject of service quality. Its popularity is led by the belief that the subject would benefit a firm's bottom line performance (Caruana, 2002). Moreover, many intend to relate both customer satisfaction and service quality together in the study field and work field. However, Oliver (1997) recognizes satisfaction as a distinctive construct that creates a fairly independent line from service quality. Caruana (2002) instils that service quality are closely related with satisfaction and loyalty. Service quality can be defined as a comparison result from customer expectations on a service and the perception on the service when it is performed (Lehtinen and Lehtinen, 1982; Lewis and Booms, 1983; Gronroos, 1984; Parasuraman et al., 1985, 1988, 1994).

### **2.1.2.1 Assurance**

Assurance has been defined as employee's courtesy and knowledge. Trust and confidence can be stimulated by their ability (Parasuraman et al., 1985). Assurance exists when customers develop certain level of trust and confident that allows them to believe that the firm is capable in providing service. Competence (perform the service by required skills and knowledge), security (keep from risk, threat and disbelief), courtesy (respect, politeness, friendliness and consideration to customer) and credibility (trustworthiness & believability of staff) are the dimensions of assurance (Chingang Nde & Lukong, 2010; Hirmukhe, 2012). According to Sadek, Zainal, Taher, & Yahya, (2010), assurance refers to staff politeness and friendliness, knowledgeable, ability to offer advice, provide interior comfort, ease of access to all information or facilities, and experienced management team. Besides that, Harr (2008) pointed that employees having good knowledge of food and reputation of the restaurant can also increase customer confidence therefore can be contributed as a factor of assurance as well.

### **2.1.2.2 Empathy**

Empathy is the level of caring the customer feel; and personalized attention that the firm provides to customer. Markovic and Raspor (2010) stated that the elements of empathy includes accessibility, communication with customer (understand and listening to them with same language), understanding and individualized attention given to customer. Kozerska (2007) also said that empathy must include sense of security, approachability, and put effort to realize customer's need. Markovic, Raspor and Segaric (2010) mentioned that empathy means that employees are willing to show sympathetic towards customer's problems and willing to pay individualized attention to customers for anticipating special requirement. According to Bojanic & Rosen (as cited in Munhurrun, 2012), empathy is separated into two sectors which are known as customer and access of services in the research. According to Ananth, Ramesh and

Prabaharan (2010) shown that convenient operation hours towards customer is also an element of empathy.

### **2.1.2.3 Responsiveness**

Responsiveness is a critical component in service dimension which defines the speediness of a firm that able to deliver fast and efficient service performance to the customers (Leong, Hew, Lee and Ooi, 2015). Besides, it is being expressed as the level of service provider willing to assist customers and offer service immediately (Parasuraman et al., 1985-1994). According to Kandampully, Mok & Sparks (2001), time consumption in order to provide service is one of the determinants for a customer to define responsiveness.

Based on the research of Tan, Oriade and Fallon (2014), providing assistance with the menu, and giving quick and appropriate response to customer's demand are the true presentation of responsiveness of a staff in restaurant.

### **2.1.2.4 Reliability**

Reliability entails the extent to which the capability of service provider can deliver promised services meticulously and consistently (Parasuraman et al., 1988). Parasuraman et al., (1991a) also mentioned reliability emphasizes on performing correctly at the first time and it acts as one of the major service dimension to customers. Performing exact service that promised, delivering consistency and dependability will made reliability accomplished (Daniel, Joseph and Victor, 2013). In addition, the extension of reliability will occur once the promised has made (Kandampully, Mok and Sparks, 2001).

According to Suzana, Jelena, and Mihaela (2013), reliability is considered as the most vital component following by tangible, assurance, responsiveness and empathy. In respect of the research of Walker (1990), attitude,

knowledge and skills of staffs are considered as good personal service that determines product reliability. Besides, reliability also refers to the accuracy of the billing, freshness of food serving and error-free serve ordered food to customer based on Tan, Oriade and Fallon (2014).

#### **2.1.2.5 Tangibles**

Tangibles is involved with physical environment of facilities, equipment, appearance of personnel, communication material, responsiveness and assurance while being used in customer assessment for service quality provided by company (Parasuraman et al., 1988; Zeithaml, Bitner & Gremler, 2009). Elements such as building design, layout, atmosphere, sanitation, and location, are also being considered in the aspects of tangibles (Alsaqre, 2011; Alex & Thomas, 2011). Sum and Hui (2009) indicated that physical attractiveness of salesperson can be an element of tangibles which emphasis empathy, apparel, and department (as cited in Ahsan & Rahman, 2013).

Through Wakefield and Blodgett (1996) research found that tangibles (physical environment) have significant and positive association with customer satisfaction in leisure service setting (fast-food restaurants, agent of travel, the service of dry cleaning& pest control and public utilities) They deemed physical environment which include layout accessibility, seating comfort, aesthetics' facility, microelectronic equipment and cleanliness.

#### **2.1.3 Price Fairness**

Price refers to the amount of money charged for the goods and service, or in another way, it represents as a value when customer exchange product or service benefit (Kotler & Armstrong, 2010). Fairness is being defined as the process of judgment whether an outcome and its process are reasonable and acceptable (Bolton, Warlop, & Alba, 2003). Xia, Monroe, and Cox (2004)

described price fairness as a customer's assessment associating with emotions and stated that whether the difference of price offered by dealing supplier and those of other competing suppliers are reasonable, rationalization and acceptable. Price fairness is also being defined as a customer's subjective sense of a price being right, just or legitimate. Gielissen, Dutilh & Graafland (2008) suggested some factor will influence price fairness judgments which are references prices for competitor, supplier's sell price (cost), personnel bias & interest and the perceived motive of the seller. Another study claimed that there are two factor that can determined the price fairness when both dealing suppliers' and competing suppliers' cost increased, which are whether it is an internal or external causal, or whether the pattern of increasing cost is reasonable and controllable (Ozer & Phillips, 2012) .

#### **2.1.4 Customer Satisfaction as a Mediation effect**

Satisfied customers are loyal customers (Rowley, 2005). Many practitioner and academician in the service industry agree that customer satisfaction is a crucial precursor to customer loyalty. It is believe that customer satisfaction is concerns with a particular product or service post purchase activities (Rahman, Ahasanul & Jalil, 2014). In the meantime, Sivadas and Baker (2000) defined customer satisfaction as a customer response on determining the behaviour repeat purchase of goods or services. According to Bennett and Rundle (2004) assumption, customers are more likely to increase their loyalty due to being satisfy when customer's actual perceived values on offering products and services are fulfilled, as per concluded by Mack and Peter that customer satisfaction can be happened when customer received more value than expected (as cited in Cengiz, 2010). Besides that, customer experience between organization and personal outcome also can affect customer satisfaction (Cengiz, 2010).

Customer satisfactions consist of the key factor in forming customer's future purchase desires (Mittal & Kamakura, 2001). Customers who are satisfied

will spread good words-of-mouth to others (Rahim, Osman & Ramayah, 2010). In addition, customer satisfaction can measure company profitability and competitive advantages. As concluded that customer satisfaction and customer loyalty can make company profitability. For the long-term success in the market, the company must get the signal of customer satisfaction regarding service, product and the relationship (Cengiz, 2010).

## **2.2 Review of Relevant Theoretical Models**

### **2.2.1 SERVQUAL Theory**

First developed by Parasuraman et al. (1985, 1988), the SERVQUAL model was believed to add value to the retail and service industry by evaluating perceptions of customer on service quality. It is being defined as the service quality formed by the gap between perception of customers and the expected service performance of a company (Parasuraman et al., 1985, 1988). Zeithaml (1988) believes it was the overall excellency and superiority of a product that forms consumer judgment on service quality. In short, Baki et al. (2009) explained that it was the existing expectation and quality desires that built service quality.

Originally, the origin authors of SERVQUAL (Parasuraman et al., 1985) proposed a ten dimension model which includes: assurance, accessibility, competency, courtesy, credibility, knowing the customer, reliability, responsiveness, security and tangibles. In 1988, the authors have come to realization that not all of the ten proposed dimension take effects or shows relevancy towards most of the service organization (Parasuraman et al., 1988). Thus, the authors simplified from the existing ten dimensions to having only five, retaining only those that shows most relevancy to majority organizations, which are: assurance, empathy, reliability, responsiveness and tangibles (Parasuraman et al., 1988). These newly simplified dimensions are



known to be having more stable and logical psychometric properties (Parasuraman et al., 1988).

Table 2.1 below shows the developed and concluded five fundamental dimensions of SERVQUAL by Parasuraman et al (1988) and supported by other researchers such as Munusamy, Cselliah, & Hor, 2010; Banomyong & Supatn, 2011; Ooi, Lin, Tan & Chong, 2011; Onditi, Oginda, Ochieng, & Oso, 2012, Murti, Deshp, & Srivastava, 2013.

Table 2.1: Five Dimensions of SERVQUAL Theory

Dimension	Definition	Citation
Assurance	Whether the service provider is able to “deliver knowledge and courtesy and convey trust and confidence”.	- <a href="#">Parasuraman et al. (1988)</a> - <a href="#">Munusamy et al. (2010)</a> - <a href="#">Banomyong et al. (2011)</a> - <a href="#">Ooi et al. (2011)</a> - <a href="#">Onditi et al. (2012)</a> - <a href="#">Murti et al. (2013)</a>
Empathy	Whether the service provider is able to “show individual caring and attention to each customer”.	
Responsiveness	Whether the service provider is able to “deliver prompt service and show willingness in helping customers”	
Reliability	Whether the service able to be performed dependably and accurately by service provider.	
Tangibles	Whether the service provider is able to “maintain good appearance of staffs, physical facilities, equipment and communication materials”.	

Source: Developed for the research.

SERVQUAL model has been a favourite to many researchers no matter in past or present research, this has proven that the model is highly accurate and dependable in defining services quality (Rauyruen et al., 2007; Baki et al., 2009; Banomyong et al., 2011).

## **2.2.2 Extended SERVQUAL Model**

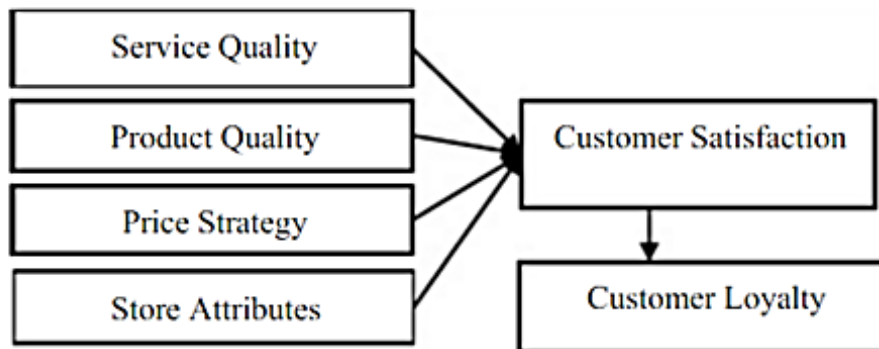
### **2.2.2.1 Incorporation of Equity Theory – Price Fairness**

Price fairness was primarily derived from the theory of equity which was suggested by Adams (1965) saying that an equal exchange can emerge while the comparison of ratio demonstrates a fair gain-loss proportion being allocated to the individuals involved in an exchange. For instance, gain of the ratio of pricing context is regarded to consumer's perspective which defined as the received product where the loss is the price to be paid. It was believed by Campbell 1999; Huppertz, Arenson, and Evans 1978; Martins 1995 (as cited in Xia, Monroe, & Cox, 2004), that the aspect of price can greatly influence customer satisfaction and trust as it is an instrument that changes the purchasing behaviour of a customer when there is an unfair price perceptions. The fact that the perception of customer towards price is a vital aspect that determines the significant behaviour of customers has garner agreement among researchers on considering it as one of the factors contribution to customer satisfaction and further leads to loyalty.

## 2.3 Proposed Theoretical/Conceptual Framework

### 2.3.1 Theoretical Framework Reference

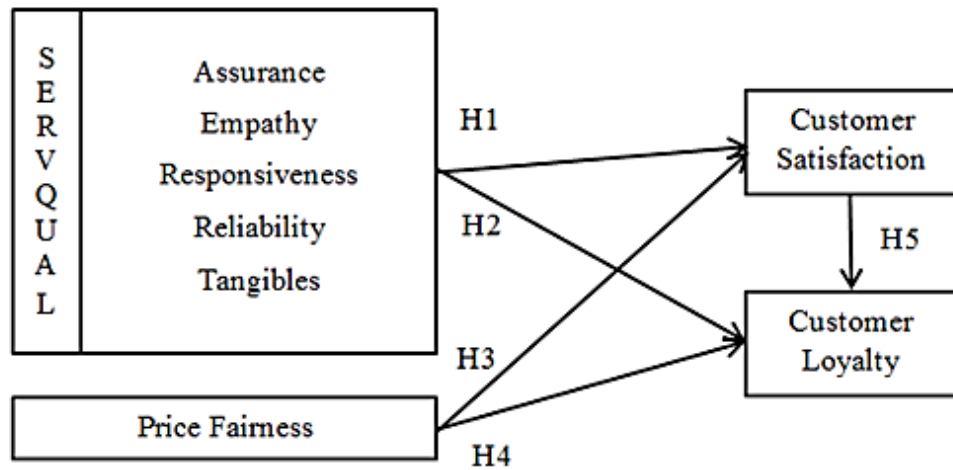
Figure 2.1: Conceptual/Theoretical framework by Rahman, M.K., Ahasanul, H., and Jalil, M.A. (2014). Factors affecting Customer Loyalty through Customer Satisfaction towards Retail Marketing Strategy: An Exploratory Investigation on Malaysian Hypermarkets.



