CAN SERVQUAL MEDIATE FROM THE STORE ATMOSPHERE AND CUSTOMER SATISFACTION?

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J. Co donuts and Coffee is a restaurant-based franchise company that is in great demand by some people to enjoy a weekend or just hang out for a moment with family and colleagues. Their donuts, coffee, and yogurt products have been adapted to the tastes of the Indonesian people. However, some customers feel that there are still shortcomings in terms of store atmosphere, SERVQUAL, and customer satisfaction which we need to examine. The objectivity of this study is to test the extent of the relationship between the three variables. Samples were taken from 2 large outlets (Samarinda and Surabaya) as samples that we interviewed during March - June 2020. There are four hypotheses that will be tested using 350 valid questionnaires. As a result, three hypotheses were accepted that presented store atmosphere, and SERVQUAL had a positive relationship with customer satisfaction. The store atmosphere also has a positive effect on customer satisfaction through SERVQUAL. Thus, this study suggests an alternative model, so that all hypotheses can be accepted. J.Co donuts and coffee management must consider the store atmosphere and SERVQUAL as two important factors in maintaining customer satisfaction.

Key words: store atmosphere, SERVQUAL, customer satisfaction, J. Co Donuts and Coffee, Indonesia.
JEL Codes: L81, G29, D12, D01, L83.

1. Introduction

Customer satisfaction is the ultimate goal of the company, so they can survive in the long term. Especially for customer satisfaction, service quality (SERVQUAL) greatly affects customer satisfaction. Please note, SERVQUAL can build a strong relationship between the two. A company can be successful when it can provide services according to customer expectations (Hussain, Ali, 2015; Miswanto, Angelia, 2017; Makloul et al., 2020). In addition, the store atmosphere can also influence customers in emotional situations, thus encouraging them to increase or decrease the number of purchases. Sellers need to be aware of the role of the store atmosphere to create experiences and ultimately provide satisfaction to customers (Furoida, Mafiukhah, 2018; Yalçın, Kocamaz, 2003).

Since the emergence of J.Co donuts and coffee in 2005, restaurants and franchises that specialize in selling products in the form of donuts, coffee, and yogurt have brought a new atmosphere. With the presence of this company, the interest is increasing and expanding in countries in Asia and the Middle East. J. Co began to be known by customers in Indonesia in early 2010 and until now, it has outlets in major cities from various islands (Java, Kalimantan, Sumatra, to Papua). With the appearance of adjusting the market needs of local and foreign coffee such as Italy and Brazil, so as to attract customers' interest to relax for a moment with family, meetings with office colleagues, to joke with friends to spend time in that place (Kiling, Tumewu, 2016; Putri et al., 2020).
With the increasing customer interest in types of ready-to-serve food and beverages, it's no wonder the company continues to develop innovations in its products and processing creativity. Many empirical studies explain the relationship between store atmosphere, SERVQUAL, and customer satisfaction. They have investigated that there is a problem with a monotonous store atmosphere and disappointment from customers due to minimal SERVQUAL, which has led to a decrease in turnover from several J. Co Donuts and Coffee outlets in Indonesia (Suhud et al., 2017; Pangaribuan et al., 2020; Effendy et al., 2019).

On the basis of theoretical considerations and the findings of several previous researchers, we attempt to review the relationship between store atmosphere, SERVQUAL, and customer satisfaction with the object of study at J. Co Donuts and Coffee (Outlet Samarinda and Surabaya). To predict the influence between store atmosphere and customer satisfaction, it is necessary to play the role of SERVQUAL which acts as a mediating variable. Explicitly, we found limited studies in certain areas, (particularly on store atmosphere, SERVQUAL, and customer satisfaction). In addition, the use of indicators and presentations is a fundamental difference from other researchers. By presenting these findings, we certainly hope to contribute to the literature in the future.