Source: Rahman, M.K., Ahasanul, H., and Jalil, M.A. (2014). Factors affecting Customer Loyalty through Customer Satisfaction towards Retail Marketing Strategy: An Exploratory Investigation on Malaysian Hypermarkets. *Australian Journal of Basic and Applied Sciences*, 8(7), 304 – 322.

### 2.3.2 Proposed Theoretical Framework

Figure 2.2 Conceptual/Theoretical Framework of Factors Affecting Customer Loyalty through Customer Satisfaction on Domestic Cafes in Ipoh



Adapted from: Rahman, M.K., Ahasanul, H., and Jalil, M.A. (2014). Factors affecting Customer Loyalty through Customer Satisfaction towards Retail Marketing Strategy: An Exploratory Investigation on Malaysian Hypermarkets. Australian Journal of Basic and Applied Sciences, 8(7), 304 – 322.

## 2.4 Hypothesis Development

### 2.4.1 Service Quality and Customer Satisfaction

Table 2.2: Relationship between Service Quality and Customer Satisfaction

Variable	Past Empirical Study	Relationship	Author
Service quality and Customer Satisfaction	Customer being satisfied on service quality will have positive relationship with customer satisfaction.	Positive (+ve) : ✓ Assurance ✓ Empathy ✓ Responsiveness ✓ Tangibles ✓ Reliability	Al-Tit, (2015)
	Researcher manifested the variables of service quality have significant relationship on customer satisfaction except the variable of reliability.	Positive (+ve) : ✓ Assurance ✓ Empathy ✓ Responsiveness ✓ Tangibles  Negative (-ve) : ✓ Reliability	Tan et al., (2014)
	Customer emphasise the service quality of reliability, empathy, and tangible and these variable will have significant relationship on customer satisfaction.	Positive (+ve) : ✓ Empathy ✓ Tangibles ✓ Reliability  Negative (-ve) : ✓ Assurance ✓ Responsiveness	Mee et al., (2014)

Source: Developed for the research.

H1: There is a positive relationship between service quality and customer satisfaction.

## 2.4.2 Service Quality and Customer Loyalty

Table 2.3: Relationship between Service Quality and Customer Loyalty

<b>Variable</b>	<b>Past Empirical Study</b>	<b>Relationship</b>	<b>Author</b>
Service quality and Customer Loyalty	Customer being satisfied on all dimension of service quality will have strong relationship on customer loyalty.	Positive (+ve) ✓ Assurance ✓ Empathy ✓ Responsiveness ✓ Tangibles ✓ Reliability	Saleeby, (2008)
	Researcher revealed service quality has positive influence on customer loyalty except three dimensions which are assurance, responsiveness, and reliabilities.	Positive (+ve) ✓ Empathy ✓ Tangibles Negative (-ve) ✓ Assurance ✓ Responsiveness ✓ Reliability	Polyorat & Sophonsiri, (2010)
	Service quality has correlated relationship with customer loyalty.	Positive (+ve) ✓ Assurance ✓ Empathy ✓ Responsiveness ✓ Tangibles ✓ Reliability	Yuliseti arini, (2014)

Source: Developed for the research.

H2: There is a positive relationship between service quality and customer loyalty.

### 2.4.3 Price Fairness and Customer Satisfaction

Table 2.4: Relationship between Price Fairness and Customer Satisfaction

<b>Variable</b>	<b>Past Empirical Study</b>	<b>Relationship</b>	<b>Author</b>
Price Fairness and Customer Satisfaction	The effect of price fairness is positive on customer loyalty and customer satisfaction, especially when price increased are low.	Positive (+ve)	Martin, Ponder, & Lueg (2008)
	The perception of customer of price fairness will be directly affect customer satisfaction.	Positive (+ve)	Rahman, Kalam, Rahman, & Abdullah, (2012).
	Some of the researcher indicated that price didn't have direct significant relationship on customer satisfaction.	Negative (-ve)	Cheng, Chiu, Hu, & Chang, (2011)

Source: Developed for the research.

H3: There is a positive relationship between price fairness and customer satisfaction.

## 2.4.4 Price Fairness and Customer Loyalty

Table 2.5: Relationship between Price Fairness and Customer Loyalty

<b>Variable</b>	<b>Past Empirical Study</b>	<b>Relationship</b>	<b>Author</b>
Price Fairness and Customer Loyalty	Price fairness has positive relationship on customer loyalty.	Positive (+ve)	Mosavi & Ghaedi, (2012)
	Once customer consider the price is fairness, it will affect them become customer loyalty.	Positive (+ve)	Haghighi, Dorosti, Rahnama, & Hoseinpour (2012)
	Researcher demonstrated price fairness and customer loyalty has significant relationship.	Positive (+ve)	Chee, (2014).

Source: Developed for the research.

H4: There is a positive relationship between price fairness and customer loyalty.



## 2.4.5 Customer Satisfaction and Customer Loyalty

Table 2.6: Relationship between Customer Satisfaction and Customer Loyalty

<b>Variable</b>	<b>Past Empirical Study</b>	<b>Relationship</b>	<b>Author</b>
Customer Satisfaction and Customer Loyalty	There is a deep connection formed among customer satisfaction, brand loyalty and service quality	Positive (+ve)	Srinivasana et al, (as cited in Rahman, Ahasanul & Jalil, 2014).
	Overall satisfaction has positive significant with customer loyalty intention.	Positive (+ve)	Gustafsson, (as cited in Mostaghel, 2006)
	Customer being satisfied on product or brand will have positive relationship with company loyalty	Positive (+ve)	Liu, Furrer and Sudharshan, (as cited in Ammari, 2012)
	As per examined by many researchers, there is a substantial relationship between satisfied customers and loyal customers.	Positive (+ve)	Kandampully & Suhartanto; Szymanski & Henard; Abdullah, (as cited in Rahman, Ahasanul & Jalil, 2014)

Source: Developed for the research.

H5: There is a positive relationship between customer satisfaction and customer loyalty.

## 2.4.6 The Effect of Customer Satisfaction as Mediator

Table 2.7: Mediation Relationship of Customer Satisfaction on Customer Loyalty, Service Quality and Price Fairness

Variable	Past Empirical Study	Relationship	Author
Service Quality, Price Fairness, Customer Satisfaction and Customer Loyalty	The research study resulted in customer satisfaction is fully mediating service quality and customer loyalty while carrying out mediation test.	Positive (+ve) and a Full Mediation	<u>Polyorat &amp; Sophonsiri</u> (2010)
	The evidence of customer satisfaction as a mediation is shown when the correlation between service quality and customer loyalty increased significantly after the test of mediation.	Positive (+ve) and a Full Mediation	Al-Tit, (2015)
	A mediation effect of customer satisfaction better service quality and customer loyalty does exist. Although a perfect mediation cannot be obtain as the service quality does not result insignificant after the test, but the beta correlation shows considerable decline in value.	Positive (+ve) and a Partial Mediation	<u>Caruana</u> , (2002)

Source: Developed for the research.

H6: There is a mediation effect of Customer satisfaction on the relationship among service quality, price fairness and customer loyalty.

## **2.5 Conclusion**

In overall, this chapter reviews the study area of this paper through secondary data and provides a vibrant course to develop the following chapters to meet the research objectives.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.0 Introduction**

In Chapter 3, researchers describe a systematic and theoretical analysis method which involves methods to be used to collect data and analyse it. Reader will be expecting a complete and thorough description of this paper Research design, Data collection method, Sampling design, Sampling size, Target population, Validity and reliability of the instruments and Data analysis technique.

### **3.1 Research Design**

Research design refers to the plan and structure of the research to conceive how to address the research problem in a coherent and logical way (De Vaus, 2001). Quantitative research have been chosen in this research which is to focus on cause and effect and through a collections of questionnaires (respondent's opinion and reason) from a larger group of respondent and analysis by using mathematically based method upon empirical assessment (Creswell, 2014). Thus, quantitative research will be a good method for researchers of this paper to forecast the relationship between dependent variable (customer loyalty) and independent variable (service quality & price fairness) through hypothesis testing (Hair Jr, & Lukas, 2014).

In addition, this study is based on descriptive research design. According to Polit & Hungler (1999), descriptive research is used to describe the behavioural of the individuals, group or situation and phenomenon's characteristics, in addition, it is able to produce precise result and suitable used on a large sample size of respondent with low cost. This research aims to study the relationship between service quality & price (IVs) and customer loyalty (DVs); customer satisfaction as a mediator.

## **3.2 Data Collection Methods**

Data collection is the process of gathering data. Normally, data collection method is divided into two types which are primary data and secondary data (Hox & Boeije, 2005). Primary data means original data that has been collected for special purpose in the first time; secondary data mean the result is made by other researcher and made available for reuse by public (Hox et al, 2005). Due to limitation of financial and time constraint, researches use primary data as the source of survey questionnaire, while secondary data was collected from textbook, journal, articles, online book shop & library, internet and newspaper.

### **3.2.1 Primary Data**

Primary data is first-hand information used to response and answer specific research problems. One of method may be the used of tailor-made questionnaire which helps to produce a more credible, reliable, valid, accurate, and objective investigation. (Sekaran and Bougie, 2010). In this research, the researchers collect all relevant information used by questionnaires, and then revised and referred the questionnaires from several relevant past research materials, whereby it ensure the preciseness of the questions formed, thus helps to produce more accurate result. Survey questionnaire is an effective method to collect primary data as it is convenient, low cost and time saving (Kaiser, 2011).

### **3.2.2 Secondary data**

Ticehurst and Veal (2000) said that secondary data was created by other parties such as government or general research individual. Due to secondary data is collected based on historical content, imprecise data and second-hand result, it may lead to possibility of insignificant result as historical content may be viewed as outdated data when compared to

current. However secondary data benefit in the way that it is much easier to collect, time saving and lower cost than primary data. For this research, most of the secondary data are collected from online journal which are UTAR Library e-database (ScienceDirect), Google Scholar and eprint UTAR.

### **3.3 Sampling Design**

#### **3.3.1 Target Population**

In this study, target population are consists of all customers of domestic cafés in Ipoh.

#### **3.3.2 Sampling Frame and Sampling Location**

There is no sampling frame applicable in this research because it is impossible for the researchers to get on hand on the list of the customers visiting Ipoh domestic cafes as these sort of cafes usually do not keep customers data as majority usually do not practice customer relationship program through providing membership card to collect customer demographic information. Plus, with such huge number of existing domestic cafes in Ipoh, it would also be difficult for the researchers to collect sampling frame in such short time duration given for this research.

Due to demand of good quality coffee, cafe business in Ipoh is rising gradually, thus domestic café in Ipoh have been chosen as the sampling location of this study (Amanda, 2014). HungryGoWhere Malaysia (2015) has suggested the top five best cafes in Ipoh which including Ben and Lynette Maison Patisserie, Missing Marbles, STG Tea House, Roquette Cafe and Something's Brewing Cafe. Researchers believe that these high-

ranked cafes generally will possess more loyal customers comparing to the normal popularity cafes. Hence, these Ipoh domestic cafes have been chosen as the sampling locations in this paper.

### **3.3.3 Sampling Elements**

The respondents in this research were the customers of domestic cafe in Ipoh. The customers may consist of students, self-employed, working adults, professionals and retirees.

### **3.3.4 Sampling Technique**

Sampling helps researchers to study the whole population and assemble the result through the investigation (Sampling techniques, n.d.). However, it is time-consuming and cost-wasting in order to acquire the responses from all in the entire population. The choice of the sample from the set of population is through random sampling, as it is the easiest way to get the data from the large population thus this technique is selected (Tripathi, 2013). Furthermore, it is also economical, uncomplicated, convenient and time-saving (Cope, 2003; Gravetter & Forzano, 2009).

### **3.3.5 Sampling Size**

Well, there is actually no minimum respondent rate (Fowler, 2002), but the more responses are received, the concluded result will be more significant (Thayer-Hart, Dykema, Elver, Schaeffer & Stevenson, 2010). In order to achieve accurate estimation, Hill and Alexander (2000) suggested that a sample of 200 to 500 respondents is sufficient. According to GreatBook (n.d), 200 responses can be considered as fairly good survey accuracy in a survey project. Considering the limitation of time in carrying out this

research, researchers intend to distribute out a total set of 250 plus questionnaires to the survey subjects. 200 sets to obtain accuracy result, and an extra 50 sets to take the probability error margin into concern as to not allow the number of collected survey to falls under the minimum amount of 200. Once the questionnaire is distributed to the respond, it will be collected back immediately after respondent has completed in answering. Researchers have managed to collect 250 questionnaires, however only 232 questionnaires are valid as another 18 questionnaires has incomplete answers.

## **3.4 Research Instrument**

### **3.4.1 Questionnaires**

Questionnaire is a tool for recording and collecting information that was implemented in this research. Questionnaires must be set in the way that is related to the objective of the research. Advantages conducting a survey through distributing questionnaires are that the data can be readily machine-processed and answer can be coded (Kothari, 2004).

### **3.4.2 Questionnaire Design**

A good research design must address the needs of the research that ensure the accuracy of the questions asked (Thomas, 2001). Therefore, questionnaire must be set through referring past studies that suits this paper research area.

This paper is designed into four sections. Section A consists of a total of 5 questions related to demographic profile such as gender, age, how recent of visit café, income and occupations. The objective in this section is to



collect brief information of respondents. Nominal and ordinal scales are used to measure distinct categories.

In, Section B there will be a total of 29 questions that aims to study the importance of each dimensions (Service Quality: Assurance, Empathy, Reliability, Responsiveness and Tangibles; and Price Fairness). In Section C, there will be a total of 6 questions in relation the mediator variables (Customer Satisfaction). In Section D, there will be a total of 6 questions in relation the dependent variables (Customer Loyalty). Likert scale with 5-points will be applied as scaling measurement in Section B, C and D.

### **3.4.3 Pilot Test**

Pilot test also known as pre-test that distributes small scale trial run of a particular component in order to test the effectiveness and reliability of questionnaires such as wording, format, sequence and content (Trakulmaykee, Lim, & Trakulmaykee, 2013). Before distributing the actual survey, pilot test provides an opportunity to reveal and correct the potential problem in the survey questionnaires (Pratt, 2008).

Before distributing questionnaire to respondents, our supervisor reviewed our questionnaire and did some amendments on the questions. After amendments of the questions, we distributed questionnaire to 30 respondents for the pilot testing. The feedback of pilot test that researchers gathered and found that there has been some grammar error and ambiguous sentences. Therefore, Questionnaire had been adjusted by correct the grammar error and modify to explicit sentences.

### 3.4.4 Data Collection

Questionnaire had been handed out personally to customers of domestic cafe in Ipoh. All the survey form was collected back immediately right after the respondent has completed it. The distribution of all 250 sets of survey was done within one month.

## 3.5 Construct Measurement

### 3.5.1 Origins of Constructs

In this research, each of the construct is adapted from past researchers' examination. Table 3.1 shows the origin of the taken construct.

Table 3.1 Origins of Constructs

<b>Construct</b>	<b>Adapted from</b>
Customer Loyalty (CL)	<ul style="list-style-type: none"> <li>- <a href="#">Auka et al. (2013)</a></li> <li>- <a href="#">Dick and Basu (1994)</a></li> <li>- <a href="#">Caruana (2000)</a></li> </ul>
Customer Satisfaction (CS)	<ul style="list-style-type: none"> <li>- <a href="#">Yulisetiari (2014)</a></li> <li>- <a href="#">Caruana (2000)</a></li> </ul>
Service Quality <ul style="list-style-type: none"> <li>• Assurance (A)</li> <li>• Empathy (E)</li> <li>• Responsiveness (RP)</li> <li>• Reliability (R)</li> <li>• Tangibles (T)</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">Murti et al. (2013)</a></li> <li>- <a href="#">Onditi et al. (2012)</a></li> <li>- <a href="#">Ooi et al. (2011)</a></li> <li>- <a href="#">Banomyong et al. (2011)</a></li> <li>- <a href="#">Munusamy et al. (2010)</a></li> <li>- <a href="#">Caruana (2000)</a></li> </ul>
Price Fairness (PF)	<ul style="list-style-type: none"> <li>- <a href="#">Doong et al. (2008)</a></li> <li>- <a href="#">MartínConsuegra et al. (2007)</a></li> <li>- <a href="#">Tuan (2012)</a></li> </ul>

Source: Developed for the research.

### 3.5.2 Research Survey Sections Management

To ease respondent understanding during responding to the questionnaires, this research survey is divided into four sections: Section A, Section B, Section C and Section D.

Table 3.2: Sections Content of the Research Survey

<b>Section</b>	<b>Content</b>	<b>Items</b>
A	Respondent Demographic Profile	6
B	Independent Variables: Service Quality and Price Fairness	29
C	Mediator: Customer Satisfaction	7
D	Dependent Variable: Customer Loyalty	4

Source: Developed for the research.

### 3.5.3 Scale Management

#### 3.5.3.1 Nominal Scale

Nominal scale is known to be “labels” or “names”. It is used to label variables which are without any quantitative value, such as gender and race (Garger, 2010). In this research, question pertaining to gender and occupation were measured using nominal scale. Example of nominal scale questionnaire adopted in this research is as shown in Figure 3.1.

Figure 3.1 Example of Nominal Scale in Research Questionnaire

**3) Occupation:**

- Student
- Self – employed
- Working adult
- Professional
- Retiree

### **3.5.3.2 Ordinal Scale**

Ordinal scale is used to measure question pertaining relativity of “greater than” and “less than”, and what is really important in ordinal scale is the order of the values that ranks the data, but the differences between the values is unknown (Steven, 2012). In this research, question pertaining to age, monthly income and the length of time for most recent visitation to the cafe were measured using ordinal scale. Example of ordinal scale questionnaire adopted in this research is as shown in Figure 3.2.

Figure 3.2: Example of Ordinal Scale in Research Questionnaire

**4) Monthly Income**

- No income
- RM1,000 and below
- RM1,001 - RM2,000
- RM2,001 - RM3,000
- RM3,001 - RM4,000
- Above RM4,000

### 3.5.3.2 Likert Scale

Likert scale is a quantitative measurement that represents a fixed choice of responses formats to measure attitudes or opinions of respondent (Bowling, 1997; Burns, & Grove, 1997). In this research, 5-Point Likert scale is adopted to measure the data collected from questions in Section B, Section C and Section D of the survey research. The fixed responses designed are divided into “strongly disagree”, “disagree”, “neutral”, “agree” and “strongly agree”. Figure 3.3 below shows the example of 5-Point Likert scale used in this research survey.

Figure 3.3: Example of Likert Scale in Research Questionnaire

**SERVICE QUALITY:**

**TANGIBLES**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
T1	The cafe has an attractive design layout.	1	2	3	4	5
T2	The cafe has a clean environment.	1	2	3	4	5
T3	The cafe has nice background music.	1	2	3	4	5
T4	The cafe provides comfortable seating.	1	2	3	4	5
T5	The cafe's employees are neat and well-groomed.	1	2	3	4	5

### 3.6 Data Processing

Data processing includes several of stages such as data checking, coding, entering and cleaning. All the collected data is using SAS Enterprise 5.1 to analyze the result.

### **3.6.1 Data Checking**

Data checking is the essential step before distributing the survey to the target respondents. This stage allows researchers to identify problems and errors existing in the formed questionnaires such as grammar mistake and content. This study distributes 250 sets of questionnaires. Pilot test is being executed priority in order to ensure the survey questionnaires accuracy and completeness.

### **3.6.2 Data Coding**

All collected data were coded by using numbering that ease the researchers to key in such paramount numbers of raw data into SAS Enterprise 5.1 more easily and fast. For example, in section A (respondent's demographic information), the 4 categories of age group were being coded into 1 = age 18-29, 2 = age 30-39, 3= age 40-49 and 4= age 50 and above.

In section B, C and D whereby Likert scale with 5-point was employed as measuring scales, the data was coded into 1 to 5 ranging from strongly disagree to strongly agree.

### **3.6.3 Data Entering**

After the distribution of survey sets, all collected data was keyed into the propose result analyzer software to proceed for result analysis.

### **3.6.4 Data Cleaning**

In order to avoid error result, a data cleaning process is carried out by the researchers by performing double-checking process on the keyed-in raw data.

### **3.7 Data Analysis**

Once the usable data was collected, data analysis were conducted and which is a process of evaluating, recoding, decoding data by applied statistical or logical technique. The purpose of data analysis is test the gap of reality and expectation of the data whether met the characteristic and quality of the data. In this research, SAS Enterprise 5.1 is utilized to carry out the data analysis. The output generated will be presented in statistical diagrams, tables, and charts. Researchers have chosen descriptive statistic, reliability test and normality test as the analysis method. Moreover, in order to test the hypotheses, parametric statistical tools- multiple linear regressions and person's correlation analysis were used.

#### **3.7.1 Descriptive Analysis**

Descriptive Analysis is to generate a situation analysis which ordinarily consisting only of age, gender, occupation, monthly income and the length of last visit to domestic café in Ipoh). It summarizes the given data which can present demographic profile of respondents and describe the measures of central tendency (Burns & Bush, 2003). Measures of mean, standard deviation and variance will be used to figure out central tendency thus to describe the interval data's essential characteristics.

#### **3.7.2 Scale Measurement**

##### **3.7.2.1 Reliability Test**

Researcher went through reliability test to ensure the data accuracy and reliability. Cronbach's Alpha is applied in this research which is a measure of internal consistency and show how related set of reliability item are as a group (Sekaran& Bougie, 2010). According to Zikmund, Babin, Carr, &

Griffin (2010), if the alpha coefficient is lower than 0.6, it represent the strength of association is poor; 0.6 to less than 0.7 is moderate; 0.7 to less than 0.8 is good; 0.8 to less than 0.9 is very good ; 0.9 is view as excellent reliability value.

**Table 3.3: Cronbach’s Alpha Coefficient Value’s Rule:**

<b>Alpha Coefficient Range</b>	<0.6	0.6 - < 0.7	0.7 - <0.8	0.8 - < 0.9	0.9
<b>Strength of Association</b>	Poor	Moderate	Good	Very Good	Excellent

Source: Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2010). Business research methods (8th ed.). New York: South-Western/Cengage Learning.

### **3.7.2.2 Normality Test**

The purpose of normality test is to test if sample data has been depict from normal distributed population. Researcher follow rule-of-thumb to run the normality test and obtain the skewness and kurtosis. According to Garson (2012), if the distributions of data are normally then skewness and kurtosis should be within +2 to -2 acceptable range.

### **3.7.3 Inferential Test**

Inferential analysis is utilized to examine the connection between both independent variables and dependent variables. The statistical analysis tools employed in this research are Pearson’s Correlation Coefficient and Multiple Linear Regressions.



### 3.7.3.1 Pearson's Correlation Coefficient

Pearson's Correlation Coefficient had been executed to identify the intensity of association and significance relationships among IVs (SERVQUAL and price fairness), mediator (customer satisfaction) and DV (customer loyalty). Due to the evaluation of the strength of linear relationship between two variables by using a single number that falls within the range of  $\pm 1$ , Pearson Correlation was preferred (Auka, Bosire & Matern, 2013).

Table 3.4 illustrated the values of the strength and direction of correlation coefficient among IVs, mediator and DV.

Table 3.4: Value of Correlations Coefficient

Correlations	Value
Perfect Negative Correlation	-1
No Correlation	0
Perfect Positive Correlation	+1

Source: Morgan, G., Leech, N., Gloeckner, G., & Barrett, K. (2004). SPSS for Introductory Statistics (2nd ed.). New Jersey: Lawrence Erlbaum Associates, Inc.

It is also beneficial by using Pearson's Correlation analysis to test multicollinearity problems between variables. Multicollinearity problem occurred when there is a high correlation between IVs. In order to avoid multicollinearity problem occurred among multiple IVs, the coefficient should not exceed 0.90. (Hair, Anderson, Tatham, & Blank, 1998).

### 3.7.3.2 Multiple Linear Regressions

Multiple linear regressions had been adopted in the study to determine the strength of association among multiple IVs, mediator and DV, for example, to investigate the multivariate relationship between IVs (SERVQUAL and price fairness), mediator (satisfaction) and DV (customer loyalty).

To investigate the expected change in the Customer loyalty, Beta Coefficient had been conducted because of the one unit of the IVs alter. R<sup>2</sup> coefficient had been used to examine the strength that the IVs can explain the DV. When the R<sup>2</sup> value is farer to 1, the predictors are weaker.

P-value had been used to assess the significant relationship among IVs, mediator and DV. If the P-value is more than 0.05, the relationship between the IVs and DV is considered not significant. Meanwhile, for the purpose of investigating the fitness of the regression model, F-test had been used. While the p-value is less than 0.05, regression model is considered to be accepted.

Based on variance inflation and tolerance factor, multicollinearity problem can also be tested under multiple linear regressions. Multicollinearity problem will emerge when a tolerance value is less than 0.1 and variance inflation more than 10 based on the suggestion of O'brien (2007).