2. Research hypotheses

2.1. Store atmosphere

In marketing science, store atmosphere is a term used to demonstrate a conscious design in a specific area, thus creating the effect desired by customers. This is known as an effort to design a shopping environment, produces an emotional effect on individuals, and the likelihood of their purchase will increase (Farias et al., 2014; Kotler, 1974).

Since the 1990s, neighborhoods (in this case shopping places) have brought services and people together in one space and created “servicescapes”. The form of service in question is all objective physical factors controlled by the company to bind and limit the actions of employees and customers. How important this explanation is, that the store atmosphere can affect SERVQUAL (Baker et al. 1992; Bitner, 1992; Prashar et al., 2015; Maria et al., 2020).

A number of experts in the field of marketing recommend several dimensions related to external aspects of the store atmosphere such as storefronts, entrances, storefronts, window displays, and building architecture (Yildirim et al., 2010; Gilbert, Veloutsou, 2006; Jalil et al., 2016).

Hypothesis 1 (H-1): There is a direct relationship between the store atmosphere and SERVQUAL.

Hypothesis 2 (H-2): There is a direct relationship between the store atmosphere and customer satisfaction.

2.2. SERVQUAL

SERVQUAL is a concept that has aroused the interest of scholars from around the world in the considerable debate (especially in the research literature). Because so far it makes it difficult to measure and define them without emerging good overall consensus. In the form of experience at the beginning, the development of the concept of service quality with in-depth analysis and measurement. The SERVQUAL approach adapted to current conditions is the most common measurement method for reflecting service quality (Wisniewski, 2001; Edvardsson et al., 1997).

From some other opinions, SERVQUAL is the output of a series of characteristics, which can be assessed with different weights and can have reciprocity (positive or negative). A comparison of customer expectations and realities against quality, allows them to feel whether SERVQUAL is good or bad. Customers have different expectations for each service (Datta, Vardhan, 2017; Burböck, 2014).
SERVQUAL is a multi-item scale, divided into 5 indicators (tangibles, reliability, responsiveness, assurance, and empathy). From these constructs, it was developed to assess customer perceptions of SERVQUAL for retail and service-based businesses (Parasuraman et al., 1988).

If the best service is provided to customers, then they will also have a good opportunity to continue visiting the company. This is because SERVQUAL is the main instrument that will make customers behave positively to be able to recommend and promote company products to others. Thus, increasing SERVQUAL will have a positive impact on customer satisfaction (Ho, Lee, 2007; Bendall-Lyon & Powers, 2004; Gounaris et al., 2003; Desiyanti et al., 2018; Maria et al., 2020).

The level of probability that customers will stay longer in the store and feel satisfied increases because the company has provided SERVQUAL and a good store atmosphere. This proves that these two factors have a real effect on satisfaction. Apart from SERVQUAL and the store atmosphere, the presentation of food and services also plays an important role in achieving satisfaction and increasing their purchase intention. The better the level of service provided, the customers will exist and increase their intention to buy back regularly. If customers choose companies that provide SERVQUAL according to their expectations, then the tendency to choose similar products will occur again (Wakefield, Baker, 1998; Pratiwi, Wardi, 2019; Zhong, Moon, 2020; Wandebori, Wijaya, 2017; Shin et al., 2015).

Hypothesis 3 (H-3): There is a direct relationship between SERVQUAL and customer satisfaction.
Hypothesis 4 (H-4): There is a direct relationship between the store atmosphere and customer satisfaction through SERVQUAL.

2.3. Customer satisfaction

Much of the literature on marketing science has traditionally addressed customer behavior. Customer satisfaction is a relative concept and is always an assessment of its relation to operational standards. In its journey, there are different benchmarks from a number of theories and lead to competition based on various standards to explain customer satisfaction in assessing a company's service (Oliver, Swan, 1989).