In addition to explain the relevance among IVs, mediator and DV, an equation had been composed. The multiple linear regression equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \dots + b_jX_j$$

## 3.8 Conclusion

This study has chosen quantitative study and cross-sectional study to conduct the survey, and using self- administered survey to distribute out

survey to 250 respondents which are the customers of cafe in Ipoh. Data analysis method such as reliability test, normality test, Pearson's Correlation Coefficient and Multiple Linear Regression is being proposed. Analysis on the collected survey result will be discussed on Chapter 4

## **CHAPTER 4: DATA ANALYSIS**

### **4.0 Introduction**

Chapter 4 discussed about the findings of data result. Only 232 out of 250 sets of questionnaires is a valid survey, result is being analyzed using SAS Enterprise Guide 5.1. Besides that, this chapter also shows the relationship outcome between service quality (SERVQUAL Model) and price fairness towards customer loyalty by using customer satisfaction as mediator. All of the data analysis result is being presented in table forms. Interpretation of the result is made after the table-form-presented analysed data in order to ease the readers' understanding.

### **4.1 Pilot Test**

#### **4.1.1 Normality & Reliability Test (Pilot Test)**

Table 4.1: Normality & Reliability Test (Pilot Test)

<b>Variables</b>	<b>Items</b>	<b>Skewness</b>	<b>Kurtosis</b>	<b>Reliability</b>
<b>Assurance (A)</b>	A1	0.0281	0.2075	0.7500
	A2	-0.6641	-0.0251	
	A3	0.6595	-0.9114	
	A4	-0.9495	2.9105	
	A5	-1.0250	0.1134	
<b>Empathy (E)</b>	E1	0.6491	-1.0938	0.7644
	E2	1.1331	1.3126	
	E3	-0.2419	-0.6338	
	E4	-0.9819	3.3538	
	E5	-1.2501	1.7412	

<b>Responsiveness (RP)</b>	RP1	-0.4022	-1.5141	0.7530
	RP2	0.4326	-1.3328	
	RP3	0.8220	0.2513	
	RP4	-1.4882	2.9774	
	RP5	-1.1222	-0.0139	
<b>Reliability (R)</b>	R1	0.5115	-1.4306	0.7706
	R2	0.9217	-0.8410	
	R3	0.1751	0.6454	
	R4	-1.0811	2.2578	
	R5	-2.3048	5.5539	
<b>Tangibles (T)</b>	T1	0.2052	-1.6574	0.7497
	T2	0.3270	-1.6730	
	T3	-0.2359	-0.0433	
	T4	0	2.6085	
	T5	-1.6081	1.9048	
<b>Price Fairness (PF)</b>	PF1	0.3194	1.5987	0.7979
	PF2	-1.1137	5.2126	
	PF3	0.6698	1.1318	
	PF4	0.2665	0.9446	
<b>Customer Satisfaction (CS)</b>	CS1	-1.3526	1.4702	0.7716
	CS2	-1.4212	1.7308	
	CS3	-1.2198	1.6549	
	CS4	-1.0283	2.6788	
	CS5	-0.4377	0.1550	
	CS6	-0.6578	1.5665	
	CS7	-2.3565	9.1229	
<b>Customer Loyalty (CL)</b>	CL1	-1.3945	0.7298	0.8036
	CL2	-0.9524	-0.0409	
	CL3	-1.3849	1.0257	
	CL4	-1.8909	6.5522	

Source: Developed for the research

Table 4.1 shows the result of normality test and reliability test of pilot test.

Normality test has been interpreted using skewness and kurtosis. All of the construct items fall under the skewness and kurtosis value of  $\pm 2$  which Garson (2012) determined as under normality range, except item CS7 which has the highest kurtosis value of 9.1229 which is also considered acceptable as it within the normal range of  $\pm 10$  (Kline, 2005).

The ranges of the Cronbach's alpha value of all construct items are from 0.7497 to 0.8036. Among all these variables, Customer Loyalty (dependent variable) has the highest reliability value of 0.8036 which indicates that it has the highest reliability to generate constant output contrast with other variables. In overall, all of the variables were considered reliable as the value of Cronbach's alpha exceeds 0.7 (Sekaran, 2003).

## 4.2 Descriptive Analysis

### 4.2.1 Demographic Profile of the Respondents

#### 4.2.1.1 Gender of Respondents

Table 4.2: Gender of Survey Respondents

Category	Frequency	Percentage (%)
Male	86	37.07
Female	146	62.93
<b>Total</b>	232	100

Source: Developed for the research.

Table 4.2 shows frequency and percentage of the survey respondents' gender among the 232 respondents, 146 out of them are females (62.93 %) while 86 of them are males (37.07%).

#### 4.2.1.2 Age of Respondents

Table 4.3: Age Range of Survey Respondents

<b>Age Group</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>18-29</b>	164	70.69
<b>30-39</b>	41	17.67
<b>40-49</b>	19	8.19
<b>50 and above</b>	8	3.45
<b>Total</b>	232	100

Source: Developed for the research.

Table 4.3 shows frequency and percentage of the age distribution among the 232 respondents. Majority of the respondents are between the age of 18-29 years which is 164 respondents (70.69%). The second dominant age group is under 30-39 years with 41 respondents (17.67 %) whereas the age group between 40-49 with 19 respondents (8.19%) and age group between 50 and above with 8 respondents (3.45%).

### 4.2.1.3 Occupation of Respondents

Table 4.4: Occupation of Survey Respondents

<b>Categories</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Student</b>	88	37.93
<b>Self-employed</b>	36	15.52
<b>Working Adult</b>	94	40.52
<b>Professional</b>	7	3.02
<b>Retiree</b>	7	3.02
<b>Total</b>	232	100

Source: Developed for the research.

According to Table 4.4, out of 232 respondents, there are 94 respondents who are a Working Adult which indicates a percentage of 40.52%, followed by 88 students with percentage of 37.93%. 36 respondents who are self-employed, suggesting a 15.52% among the population, 7 respondents who are involved in professional careers with 3.02% among the population, and lastly 17 respondents who are retirees with 3.02% among the population.



#### 4.2.1.4 Monthly Income of Respondents

Table 4.5: Monthly Income of Survey Respondents

<b>Category</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>No Income</b>	86	37.07
<b>RM1000 and below</b>	6	2.59
<b>RM1,001 – RM2,000</b>	45	19.40
<b>RM2,001 – RM3,000</b>	71	30.60
<b>RM3,001 – RM4,000</b>	16	6.90
<b>RM4,000 and above</b>	8	3.45
<b>Total</b>	232	100

Source: Developed for the research.

Table 4.5 showed the monthly income of 232 respondents. In total 86 of respondents (37.07%) fall in the major category of monthly income which was no income. The second dominant was the category of RM2, 001-RM3, 000 with 71 respondents (30.60%) whereas 45 of respondents (19.40%) fall in category of RM1, 001- RM2, 000 and category of RM3, 001- RM4, 000 was 16 respondents (6.90%). Besides that, the second lower was income above RM4, 000 with 8 respondents (3.45%) whereas the lowest was the category of Rm1, 001- RM2, 000 with 6 respondents (2.59%).

#### 4.2.1.5 Frequency of Last Visitation to Domestic Cafes in Ipoh by Respondents

Table 4.6: Frequency of Last Visitation to Cafe in Ipoh

<b>Category</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Within the past one week</b>	47	20.26
<b>Within the past two weeks</b>	62	26.72
<b>Within the past one month</b>	91	39.22
<b>More than one month ago</b>	32	13.79
<b>Total</b>	232	100

Source: Developed for the research.

Table 4.6 indicates that 47 respondents with 20.26% of the population had their last visit to domestic cafes in Ipoh within the past one week, 62 respondents with 26.72% of the population visited Ipoh domestic cafe within the past two weeks, 91 respondents with 39.22% of the population visited Ipoh domestic cafe within the past one month, and 32 respondents with 13.79% of the population visited Ipoh domestic cafe in more than one month ago. Results show that majority has just visited Ipoh domestic café within past one month.

### 4.2.2 Central Tendencies Measurement of Constructs

Table 4.7: Central Tendencies Measurement of Constructs

<b>Variables</b>	<b>Items</b>	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>
<b>Assurance (A)</b>	A1	232	4.0647	0.7087
	A2		4.0560	0.6846
	A3		3.7112	0.8570
	A4		3.8922	0.8173
	A5		3.9828	0.6511
<b>Empathy (E)</b>	E1	232	3.5991	0.9528
	E2		3.4224	1.0457
	E3		3.6982	0.8780
	E4		3.9828	0.8424
	E5		3.9095	0.8351
<b>Responsiveness (RP)</b>	RP1	232	3.7198	0.8847
	RP2		3.7500	0.7991
	RP3		3.6767	0.9135
	RP4		3.7888	0.8794
	RP5		3.8362	0.8573
<b>Reliability (R)</b>	R1	232	3.9095	0.8034
	R2		3.9267	0.7319
	R3		3.7931	0.8114
	R4		4.0560	0.8277
	R5		4.2026	0.7311
<b>Tangibles (T)</b>	T1	232	3.9224	0.7857
	T2		4.1681	0.6852
	T3		3.8190	0.8436
	T4		4.0000	0.7673
	T5		3.9483	0.9006

<b>Price Fairness (PF)</b>	PF1	232	3.7974	0.8515
	PF2		3.8966	0.8413
	PF3		3.8233	0.8673
	PF4		3.8879	0.8999
<b>Customer Satisfaction (CS)</b>	CS1	232	3.9181	0.7428
	CS2		3.8707	0.7563
	CS3		3.6638	0.8522
	CS4		3.8621	0.7884
	CS5		3.8879	0.7417
	CS6		3.9483	0.8042
	CS7		4.0216	0.7294
<b>Customer Loyalty (CL)</b>	CL1	232	3.7586	0.8541
	CL2		3.5991	0.8918
	CL3		3.7716	0.9186
	CL4		3.4871	1.0192

Source: Develop for the research.

Based on Table 4.7, the mean values all variables were ranging from 3.4224 to 4.2026. The highest mean (4.2026) falls under reliability while the lowest mean (3.4224) falls under empathy. Additionally, standard deviation's value were in the range between 0.6511 and 1.0457. Empathy presents highest standard deviation of 1.0457 whereas assurance contributes lowest standard deviation of 0.6511.

## 4.3 Scale Measurement

### 4.3.1 Normality & Reliability Test

Table 4.8: Normality & Reliability Test

Variables	Items	Skewness	Kurtosis	Cronbach's Alpha
<b>Assurance (A)</b>	A1	-0.4608	0.1973	0.8530
	A2	-0.5612	0.7668	
	A3	-0.4470	-0.3370	
	A4	-0.7105	0.5445	
	A5	-0.3628	0.5264	
<b>Empathy (E)</b>	E1	-0.5747	-0.0625	0.8572
	E2	-0.4567	-0.4450	
	E3	-0.6774	0.4933	
	E4	-0.8876	1.4010	
	E5	-1.1328	1.7141	
<b>Responsiveness (RP)</b>	RP1	-0.5546	-0.3275	0.8528
	RP2	-0.5456	0.0339	
	RP3	-0.3106	-0.3627	
	RP4	-0.6909	0.2722	
	RP5	-0.6345	0.1562	
<b>Reliability (R)</b>	R1	-0.6934	0.3503	0.8513
	R2	-0.6203	0.6244	
	R3	-0.5360	-0.0020	
	R4	-0.7518	0.2344	
	R5	-0.8042	0.7629	
<b>Tangibles (T)</b>	T1	-0.7265	0.8055	0.8666
	T2	-0.7167	1.0717	
	T3	-0.4752	-0.2313	
	T4	-0.7540	1.0111	
	T5	-0.6150	-0.3135	

<b>Price Fairness (PF)</b>	PF1	-0.6598	0.4073	0.8663
	PF2	-0.9018	0.7608	
	PF3	-0.6131	0.0661	
	PF4	-0.5678	-0.3477	
<b>Customer Satisfaction (CS)</b>	CS1	-0.8265	1.3755	0.8538
	CS2	-0.8706	1.6065	
	CS3	-0.7334	0.2743	
	CS4	-0.7661	1.1014	
	CS5	-0.7806	1.2423	
	CS6	-0.7624	0.7517	
	CS7	-1.0460	2.5910	
<b>Customer Loyalty (CL)</b>	CL1	-0.7763	0.4968	0.8587
	CL2	-0.7087	-0.1083	
	CL3	-0.7137	0.2163	
	CL4	-0.5462	-0.3450	

Source: Developed for the research.

Table 4.8 indicates the result of normality test of the overall data. A variable can be considered as reasonably regular while its skewness value is between  $-1.0$  and  $+1.0$  according to rule of thumb (Liu, Fadilah, Mohd Ridzuan, & Muhammad Firdaus, 2014). Kline (2005) indicates that as long as the skewness is not more than '3' then it is considered normal. E5 has the highest kurtosis value of 1.7141308 that is considered acceptable as it is within the normal range of  $\pm 10$  (Kline, 2005).

Based on Table 4.10, the Cronbach's Alpha value of all variables involved in this research are above 0.8. Tangible have the highest Cronbach's alpha value which are 0.8666 when compared to others, while Reliability is the lowest with 0.8513. According to Gay (1992), value of '0.8' is the minimum acceptance of scale reliability. However, in overall, all variables were considered acceptable reliable as all variables have exceeded 0.7 alpha coefficient values based on the suggestion of Nunnaly (1978); Field (2009).

## 4.4 Inferential Analysis

### 4.4.1 Pearson’s Correlation Coefficient Analysis

Table 4.9: Result of Pearson’s Correlation Coefficient

Variables	A	E	RP	R	T	PF	CS	CL
<b>A</b>	1.0000							
<b>E</b>	0.5170	1.0000						
	<.0001							
<b>RP</b>	0.5599	0.4581	1.0000					
	<.0001	<.0001						
<b>R</b>	0.5917	0.4686	0.6677	1.0000				
	<.0001	<.0001	<.0001					
<b>T</b>	0.4216	0.3518	0.4703	0.4138	1.0000			
	<.0001	<.0001	<.0001	<.0001				
<b>PF</b>	0.4202	0.3964	0.4575	0.3889	0.3303	1.0000		
	<.0001	<.0001	<.0001	<.0001	<.0001			
<b>CS</b>	0.4823	0.5389	0.4187	0.5096	0.4722	0.4216	1.0000	
	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001		
<b>CL</b>	0.4363	0.5213	0.4055	0.4590	0.3774	0.4374	0.5534	1.0000
	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	

Source: Developed for the research.

Table 4.9 shows the result of correlation coefficient among independent variables, mediator and dependent variables by using Pearson’s Correlation Coefficient. According to Table 4.10, majority of the variables relationship fall under “Moderate” strength, and minor are under “Small but definite relationship” strength.

**Table 4.10: Pearson's Correlation Coefficient**

<b>Coefficient Range</b>	<b>Strength</b>
Slight, almost negligible	±0.00 - ±0.20
Small but definite relationship	±0.21 - ±0.40
Moderate	±0.41 - ±0.70
High	±0.71 - ±0.90
Very Strong	±0.91 - ±1.00

Source: [Zikmund, W.G., Babin, B.J., Carr, J.C., & Griffin, M. \(2010\). Business Research Methods](#). Retrieved 10 March, 2015, from <http://www.cengagebrain.co.nz/content/9781285202082.pdf>

#### 4.4.1.1 Test of Significant

##### 4.4.1.1.1 Service Quality and Customer Satisfaction

The result shows that service quality (assurance, empathy, responsiveness, reliability and tangible) are correlated with the customer satisfaction. The values of all variables are between 0.4187 to 0.5389 where correlation coefficient value of assurance is 0.4823 ( $p < 0.0001$ ); empathy is 0.5389 ( $p < 0.0001$ ); responsiveness is 0.4187 ( $p < 0.0001$ ); reliability is 0.5096 ( $p < 0.0001$ ) and tangible of correlation coefficient value is 0.4722 ( $p < 0.0001$ ). This represents that all dimensions of service quality have moderate correlation with customer satisfaction (Hair, 2007).

##### 4.4.1.1.2 Service Quality and Customer Loyalty

Table 4.11 indicated that service quality has correlation with customer loyalty which is ranging from 0.3774 to 0.5213. The correlation coefficient value of assurance is 0.4363 ( $p < 0.0001$ ); empathy is 0.4213 ( $p < 0.0001$ );



responsiveness is 0.4055 ( $p < 0.0001$ ); reliability is 0.4590; tangible is 0.3774 ( $p < 0.0001$ ). According to Hair (2007), all the value fall on the range of moderate of coefficient with customer loyalty except tangible has weak relationship with customer loyalty.

#### **4.4.1.1.3 Price Fairness and Customer Satisfaction**

Table 4.11 represented that price fairness has correlation between customer satisfaction of  $r = 0.4216$  ( $p < 0.0001$ ). Based on Hair (2007), the result shows that price fairness has moderate relations with customer satisfaction.

#### **4.4.1.1.4 Price Fairness and Customer Loyalty**

Table 4.11 pointed that price fairness and customer loyalty has positive correlation which  $r = 0.4374$  ( $p < 0.0001$ ). Hair (2007) mentioned that the price fairness has moderate relation with customer loyalty.

#### **4.4.1.1.5 Customer Satisfaction and Customer Loyalty**

The result indicated that customer satisfaction has positive correlation with customer loyalty which  $r = 0.5534$  ( $p < 0.0001$ ). According to Hair (2007) that customer satisfaction has moderate relation with customer loyalty.

## 4.4.2 Multiple Regression Analysis

### 4.4.2.1 Service quality and Customer satisfaction

Table 4.11: Regression results between service quality dimensions and customer satisfaction

Independent Variables	Customer Satisfaction			
	$\beta$	$t$	$P^{**}$	Result
Assurance	0.11132	1.63	0.1046	Insignificant
Empathy	0.31163	5.10	<.0001	Significant
Responsiveness	-0.05941	-0.82	0.4134	Insignificant
Reliability	0.08645	3.23	0.0014	Significant
Tangibles	0.24615	4.20	<.0001	Significant

Note. **\*\***significant at  $P < 0.05$ ,  $R^2 = 0.4330$ , Adj  $R^2 = 0.4204$

Source: Developed for the research

H1: There is a positive relationship between service quality and customer satisfaction.

Hypothesis 1 is partially supported. Empathy ( $P < .0001$ ), Reliability ( $0.0014$ ) and Tangibles ( $P < .0001$ ) have a positive influence on customer satisfaction because of their p-value is less than 0.05 significant level. In contrast, Assurance ( $0.1046$ ) and Responsiveness ( $0.4134$ ) have no significant relationship with customer satisfaction due to its p-value is higher than 0.05. According to these findings, the value of  $R^2$  ( $0.4330$ ) means that 43.30% of customer satisfaction can be justified by service quality dimensions.

#### 4.4.2.2 Service Quality and Customer Loyalty

Table 4.12: Regression results for service quality dimensions and customer loyalty

Independent Variables	Customer Loyalty			
	$\beta$	$t$	$P^{**}$	Result
Assurance	0.33130	1.21	0.2279	Insignificant
Empathy	0.09373	5.12	<.0001	Significant
Responsiveness	0.02381	0.21	0.8377	Insignificant
Reliability	0.12784	2.34	0.0200	Significant
Tangibles	0.10033	2.24	0.0260	Significant

Note: \*\* significant at  $P < 0.05$ ,  $R^2 = 0.3553$ , Adj  $R^2 = 0.3410$

Source: Developed for the research.

H2: There is a positive relationship between service quality and customer loyalty.

Hypothesis 2 is partially supported. Empathy ( $P = <.0001$ ), Reliability (0.0200) and Tangibles (0.0260) have a significant relationship with customer loyalty because of their p-value is less than 0.05 significant level. However, Assurance (0.2279) and Responsiveness (0.8377) do not have significance impact to customer loyalty as their p-value has exceeded 0.05 significant level.

#### 4.4.2.3 Price Fairness and Customer Satisfaction

Table 4.13: Regression results for price fairness and customer satisfaction

Independent Variables	Customer Satisfaction			
	$\beta$	$t$	$P^{**}$	Result
Price Fairness	0.42164	7.05	<.0001	Significant

Note. \*\*significant at  $P < 0.05$ ,  $R^2 = 0.1778$ , Adj  $R^2 = 0.1742$

Source: Developed for the research

H3: There is a positive relationship between price fairness and customer satisfaction.

Hypothesis 3 is supported because the p-value of Price Fairness ( $P < 0.001$ ) is less than 0.05 significant level hence it has a positive relationship with customer satisfaction.

#### 4.4.2.4 Price Fairness and Customer Loyalty

Table 4.14: Regression results for price fairness and customer loyalty

Independent Variables	Customer Loyalty			
	$\beta$	$t$	$P^{**}$	Result
Price Fairness	0.43743	7.38	<.0001	Significant

Note: \*\* significant at  $P < 0.05$ ,  $R^2 = 0.1913$ , Adj  $R^2 = 0.1878$

Source: Developed for the research.

H4: There is a positive relationship between price fairness and customer loyalty.

Hypothesis 4 is supported. Price Fairness ( $P < 0.001$ ) has a positive relationship with customer loyalty because p-value is less than 0.05 significant level.

#### 4.4.2.5 Customer Satisfaction and Customer Loyalty

Table 4.15: Regression results for customer satisfaction and customer loyalty

Independent variables	Customer Loyalty			
	$\beta$	$t$	$P^{**}$	Result
Customer satisfaction	0.70565	10.08	<.0001	Significant

Note. \*\*significant at  $P < 0.05$ .  $R^2 = 0.3063$ , Adj  $R^2 = 0.3032$

Source: Developed for the research

H5: There is a positive relationship between customer satisfaction and customer loyalty.

Hypothesis 5 is supported. Customer Satisfaction ( $P < 0.001$ ) has a positive impact to customer loyalty because p-value is less than 0.05 significant level.

**4.4.2.6 Customer Satisfaction Mediating Service Quality, Price Fairness and Customer Loyalty**

Table 4.16: Regression results for service quality, price fairness customer satisfaction and customer loyalty

Independent Variables	Customer Loyalty			
	$\beta$	$t$	$P^{**}$	Result
Assurance	0.0353	2.86	0.6149	Insignificant
Empathy	0.2254	0.50	0.0007	Significant
Reliability	0.1156	1.53	0.1273	Insignificant
Responsiveness	-0.0070	-0.09	0.9255	Insignificant
Tangibles	0.0619	1.00	0.3173	Insignificant
Price Fairness	0.1606	2.65	0.0086	Significant
Customer Satisfaction	0.2620	3.83	0.0002	Significant

Note: \*\* significant at  $P < 0.05$ ,  $R^2 = 0.4217$ , Adj  $R^2 = 0.4037$

Source: Developed for the research

H6: There is a mediation effect of Customer satisfaction on the relationship among service quality, price fairness and customer loyalty.

Baron & Kenny (1986) have proposed that the establishment of mediation effect must consider four steps in the process:

First step: To show the relationship between the causal variable (IV) and outcome (DV) are correlated.

Second step: To show the causal variable (IV) is associated with mediator.

Third step: To show that the variable of outcome (DV) is affected by mediator. However, the third-step test is not enough to prove that mediation effect does exist as both mediator and outcome variable (DV) may be correlated because they are being affected by the causal variable (IV). Thus, there is a need to have a Fourth Step whereby the causal variable (IV) as the controlling variable in establishing the effect between mediator and outcome variable (DV).

Fourth step: To ensure that the mediator is fully mediating the relationship of causal variable (IV) and outcome variable (DV), the effect of IV and DV controlling for mediator must be reduce to zero, in another words, it has to be resulted in insignificant. A full mediating role is established when all four steps are encountered. On the other hand, if only encounter the first three steps, it is specified that the mediator is only partially established.

Table 4.16 shows the regression analysis on customer satisfaction mediating service quality, price fairness and customer loyalty. Aside Responsiveness and Assurance, the result shows that only Tangibles and Reliability resulted in insignificant, while price fairness and empathy maintains significant. Thus, the condition for mediation to take place does exist, however it is not a perfect mediator role as price fairness and empathy still maintains significant after the mediation, but there is a considerable amount of increase on the p-value of both price fairness and empathy.

## **CHAPTER 5: DISCUSSIONS, CONCLUSION AND IMPLICATIONS**

### **5.0 Introduction**

In chapter 5, a summary on the statistical analysis based on the previous analysed data is presented. Besides that, this chapter also provided major findings, implications and limitation in this research. Last but not least, recommendation for future researchers and comprehensive conclusion will be provided in this chapter.

### **5.1 Summary of Statistical Analysis**

#### **5.1.1 Summary of Descriptive Statistics**

Table 5.1: Summary of Descriptive Statistics

<b>Profile</b>	<b>Category</b>	<b>Frequency</b>	<b>Percent (%)</b>
Gender	Male	86	37.07
	Female	146	62.93
Age Group	18-29	164	70.69
	30-39	41	17.67
	40-49	19	8.19
	50 and above	8	3.45



Occupation	Student	88	37.93
	Self-employed	36	15.52
	Working Adult	94	40.52
	Professional	7	3.02
	Retiree	7	3.02
Monthly Income	No Income	86	37.07
	RM1000 and below	6	2.59
	RM1,001 – RM2,000	45	19.40
	RM2,001 – RM3,000	71	30.60
	RM3,001 – RM4,000	16	6.90
	RM4,000 and above	8	3.45
Most Recent Visit	Within the past one week	47	20.26
	Within the past two weeks	62	26.72
	Within the past one month	91	39.22
	More than one month ago	32	13.79

Source: Developed for the research.

The demographic profile of the target respondents is described in Table 5.1, which were customers of domestic cafés in Ipoh. In overall, most of them were females, aged from 18 to 29, who were working adult with income from RM1,000 to RM4,000 and above and visit Ipoh domestic cafés within the past one month.