So far, there is no specific definition related to the discussion of customer satisfaction that is universally accepted. There is a long debate going on in the realm of customer satisfaction, as this is a starting point and a part of the emotional state. Defines satisfaction as a cognitive state of appreciation that is given to customers (adequately or inadequately) based on the sacrifices they have experienced. As an evaluation and consideration, that the alternative they chose was consistent with previous beliefs and was closely related to the alternative. Human processes are likely to be complex and involve cognitive-affective, broad, and other psychological dynamics that cannot necessarily be found (Mill, 2002; Howard, Sheth, 1969; Oh, Parks, 1997; McCollough, 2000; Engel, Blackwood, 1982).

2.4. Conceptual framework

Some of the benefits of a theoretical framework in research work are that it can provide structure, show how a study can define, and study analytically, philosophically, and methodologically (Grant, Osanloo, 2014; Sutton, Staw, 1995; Adom et al., 2018).
The theoretical framework in this article is used to limit the scope and relevant data with a focus on store atmosphere variables, SERVQUAL, and customer satisfaction. Figure 1 presents the point of view of the phenomenon and various previous empirical findings, so we need to analyze the data to be collected, understand the concept based on the operational definition of the variable, and build knowledge through hypotheses and assumptions that have been designed.

### 3. Research model and data

Based on the purpose of the article, we used a survey method of J.Co donuts and coffee customers. A survey-based study is a quantitative method by asking a specific population or sample of pre-designed questions. This is a very useful approach to describe the characteristics of the essence of a group or group as a whole (Ponto, 2015).

Customers in question are those who have subscribed to the store at least 3 times in 6 months, have knowledge of what they buy (donuts, coffee, and yogurt), including in the community of lovers of these products who use social media (Facebook, Instagram, or Twitter), and also experience the atmosphere of J. Co Donuts and Coffee. Thus, for the proper technique to present the conditions of the object of study, we used a purposive sampling approach.

This technique needs to rely on its own judgment when determining the participation of members of the population. The reason we are based on this is that the sample is an appropriate representative of the study, so it will save costs, energy, and time (Black, 2010).

#### Table 1. Measurements of variable

<table>
<thead>
<tr>
<th>Variables</th>
<th>Role</th>
<th>Explanation</th>
<th>Indicators</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store atmosphere</td>
<td>Independent</td>
<td>Elements which affects the atmosphere the store you want to create for the convenience of your customers</td>
<td>Exterior, general interior, store layout, and interior displays</td>
<td>Berman et al. (2018)</td>
</tr>
<tr>
<td>SERVQUAL</td>
<td>Mediator</td>
<td>A dynamic condition that is closely related to products, services, people, processes, and the environment that exceeds customer expectations</td>
<td>Friendliness, ease of operation and repair, accuracy, and other valued attributes</td>
<td>Yamit (2005), Kotler &amp; Armstrong (2008)</td>
</tr>
<tr>
<td>Customers satisfaction</td>
<td>Dependent</td>
<td>Customer satisfaction is part of the measurement between performance and customer needs in service aspects through survey</td>
<td>Quality of products and services, price, customer emotions, and convenience</td>
<td>Johnson et al. (2001), Eboli &amp; Mazzula (2009)</td>
</tr>
</tbody>
</table>

As for the number of samples as many as 350 questionnaires, where they are divided from 2 J. Co Donuts and Coffee outlets, so we grouped for outlets in Samarinda City and Surabaya City each of 175 customers. The data collection time is from March to June 2020. With the form of the questions they answer, it will be simplified into a 1-10 scale presentation (from strongly disagree to strongly agree). After that, it is tabulated and processed through a regression analysis model. In order not to misunderstand operational data, Table 1 shows the details of the variables used in this article.

### 4. Findings

In this section, we will review the study findings including the demographics of the respondents, correlations between variables, tests of reliability and validity, and hypothesis testing.
Figure 2 reports that 121 customers annually make an average purchase of 12-17 times. Of the 350 respondents, 147 of them have subscribed for about 1.5 years and 216 respondents used Facebook to review and talk about J. Co donuts and coffee from their community. Meanwhile, they stated that they preferred donuts products to coffee or yogurt, namely 142 respondents. This reason is not an exaggeration, considering that in terms of gender, the dominant customers of J. Co donuts and coffee are women than men with a ratio of 56% and 44%. All types of circles really like the product, so that all ages are a part of it. It should be noted that the age category of respondents is very diverse and 26% of them are from the age of 23 - 28 years.