### 5.1.2 Summary of Inferential Analysis

Table 5.2: Summary of Inferential Analysis

Hypothesis	Dimension	Pearson's Correlation	Multiple Linear Regression		Result
			P-value	Beta	
<b>H1:</b> There is positive relationship between service quality and customer satisfaction.	<b>Assurance</b>	0.4823	0.1046	0.11132	Partially Supported
	<b>Empathy</b>	0.5389	<.0001	0.31163	
	<b>Responsiveness</b>	0.4187	0.4134	-0.05941	
	<b>Reliability</b>	0.5096	0.0014	0.08645	
	<b>Tangibles</b>	0.4722	<.0001	0.24615	
<b>H2:</b> There is positive relationship between service quality and customer loyalty.	<b>Assurance</b>	0.4363	0.2279	0.33130	Partially Supported
	<b>Empathy</b>	0.5213	<.0001	0.09373	
	<b>Responsiveness</b>	0.4055	0.8377	0.02381	
	<b>Reliability</b>	0.4590	0.0200	0.12784	
	<b>Tangibles</b>	0.3774	0.0260	0.10033	
<b>H3:</b> There is positive relationship between price fairness and customer satisfaction.	<b>Price Fairness</b>	0.4216	<.0001	0.42164	Supported
<b>H4:</b> There is positive relationship between price fairness and customer loyalty.	<b>Price Fairness</b>	0.4374	<.0001	0.43743	Supported
<b>H5:</b> There is positive relationship between customer satisfaction and customer loyalty.	-	0.5534	<.0001	0.55341	Supported

<b>H6:</b> There is a mediation effect of Customer satisfaction on the relationship among service quality, price fairness and customer loyalty.	<b>Assurance</b>		0.6149	0.0353	Partially Supported
	<b>Empathy</b>		0.0007	0.2254	
	<b>Responsiveness</b>		0.1273	0.1156	
	<b>Reliability</b>		0.9255	- 0.0070	
	<b>Tangibles</b>		0.3173	0.0619	
	<b>Price Fairness</b>		0.0086	0.1606	
	<b>Customer Satisfaction</b>		0.0002	0.2620	

Source: Developed for the research.

## 5.2 Discussions of Major Findings

In this paper, study result shows that only Price Fairness, Empathy, Reliability and Tangibles shows significant impact on customer loyalty, while Assurance and Responsiveness resulted in insignificant relationship. This result has also shown a consistency with the past research conducted by Polyorat & Sophonsiri (2010).

Malaysians are particularly price sensitive (Warc, 2013), and that they rate price fairness as an important element which would further lead them to become loyal customer when the price offered by the cafe satisfies them. Researchers believe that the reason behind that leads to Malaysian being a price sensitive individual is because of the rising cost of living in Malaysia (Nadaraj, 2015), whereby the country is populated by majority middle class and low-income families (Internations, 2015). Things have gotten even worst when government introduced Good and Service Tax (GST) which was commenced on 1<sup>st</sup> April, 2015. People especially in middle class struggle the most to stretch their Ringgit as far as it could go by comparing price, while the low income families could still receive various supports from government welfare (Internations, 2015).

In terms of empathy dimension of service quality, the importance of this dimension may influenced by the Malaysia’s cultural value. Malaysia was found as a high collectivistic society which indicates that the tiers between individuals

were tight. According to the findings from Kueh and Voon (2007), Malaysian with collectivism are more likely to have customer loyalty toward café which perform empathy since it considered a prerogative action for in-groups (Triandis, 1996). In addition, the respondent of this paper consist of more than 70% of Generation Y (born from 1980s to 2000s), and from the findings of Ting & Ying (2013), Malaysia's Generation Y tend to have higher expectation towards service quality and one of the expectations is that they desire to be treated by caring service employees.

To the extent that Malaysia cafe hoppers takes serious on the layout of the café and that they would hope to see nice and extraordinary interior design which they always pursue (Caffeinography, n.d). With respect to tangibles dimension, it is distinct that cafe seekers attach more on the physical and human aspects as compared to reliability, responsiveness and assurance (Awad, 2012). In spite of the importance of quality food, the interior design of a Malaysia cafe acts as a quality indicator to Malaysia's cafe hoppers who anticipate experiencing unique environment while they went into a café, therefore different furnishing and design could create different atmosphere and simultaneously differentiate themselves to others (Caffeinography, n.d), attracting cafe hoppers to revisit that particularly café oftenly.

Positive relationship between reliability and customer loyalty is probably reflected by the displays of various Malaysians characteristics in link. Malaysians are price sensitive beings and they are thorough on the provided bills. Malaysia as a food paradise (Malaysia Travel Guide.com, 2015), it is common that Malaysians are skeptical on food performance. Hence, food quality is an important indicator towards customer satisfaction and customer loyalty. Moreover, Malaysia as a collectivism society (Kueh and Voon, 2007), the group of people rely on trust to survive (Powers, 2013), and reliability and credibility serve importantly in maintaining the relationship of trust.

As mentioned above, Malaysian may portrays loyalty traits toward places that offer reliable quality, especially on food indication. And so, it was found that Malaysian does display a behavior of willingness to wait for good food

(TallyPress, 2015). There is a general Malaysian perception of “If there is queue, there must be good food”, proving Malaysian are willing to wait for good food (TallyPress, 2015), and do not mind coming back for the next visits as long as the place serves good food. These reason cause the service quality dimension of responsiveness is unimportant in the relationship with customer loyalty and satisfaction

In this study result, customer perception towards the assurance dimension provided by cafe is not important. Surprisingly, this is a new consumer behavior that could nowhere to be justified by any available sources. The plausible explanation by the researchers of the paper is that food-obsessive Malaysians may perceives that a good assurance service by the employees through having good product knowledge and providing friendly service does not fully represent the food quality. This group of people would be gladder to have their money worth paying for the good food (Rasiah, 2013) and that they grow serious on the food quality (Jaafar, Lalp, & Naba, 2012). Well, this collected result proven the limitation of this paper at the same time as this new consumer behavior could only be understand through a more in-depth survey, thus urging for future research prospector to explore further on this result to obtain precise explanation on the newly portrayed behaviour.

Lastly, the high end mediation effect of customer satisfaction shows only partial mediating role towards its relationship among service quality, price fairness and customer loyalty as the result indicates that only reliability is found to be fulfilling the four conditions of mediation test by Barron & Kenny (1986). This result is showing consistent result with a past research conducted by Mee, Ariffin, & Rahma (2014).

## **5.3 Study Implications**

### **5.3.1 Theoretical Implications**

This research paper has proven a positive relationship among service quality, price fairness, customer satisfaction and customer loyalty. It has further implicated that SERVQUAL and price fairness are a good facilitator in providing perspective on customer satisfaction and customer loyalty. Thus, prospect researchers should consider the attributes of SERVQUAL and price fairness as their indicators in a service sector subject for a more reliable result.

Besides, due to lacking of past research on cafe industry, this positive result will be able to provide a firm theoretical confirmation on the right indicators to determine customer loyalty and customer satisfaction, and further provide insight to any prospect researcher for future research. Besides, researchers applied and tested the established service quality framework in the context of cafe industry, and extended the framework by addressing price fairness as an additional attribute. Researchers believe that the extended service quality will provide a richer content compared to the service quality dimensions alone.

### **5.3.2 Managerial Implication**

Previously mentioned in Chapter 1 Problem Statement, domestic cafes may find it hard to compete with multinational cafe business due to resources limitation, thus the only way to survive in the market is to optimize their resources carefully and implement at the right place, and achieve competitive advantage. This action allows the cafe business to achieve customer loyalty and customer satisfaction more easily. However, in order to achieve that success, manager of the cafe should develop a

strategies service vision by addressing the proven positive findings in the policies.

The test result of this paper shows that empathy, reliability, tangibles and price fairness resulted in positive relationship with customer loyalty. Thus, cafe manager should concentrate more on these four positive factors in order to improve customer loyalty more effectively.

A cafe should provide service with empathy to their customer by hiring their employees with requirements who are able to showcase a caring personality while dealing with customer. A reliable service is crucial that customers expect to instil confidence on the service provided, therefore manager should train the employees well in order to deliver a right and stable service to satisfy customers at the same time. Besides, manager who keep strict policy on maintaining the interior and environment of the cafe could win the hearts of customers effectively, as a good looking interior and comfortable environment will be able to grab the hearts of customers in staying with them for a longer period as its satisfy customer when they are able to sit back and relax in a favourable interior and environment. Moreover, when a cafe offers fair pricing on their offering products, it allows the cafe to retain customer easier as customers considers seriously on the worthiness of their paid service and product especially where Malaysians are price sensitive individuals.

Moreover, cafe industry is more towards a service-oriented industry, whereby this business nature depends highly on customers to sustain. Through this fruitful research finding, manager in cafe industry will be able to understand better on the importance of customer perceptions on service quality towards customer satisfaction and customer loyalty, and attain accuracy during the development of a more precise strategies service vision that best suits the cafe business operating.

## 5.4 Study Limitations

The primary limitation of this study is the generalization on the information obtains from past research as a reference materials in this paper. This research is conducted based on Malaysia (Ipoh) but most of the past reference materials are based on foreign population. As different country has different culture, the people may portrays different customer behaviour, mindset and habits, which indicated that this paper's utilized reference resources may be incompatible towards a Malaysia based research paper. Besides, majority of the research reference was studied in term of restaurant knowledge but not cafe as the research on cafes is very scarce, not to mention within Malaysia, but even worldwide. Therefore, the result and content referred may not be 100 percent appropriate for this research.

Second limitation, the result of this study was merely produced from unilateral data (questionnaire), and respondents are forced to choose only from the provided answer of the particular question, no free ground to express further comments towards the question. This has limited the researchers in collecting more truthful and further in-depth information, and allow unexplainable new behaviour arises (as mentioned in Chapter 5, Major Findings) from result. In addition, most of the respondents consider the questionnaire is a time-consuming method and disturbing them while they are having meals in the cafe. This will make them to do hastily choose for the questionnaire, thus the result was not accurate enough or only superficially expresses the perception of the respondents.

Third limitation is the boundary restriction in terms of geographical area of the research location. This research was focused on only domestic cafes in Ipoh, Malaysia. The sample also centres around respondent who visit the cafes in Ipoh. According to Marshall, Cardon, Poddar, & Fontenot (2013), the significant discoveries may infer a common conclusion within particular boundaries. The limitation of scope and location of sample will generate a result was only restricted to Ipoh and may be bias and imprecise. In addition to that, the respondents of this survey does not represent all Malaysia's cafe hoppers as well.



## **5.5 Recommendations for Future Research**

As previously discussed, this paper has taken past research based on foreign population that the generalization on the foreign culture with Malaysia may have indicate a non 100 percent accuracy of this research findings as the reference material may portray inappropriate content towards the different culture of Malaysia. Against the research of specific on Malaysia domestic cafe are very scarce, so we encourage future researchers to positively researching and exploring in this industry. It will create an opportunity for local entrepreneur to combat foreign company and understand this blooming industry in Malaysia in further depth.

To address second limitation of this paper as previously mentioned, researchers would urge future prospect to conduct a quantitative research instead through an in-depth interview, whereby the new consumer behavioural arises resulted from the insignificance result of Responsiveness towards Customer Loyalty and Customer Satisfaction may have been answered when researchers get to learn more from the respondents through a verbal survey and observations.

Lastly, respondents from other states of Malaysia can be included in any future research regarding this research area. It will increase the reliability and comparability of the result and reduce the bias and imprecise for the result. Expanding the scope and location of sample can generate more accurate output and represent Malaysia's respondent by same factor, due to this research restricted on Ipoh unable represent other states of Malaysia.

## **5.6 Conclusion**

In short, this research project aims to examine the factors affecting customer loyalty on domestic cafes in Ipoh while taking customer satisfaction as mediator. An extended service quality framework (incorporating price fairness) has been extended to assess the high end relationship among the said variables. From the findings of this

research, it was found that Empathy, Reliability, Tangibles and Price Fairness shows significant influence towards customer loyalty, and customer satisfaction as only a partial mediator. The result of this research is able to provide a basic understanding towards the readers in cafe industry and serves as a fundamental guidelines towards all managers of domestic cafes for a profit building business by achieving customer loyalty.

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## APPENDICES

### Appendix 3.1: Research Survey Questionnaires



**UNIVERSITY TUNKU ABDUL RAHMAN  
FACULTY OF BUSINESS AND FINANCE**

**BACHELOR OF MARKETING  
FINAL YEAR PROJECT**

#### **Factors Affecting Customer Loyalty on Domestic Cafes in Ipoh: A Mediation Effect of Customer Satisfaction**

Dear Respondent,

We are UTAR Bachelor of Marketing's final year undergraduate students who are currently involving in Final Year Project. We are seeking your kind assistance in giving your best answer on our research survey paper concerning Factors Affecting Customer Loyalty on Domestic Cafes in Ipoh: A Mediation Effect of Customer Satisfaction. Please provide your answer on all the questions based on your best knowledge. Kindly be informed that there are no wrong responses to any of the statements in this survey paper. Thank you for your participation.

**INSTRUCTIONS:**

- 1) There are **FOUR (4)** sections in this questionnaire. Please answer **ALL** questions in **ALL** sections.
- 2) The contents of the questionnaire will be kept **strictly confidential**.
- 3) Completion of this form shall take you approximately 10 to 15 minutes.

## **SECTION A: DEMOGRAPHIC PROFILE**

*In this section, we are interested in your demographic background. Please **tick your answer** if the statement provided shows relevancy to you.*

1) Gender:

- Male
- Female

2) Age:

- 18 – 29
- 30 – 29
- 40 – 49
- 50 and above

3) Occupation:

- Student
- Self – employed
- Working adult
- Professional
- Retiree

4) Monthly Income

- No income
- RM1,000 and below
- RM1,001 - RM2,000
- RM2,001 - RM3,000
- RM3,001 - RM4,000
- Above RM4,000

5) When was your most recent visit to cafe in Ipoh?

- Within the past one week
- Within the past two weeks
- Within the past one month
- More than one month ago



**SECTION B: SERVICE QUALITY AND PRICE FAIRNESS**

*This section is seeking your opinions on the importance of each of the dimensions in service quality and price fairness. Respondents are asked to indicate the extent to which they agreed or disagreed with each statement using 5 Likert scale [(1) = strongly disagree; (2) = disagree; (3) = neutral; (4) = agree and (5) = strongly agree] response framework. Please circle one number per line to indicate the extent to which you agree or disagree with the following statements.*

**SERVICE QUALITY:**

**TANGIBLES**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
T1	The cafe has an attractive design layout.	1	2	3	4	5
T2	The cafe has a clean environment.	1	2	3	4	5
T3	The cafe has nice background music.	1	2	3	4	5
T4	The cafe provides comfortable seating.	1	2	3	4	5
T5	The cafe’s employees are neat and well-groomed.	1	2	3	4	5

**RESPONSIVENESS**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
RP1	My food order was being taken as soon as I am ready.	1	2	3	4	5
RP2	My food was being served on time.	1	2	3	4	5
RP3	My complaints were being given prompt attention.	1	2	3	4	5

RP4	The employees are capable of handling any of my special requests.	1	2	3	4	5
RP5	I do not need to wait a long time to be seated by the cafe's employees.	1	2	3	4	5

**RELIABILITY**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
R1	The cafe's food quality is stable.	1	2	3	4	5
R2	The employee who served me is able to perform the service right at the first time.	1	2	3	4	5
R3	I was being served in the time as promised.	1	2	3	4	5
R4	I was being served with the exact food as I ordered.	1	2	3	4	5
R5	I was being provided with accurate bills.	1	2	3	4	5

**EMPATHY**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
E1	The employees are caring towards me.	1	2	3	4	5
E2	I was being given personal attention by the employees.	1	2	3	4	5
E3	The employees understand my needs and wants well.	1	2	3	4	5

E4	The employee quickly apologizes to me when they made service mistakes.	1	2	3	4	5
E5	The cafe has a convenient operating hour.	1	2	3	4	5

**ASSURANCE**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A1	The employees are polite towards me.	1	2	3	4	5
A2	The employees are friendly towards me.	1	2	3	4	5
A3	The employees have good product knowledge.	1	2	3	4	5
A4	I feel confident with the services through the behaviour of the employees.	1	2	3	4	5
A5	I feel safe with the services and food provided by the cafe.	1	2	3	4	5

**PRICE FAIRNESS**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
PF1	The price is reasonable.	1	2	3	4	5
PF2	The price is acceptable.	1	2	3	4	5
PF3	The price is fair.	1	2	3	4	5
PF4	The price is worth what I have paid.	1	2	3	4	5

**SECTION C: CUSTOMER SATISFACTION**

*This section is seeking your opinion regarding the impacts of service quality dimensions and price fairness on customer satisfaction. Respondents are asked to indicate the extent to which they agreed or disagreed with each statement using 5 Likert scale [(1) = strongly disagree; (2) = disagree; (3) = neutral; (4) = agree and (5) = strongly agree] response framework. Please circle one number per line to indicate the extent to which you agree or disagree with the following statements.*

**CUSTOMER SATISFACTION**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
CS1	I am satisfied with the overall layout of this cafe.	1	2	3	4	5
CS2	I am satisfied with the overall service of this café.	1	2	3	4	5
CS3	I am satisfied with the overall price of this cafe.	1	2	3	4	5
CS4	I am satisfied with the overall experience with this cafe.	1	2	3	4	5
CS5	I am satisfied with the overall products of this cafe.	1	2	3	4	5
CS6	I am satisfied with the overall attitude of the staff of this cafe.	1	2	3	4	5
CS7	Overall I am satisfied with the café.	1	2	3	4	5

**SECTION D: CUSTOMER LOYALTY**

*This section is seeking your opinion regarding the impacts of customer satisfaction, service quality dimensions and price fairness on customer loyalty. Respondents are asked to indicate the extent to which they agreed or disagreed with each statement using 5 Likert scale [(1) = strongly disagree; (2) = disagree; (3) = neutral; (4) = agree and (5) = strongly agree] response framework. Please circle one number per line to indicate the extent to which you agree or disagree with the following statements.*

**CUSTOMER LOYALTY**

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
CL1	I am more likely to visit this cafe next time.	1	2	3	4	5
CL2	I am more likely to spend more in this cafe compare to others.	1	2	3	4	5
CL3	I am more likely to recommend this cafe to my friends.	1	2	3	4	5
CL4	I am more likely to consider this cafe as my first choice.	1	2	3	4	5

Thank you for your time and opinions.

- The End -

### Appendix 4.1: Skewness and Kurtosis (Pilot Test)

Summary Statistics							
Results							
The MEANS Procedure							
Variable	Label	Mean	Std Dev	Minimum	Maximum	Skewness	Kurtosis
T1	DESIGN LAYOUT	2.5000000	1.4797483	1.0000000	5.0000000	0.2052457	-1.6574168
T2	ENVIRONMENT	3.1666667	1.2617266	2.0000000	5.0000000	0.3269994	-1.6730385
T3	BACKGROUND MUSIC	3.6333333	0.7648905	2.0000000	5.0000000	-0.2359369	-0.0433345
T4	SEATING	4.0000000	0.4548588	3.0000000	5.0000000	0	2.6084656
T5	EMPLOYEES	4.5000000	0.8200084	2.0000000	5.0000000	-1.6081315	1.9048245
RP1	FOOD ORDER	2.9666667	1.4967398	1.0000000	5.0000000	-0.4022033	-1.5141285
RP2	SERVED TIME	3.0333333	1.0980652	2.0000000	5.0000000	0.4325884	-1.3327985
RP3	COMPLAINTS	3.4333333	0.7279320	2.0000000	5.0000000	0.8220391	0.2512760
RP4	SPECIAL REQUESTS	3.8000000	0.8866831	1.0000000	5.0000000	-1.4881855	2.9773996
RP5	WAITING TIME TO BE SEATED	4.3000000	0.9878573	2.0000000	5.0000000	-1.1221570	-0.0138517
R1	FOOD QUALITY	2.3666667	1.5862194	1.0000000	5.0000000	0.5115274	-1.4306399
R2	SERVE RIGHT	2.8666667	1.1957780	2.0000000	5.0000000	0.9217471	-0.8410273
R3	PROMISED TIME	3.4000000	0.9321832	1.0000000	5.0000000	0.1751429	0.6454187
R4	EXACT FOOD	3.9000000	0.7119667	2.0000000	5.0000000	-1.0810608	2.2578114
R5	BILLS	4.4666667	0.9732042	1.0000000	5.0000000	-2.3048248	5.5539434
E1	CARING	2.3000000	1.3933339	1.0000000	5.0000000	0.6490469	-1.0938474
E2	PERSONAL ATTENTION	2.4333333	0.8976342	1.0000000	5.0000000	1.1331101	1.3125765
E3	NEEDS AND WANTS	3.2000000	0.6643638	2.0000000	4.0000000	-0.2419070	-0.6338356
E4	APOLOGIZED	4.1666667	0.6477193	2.0000000	5.0000000	-0.9819190	3.3537785
E5	OPERATING HOUR	4.3666667	0.7648905	2.0000000	5.0000000	-1.2501354	1.7412150
A1	POLITE	4.1333333	0.5713465	3.0000000	5.0000000	0.0281731	0.2075127
A2	FRIENDLY	3.7000000	0.8769068	2.0000000	5.0000000	-0.6640603	-0.0250852
A3	PRODUCT KNOWLEGDE	3.6666667	0.7580980	3.0000000	5.0000000	0.6595453	-0.9114286
A4	CONFIDENT	3.9000000	0.6074253	2.0000000	5.0000000	-0.9495308	2.9105058
A5	SAFE	4.5333333	0.6288102	3.0000000	5.0000000	-1.0249806	0.1134300
PF1	REASONABLE	4.1000000	0.4806605	3.0000000	5.0000000	0.3193900	1.5986521
PF2	ACCEPTABLE	4.0666667	0.5832923	2.0000000	5.0000000	-1.1137022	5.2126161
PF3	FAIR	4.1666667	0.4611330	3.0000000	5.0000000	0.6698291	1.1317959
PF4	WORTH	4.1333333	0.5074163	3.0000000	5.0000000	0.2664559	0.9445609
CS1	LAYOUT	3.5666667	1.0726485	1.0000000	5.0000000	-1.3525726	1.4702167
CS2	SERVICE	3.7000000	0.7022132	2.0000000	5.0000000	-1.4212235	1.7308333
CS3	PRICE	3.7000000	0.6512587	2.0000000	5.0000000	-1.2198302	1.6548792
CS4	EXPERIENCE	3.8333333	0.5920935	2.0000000	5.0000000	-1.0283837	2.6787730
CS5	PRODUCTS	3.9666667	0.7648905	2.0000000	5.0000000	-0.4377492	0.1549488
CS6	ATTITUDE	3.9000000	0.6617636	2.0000000	5.0000000	-0.6578189	1.5665463
CS7	OVERALL	3.8333333	0.6989319	1.0000000	5.0000000	-2.3565370	9.1228868
CL1	VISIT CAFE NEXT TIME	3.5000000	1.1670771	1.0000000	5.0000000	-1.3944978	0.7297518
CL2	SPEND MORE	3.6666667	0.9222661	2.0000000	5.0000000	-0.9524132	-0.0408536
CL3	RECOMMEND	3.3666667	0.9278575	1.0000000	4.0000000	-1.3848585	1.0256692
CL4	FIRST CHOICE	3.9666667	0.6149479	2.0000000	5.0000000	-1.8909425	6.5521911

### Appendix 4.2: Cronbach's Alpha (Pilot Test)

#### PILOT TEST Correlation Analysis

The CORR Procedure

Cronbach Coefficient Alpha Variables	Alpha
Raw	0.778373
Standardized	0.793799

Deleted Variable	Cronbach Coefficient Alpha with Deleted Variable			
	Raw Variables		Standardized Variables	
	Correlation with Total	Alpha	Correlation with Total	Alpha
Mean Tangible	0.6559960	0.722291	0.633704	0.749663
Mean Responsiveness	0.5487160	0.742380	0.613395	0.752998
Mean Reliability	0.5153670	0.756086	0.503842	0.770561
Mean Empathy	0.5998620	0.735365	0.542930	0.764378
Mean Assurance	0.5874610	0.745075	0.631395	0.750044
Mean Price Fairness	0.3099380	0.779648	0.324070	0.797853
Mean Customer Satisfaction	0.5042300	0.751632	0.497012	0.771633
Mean Customer Loyalty	0.2815420	0.793932	0.284405	0.803625

### Appendix 4.3: Frequency of Survey Respondents Gender

#### One-Way Frequencies

##### Results

The FREQ Procedure

Gender				
GENDER	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	86	37.07	86	37.07
2	146	62.93	232	100.00

### Appendix 4.4: Frequency of Survey Respondents Age

Age				
AGE	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	164	70.69	164	70.69
2	41	17.67	205	88.36
3	19	8.19	224	96.55
4	8	3.45	232	100.00

### Appendix 4.5: Frequency of Survey Respondents Occupation

Occupation				
OCCUPATION	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	88	37.93	88	37.93
2	36	15.52	124	53.45
3	94	40.52	218	93.97
4	7	3.02	225	96.98
5	7	3.02	232	100.00

### Appendix 4.6: Frequency of Survey Respondents Monthly Income

Monthly Income				
MONTHLY INCOME	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	86	37.07	86	37.07
2	6	2.59	92	39.66
3	45	19.40	137	59.05
4	71	30.60	208	89.66
5	16	6.90	224	96.55
6	8	3.45	232	100.00



### Appendix 4.7: Frequency of Last Visitation to Cafe in Ipoh

Most Recent Visit				
MOST RECENT VISIT	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	47	20.26	47	20.26
2	62	26.72	109	46.98
3	91	39.22	200	86.21
4	32	13.79	232	100.00