Table 2. Value of Pearson correlation

<table>
<thead>
<tr>
<th>Variables</th>
<th>[1]</th>
<th>[2]</th>
<th>[3]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store atmosphere</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SERVQUAL</td>
<td>.408</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>.601</td>
<td>.315</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Own calculations

Table 2 explains that the three variables have a positive correlation magnitude. The highest value is customer satisfaction. If the linear relationship is parallel (straight line), it indicates the strength or height of the straight-line relationship between variables (Sekaran, Bougie, 2016).
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Table 3. Summary of Reliability Coefficients and Validity Test

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Variables</th>
<th>RC</th>
<th>VT</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA.1</td>
<td>Store atmosphere</td>
<td>.872</td>
<td>.926</td>
<td>Supported</td>
</tr>
<tr>
<td>SA.2</td>
<td></td>
<td>.855</td>
<td>.907</td>
<td>Supported</td>
</tr>
<tr>
<td>SA.3</td>
<td></td>
<td>.754</td>
<td>.855</td>
<td>Supported</td>
</tr>
<tr>
<td>SA.4</td>
<td></td>
<td>.820</td>
<td>.754</td>
<td>Supported</td>
</tr>
<tr>
<td>SQ.1</td>
<td>SERVQUAL</td>
<td>.703</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>SQ.2</td>
<td></td>
<td>.739</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>SQ.3</td>
<td></td>
<td>.801</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>SQ.4</td>
<td></td>
<td>.613</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>SQ.5</td>
<td></td>
<td>.659</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>CS.1</td>
<td>Customer satisfaction</td>
<td>.899</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>CS.2</td>
<td></td>
<td>.775</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>CS.3</td>
<td></td>
<td>.514</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>CS.4</td>
<td></td>
<td>.881</td>
<td></td>
<td>Supported</td>
</tr>
</tbody>
</table>

Source: Own calculations

Webb et al. (2006) interpreted the RC values in 4 classifications (higher, good, adequate, and may have limited applicability). Based on our findings, it is explicitly proven that the RC performance of the three variables has met the criteria. The provisions of each of these variables explain that store atmosphere and customer satisfaction have RC values in the interval 0.80 - 0.89 (good). Only SERVQUAL is adequate because the CA is in the interval of 0.70 - 0.79. Table 3 also highlights VT’s performance. As informed by Sireci (2007) and Wolming & Wikström (2010), there are 4 categories to measure the level of validity (perfect, high, moderate, and low). It can be seen that, 2 indicators of store atmosphere with a perfect VT value (> 0.90). Diversity is also shown by the SERVQUAL variable which also has the highest 1 indicator compared to the others (0.70 - 0.90) and 1 indicator on customer satisfaction, the amount of which is in the interval 0.50 - 0.70 (moderate).

Table 4: Regression results

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Coef. Beta</th>
<th>Std. Error</th>
<th>Sig.</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H-1</td>
<td>-.198</td>
<td>.311</td>
<td>.067</td>
<td>Rejected</td>
</tr>
<tr>
<td>H-2</td>
<td>.373</td>
<td>.125</td>
<td>.032</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H-3</td>
<td>.134</td>
<td>.107</td>
<td>.019</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H-4</td>
<td>.466</td>
<td>.011</td>
<td>.006</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