### Appendix 4.8: Summary Statistic/ Skewness and Kurtosis

Summary Statistics								
Results								
The MEANS Procedure								
Variable	Label	Mean	Std Dev	Minimum	Maximum	Mode	Skewness	Kurtosis
T1	ATTRACTIVE DESIGN LAYOUT	3.9224138	0.7857041	1.0000000	5.0000000	4.0000000	-0.7265103	0.8054833
T2	CLEAN ENVIRONMENT	4.1681034	0.6851674	2.0000000	5.0000000	4.0000000	-0.7166747	1.0716973
T3	BACKGRONUD MUSIC	3.8189655	0.8436074	2.0000000	5.0000000	4.0000000	-0.4752266	-0.2313057
T4	COMFORTABLE SEATING	4.0000000	0.7672969	1.0000000	5.0000000	4.0000000	-0.7539671	1.0110783
T5	EMPLOYEES	3.9482759	0.9006475	2.0000000	5.0000000	4.0000000	-0.6149849	-0.3134531
RP1	FOOD ORDER	3.7198276	0.8846669	2.0000000	5.0000000	4.0000000	-0.5546300	-0.3274990
RP2	SERVED TIME	3.7500000	0.7990796	2.0000000	5.0000000	4.0000000	-0.5455798	0.0339474
RP3	COMPLAINT	3.6767241	0.9134737	1.0000000	5.0000000	4.0000000	-0.3106330	-0.3626567
RP4	SPECIAL REQUEST	3.7887931	0.8794205	1.0000000	5.0000000	4.0000000	-0.6909404	0.2721560
RP5	WAITING TIME	3.8362069	0.8572983	1.0000000	5.0000000	4.0000000	-0.6345121	1.1562478
R1	FOOD QUALITY	3.9094828	0.8033995	2.0000000	5.0000000	4.0000000	-0.6933672	0.3502817
R2	RIGHT SERVICE	3.9267241	0.7319378	2.0000000	5.0000000	4.0000000	-0.6203158	0.6244462
R3	SERVE IN PROMISED TIME	3.7931034	0.8113613	2.0000000	5.0000000	4.0000000	-0.5359555	-0.0020473
R4	EXACT FOOD	4.0560345	0.8277429	2.0000000	5.0000000	4.0000000	-0.7518305	0.2343530
R5	BILL	4.2025862	0.7311216	2.0000000	5.0000000	4.0000000	-0.8041836	0.7628571
E1	CARING	3.5991379	0.9528263	1.0000000	5.0000000	4.0000000	-0.5746964	-0.0625193
E2	PERSONAL ATTENTION	3.4224138	1.0457157	1.0000000	5.0000000	4.0000000	-0.4566926	-0.4450219
E3	NEEDS AND WANTS	3.6982759	0.8799826	1.0000000	5.0000000	4.0000000	-0.6774000	0.4932601
E4	APOLOGIZE	3.9827586	0.8424121	1.0000000	5.0000000	4.0000000	-0.8876071	1.4010242
E5	OPERATING HOUR	3.9094828	0.8351041	1.0000000	5.0000000	4.0000000	-1.1327569	1.7141308
A1	POLITE	4.0646552	0.7087278	2.0000000	5.0000000	4.0000000	-0.4608231	0.1973253
A2	FRIENDLY	4.0560345	0.6846225	2.0000000	5.0000000	4.0000000	-0.5612166	0.7668064
A3	PRODUCT KNOWLEDGE	3.7112069	0.8569827	2.0000000	5.0000000	4.0000000	-0.4470137	-0.3370277
A4	CONFIDENT	3.8922414	0.8173075	1.0000000	5.0000000	4.0000000	-0.7104496	0.5444581
A5	SAFE	3.9827586	0.6511097	2.0000000	5.0000000	4.0000000	-0.3627892	0.5263739
PF1	PRICE REASONABLE	3.7974138	0.8514781	1.0000000	5.0000000	4.0000000	-0.6598385	0.4072808
PF2	PRICE ACCEPTABLE	3.8965517	0.8413482	1.0000000	5.0000000	4.0000000	-0.9018064	0.7607536
PF3	PRICE FAIR	3.8232759	0.8672849	1.0000000	5.0000000	4.0000000	-0.6131365	0.0661078
PF4	PRICE WORTH	3.8879310	0.8999428	2.0000000	5.0000000	4.0000000	-0.5677952	-0.3477276
CS1	LAYOUT SATISFACTION	3.9181034	0.7427688	1.0000000	5.0000000	4.0000000	-0.8264757	1.3754513
CS2	SERVICE SATISFACTION	3.8706897	0.7562744	1.0000000	5.0000000	4.0000000	-0.8706469	1.6065069
CS3	PRICE SATISFACTION	3.6637931	0.8522338	1.0000000	5.0000000	4.0000000	-0.7334029	0.2743227
CS4	EXPERIENCE SATISFACTION	3.8620690	0.7884068	1.0000000	5.0000000	4.0000000	-0.7660822	1.1013900
CS5	PRODUCT SATISFACTION	3.8879310	0.7417255	1.0000000	5.0000000	4.0000000	-0.7805867	1.2423019
CS6	STAFF SATISFACTION	3.9482759	0.8041540	1.0000000	5.0000000	4.0000000	-0.7623608	0.7516680
CS7	OVERALL SATISFACTION	4.0215517	0.7293840	1.0000000	5.0000000	4.0000000	-1.0459700	2.5910379
CL1	VISIT	3.7586207	0.8540273	1.0000000	5.0000000	4.0000000	-0.7762612	0.4968022
CL2	SPEND MORE	3.5991379	0.8918094	1.0000000	5.0000000	4.0000000	-0.7087140	-0.1083162
CL3	RECOMMEND	3.7715517	0.9185256	1.0000000	5.0000000	4.0000000	-0.7137285	0.2162856
CL4	FIRST CHOICE	3.4870690	1.0192120	1.0000000	5.0000000	4.0000000	-0.5462305	-0.3449732

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### Appendix 4.9: Cronbach's Alpha

Cronbach Coefficient Alpha	
Variables	Alpha
Raw	0.867655
Standardized	0.873113

Cronbach Coefficient Alpha with Deleted Variable				
Deleted Variable	Raw Variables		Standardized Variables	
	Correlation with Total	Alpha	Correlation with Total	Alpha
mean_T	0.540106	0.859768	0.543846	0.866640
mean_RP	0.666712	0.846218	0.673905	0.852799
mean_R	0.681404	0.846003	0.687656	0.851301
mean_E	0.632476	0.850086	0.633031	0.857212
mean_A	0.667878	0.848098	0.672028	0.853003
mean_PF	0.549488	0.862603	0.547006	0.866310
mean_CS	0.665925	0.847274	0.664842	0.853783
mean_CL	0.620856	0.852463	0.619566	0.858654

### Appendix 4.10: Pearson's Correlation Coefficient Analysis

Pearson Correlation Coefficients, N = 232 Prob >  r  under H0: Rho=0								
	mean_T	mean_RP	mean_R	mean_E	mean_A	mean_PF	mean_CS	mean_CL
mean_T	1.00000	0.47026	0.41383	0.35176	0.42163	0.33030	0.47221	0.37739
mean_RP	<.0001	1.00000	0.66769	0.45813	0.55989	0.45745	0.41865	0.40546
mean_R	<.0001	<.0001	1.00000	0.46859	0.59173	0.38892	0.50956	0.45902
mean_E	<.0001	<.0001	<.0001	1.00000	0.51703	0.39635	0.53889	0.52125
mean_A	<.0001	<.0001	<.0001	<.0001	1.00000	0.42022	0.48229	0.43629
mean_PF	<.0001	<.0001	<.0001	<.0001	<.0001	1.00000	0.42164	0.43743
mean_CS	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	1.00000	0.55341
mean_CL	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	1.00000

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## Appendix 4.11: Regression Analysis between Service Quality and Customer Satisfaction

### Linear Regression Results

The REG Procedure  
 Model: Linear\_Regression\_Model  
 Dependent Variable: mean\_CS

Number of Observations Read	232
Number of Observations Used	232

Analysis of Variance					
Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	5	33.90053	6.78011	34.51	<.0001
Error	226	44.39861	0.19645		
Corrected Total	231	78.29914			

Root MSE	0.44323	R-Square	0.4330
Dependent Mean	3.84052	Adj R-Sq	0.4204
Coeff Var	11.54093		

Parameter Estimates						
Variable	DF	Parameter Estimate	Standard Error	t Value	Pr >  t	Standardized Estimate
Intercept	1	0.62160	0.25659	2.42	0.0162	0
mean_T	1	0.24110	0.05741	4.20	<.0001	0.24615
mean_RP	1	-0.05305	0.06474	-0.82	0.4134	-0.05941
mean_R	1	0.24033	0.07430	3.23	0.0014	0.23547
mean_E	1	0.27758	0.05444	5.10	<.0001	0.31163
mean_A	1	0.11959	0.07338	1.63	0.1046	0.11132

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## Appendix 4.12: Regression Analysis between Service Quality and Customer Loyalty

### Linear Regression Results

The REG Procedure  
 Model: Linear\_Regression\_Model  
 Dependent Variable: mean\_CL

Number of Observations Read	232
Number of Observations Used	232

Analysis of Variance					
Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	5	45.22736	9.04547	24.91	<.0001
Error	226	82.07625	0.36317		
Corrected Total	231	127.30361			

Root MSE	0.60264	R-Square	0.3553
Dependent Mean	3.65409	Adj R-Sq	0.3410
Coeff Var	16.49205		

Parameter Estimates						
Variable	DF	Parameter Estimate	Standard Error	t Value	Pr >  t	Standardized Estimate
Intercept	1	0.06268	0.34888	0.18	0.8576	0
mean_T	1	0.17493	0.07805	2.24	0.0260	0.14006
mean_RP	1	0.01806	0.08802	0.21	0.8377	0.01586
mean_R	1	0.23669	0.10102	2.34	0.0200	0.18187
mean_E	1	0.37931	0.07402	5.12	<.0001	0.33396
mean_A	1	0.12064	0.09977	1.21	0.2279	0.08807

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## Appendix 4.13: Regression Analysis between Price Fairness and Customer Satisfaction

**Linear Regression Results**

The REG Procedure  
Model: Linear\_Regression\_Model  
Dependent Variable: mean\_CS

Number of Observations Read	232
Number of Observations Used	232

Analysis of Variance					
Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	13.92006	13.92006	49.73	<.0001
Error	230	64.37908	0.27991		
Corrected Total	231	78.29914			

Root MSE	0.52906	R-Square	0.1778
Dependent Mean	3.84052	Adj R-Sq	0.1742
Coeff Var	13.77586		

Parameter Estimates						
Variable	DF	Parameter Estimate	Standard Error	t Value	Pr >  t	Standardized Estimate
Intercept	1	2.61787	0.17682	14.81	<.0001	0
mean_PF	1	0.31746	0.04502	7.05	<.0001	0.42164

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## Appendix 4.14: Regression Analysis between Price Fairness and Customer Loyalty

Linear Regression Results						
The REG Procedure						
Model: Linear_Regression_Model						
Dependent Variable: mean_CL						
Number of Observations Read		232				
Number of Observations Used		232				
Analysis of Variance						
Source	DF	Sum of Squares	Mean Square	F Value	Pr > F	
Model	1	24.35887	24.35887	54.42	<.0001	
Error	230	102.94474	0.44759			
Corrected Total	231	127.30361				
Root MSE		0.66902	R-Square		0.1913	
Dependent Mean		3.65409	Adj R-Sq		0.1878	
Coeff Var		18.30874				
Parameter Estimates						
Variable	DF	Parameter Estimate	Standard Error	t Value	Pr >  t	Standardized Estimate
Intercept	1	2.03673	0.22360	9.11	<.0001	0
mean_PF	1	0.41995	0.05693	7.38	<.0001	0.43743
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## Appendix 4.15: Regression Analysis between Customer Satisfaction and Customer Loyalty

**Linear Regression Results**

The REG Procedure  
Model: Linear\_Regression\_Model  
Dependent Variable: mean\_CL

Number of Observations Read	232
Number of Observations Used	232

Analysis of Variance					
Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	38.98803	38.98803	101.54	<.0001
Error	230	88.31558	0.38398		
Corrected Total	231	127.30361			

Root MSE	0.61966	R-Square	0.3063
Dependent Mean	3.65409	Adj R-Sq	0.3032
Coeff Var	16.95801		

Parameter Estimates						
Variable	DF	Parameter Estimate	Standard Error	t Value	Pr >  t	Standardized Estimate
Intercept	1	0.94405	0.27201	3.47	0.0006	0
mean_CS	1	0.70565	0.07003	10.08	<.0001	0.55341

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**Appendix 4.16: Regression Analysis among Service Quality, Price Fairness, Customer Satisfaction and Customer Loyalty (Mediation Test)**