R = .949  
R² = .907  
F Sig. = 19.865  
Durbin-Watson = 2.340

Source: Own calculations  
Note: Level of probability is 5%

Referring to Table 4, it can be concluded overall that H-1 has been rejected, while H-2, H-3, and H-4 are acceptable. This is based on the statistical provisions we adopted from Maria et al. (2019). With a significance level, it is evident that SERVQUAL is the most dominant variable among others. In addition, SERVQUAL is able to mediate the relationship between store atmosphere and customer satisfaction. Other statistical requirements that are fulfilled are the achievement of the correlation and the coefficient of determination whose value is almost perfect, so it means that the relationship between variables is almost perfect. Specifically for the study on R², 9.3% were outside this research model. Additional note, the amount of DW to detect whether autocorrelation symptoms occur or not and this shows no more than 4.00 (positive autocorrelation).
5. Discussions

The empirical findings state that there are 3 acceptable hypotheses, while 1 hypothesis is rejected. That is, not all of the hypotheses we put forward can be in harmony with what the literature and previous studies want.

The unidirectional relationship between the store atmosphere and SERVQUAL has defied what was expected. Increasing store atmosphere reduces SERVQUAL. Rashid, Rokade (2019) and Munaro et al. (2019) predicted that the atmosphere displayed by the seller would not necessarily affect SERVQUAL. Store owners or companies often pay attention to physical things (corridors, lighting, buildings, and interiors), but in reality, they are not followed by a consistent form of employee service. This can happen at any time, because employees may not necessarily be able to follow the standards applied by the company. The concrete form that customers expect is by SERVQUAL itself.

In another hypothesis, there is a direct relationship between the store atmosphere and SERVQUAL on customer satisfaction. Thus, this is in line with what was expected by the previous literature. The presence of a store atmosphere and a supportive SERVQUAL can increase customer satisfaction. A shopping place with a comfortable atmosphere and SERVQUAL will present a good image to buyers. They do not hesitate to come in the future, because feelings of joy arise naturally. Between hope and reality will indirectly have an impact on customer psychology. This fact is consistent with what was found by Abrar et al. (2017), Sulaiman et al. (2020), Gong, Yi (2018), Slack, Singh (2020), and Sutrisno et al. (2019) revealed that store atmosphere and SERVQUAL have a significant effect on customer satisfaction.

We also need to inform you that the relationship between the store atmosphere and customer satisfaction through SERVQUAL is one-way. SERVQUAL has a significant role in mediating the effect of these two variables. In order for customer satisfaction to have an impact, it is necessary to play a store atmosphere through the role of SERVQUAL. In this connection, the store atmosphere can not only directly affect customer satisfaction but requires a comprehensive SERVQUAL. Buyers cannot achieve a certain level of satisfaction if only relying on visuals. They need to feel the real form with the presence of SERVQUAL from employees. From time to time, stores or companies always follow the developments desired by the buyer. The sellers cannot be stagnant at one point but require feedback from customers (in this regard it is hope). This study is in line with what was found by many previous researchers who concluded that store atmosphere indirectly has a significant impact on customer satisfaction with the help of SERVQUAL (Oztas et al., 2016; Mensah, Mensah, 2018).

6. Conclusion and suggestion

The main objective of this study is to test the model used in predicting customer satisfaction related to store atmosphere and SERVQUAL at J. Co Donuts and Coffee (Samarinda and Surabaya outlets). This study also involves the SERVQUAL variable which acts as a mediator of the relationship between store atmosphere and customer satisfaction. From the proposed hypothesis, three hypotheses are accepted (the effect of store atmosphere and SERVQUAL on customer satisfaction and SERVQUAL is able to play its role in influencing the store atmosphere and customer satisfaction). One other hypothesis that the store atmosphere can affect SERVQUAL is apparently rejected because it is not important.

We realize that this study has several limitations in applying the model so that not all testing of the proposed model is in line with the theory and supports previous empirical findings. In addition, this study only measures a sample of 2 units, so it does not generalize the results.

For practitioners, these findings suggest further developing their products (not just coffee, donuts, and yogurt), but innovating on what customers want based on market developments. Another important aspect is that companies are not only concerned with aspects of the exterior, general
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