



## Influence of Servicescape on Customer Loyalty of Coffee Shop: Testing the Role of Customer Satisfaction as Mediation

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### Abstracts

The purpose of this research was to determine the influence of servicescape on customer loyalty of coffee shops. Data was collected using the survey method from 385 customer of coffee shops in Nakhon Ratchasima province and questionnaire was tool of data collection. In this study, multiple regression analysis is employed to analyze the relationships between servicescape and customer loyalty.

The result of hypothesis testing found that each dimension of servicescape (place identity, place physical and place attitude) has a significant and positive effect on customer satisfaction. Whereas, customer satisfaction explicitly leads to customer loyalty of coffee shops in Nakhon Ratchasima. Besides, this research findings show that the customer satisfaction plays the role of a mediator in the effects of servicescape on customer loyalty. The study suggests that executives of coffee shops can implement and should understand servicescape in order to fulfill customer needs.

**Keywords:** Servicescape, Customer Satisfaction, Customer loyalty

### Introduction

For the tradition coffee shops that are solely focusing on selling food and beverages, it is hard for them to survive in this modern world. In this 21<sup>st</sup> century, customers do not only focus on food and beverages quality but also demand for a better service quality, comfortable environment, and creative design of the coffee shop. Therefore, it is important for a manager to design a coffee shop with high attractive power and provide an excellent service quality in order to satisfy customers which will eventually influence the customers' behavioral intentions. The research helps to reveal servicescape that impact on customer loyalty towards



behavioral intentions in coffee shop. Factors that pose the strongest effect in customer loyalty towards behavioral intentions will be determined which aids in providing a better understanding for executive of coffee shops. Customers of coffee shop usually spend hours in shop for various reasons. In doing so, they consciously or unconsciously sense the physical surroundings which impacts on their future intentions. In addition to food service, pleasant physical setting, interior design and décor, pleasing music, subdued lighting, unique color scheme, ambience, odor, spacious layout, appealing table settings and attractive service staff all goes to determine to a large extent the degree of overall customers' satisfactions and loyalty (Han & Ryu, 2009; Kim & Moon, 2009).

The coffee shop in Thailand has witnessed a tremendous growth in recent times (Tawinunt, Thammapattanukun, Chusuwan, & Totansombat, 2019). This growth could be attributed to Thailand's relative political and economic stability in a region known for culture and famous tourist. According to (International Coffee Council, 2014), Asian coffee market has the most dynamic growth around the world with the average growth rate of 4% per annum, increasing to 4.9% since the year 2000 and become the attention in the world coffee industry. To further study on the coffee consumption in Asia, the share of East and Southeast Asia has also been increasing, accounting for 13.8% of the world total in 2012 (International Coffee Council, 2014). Although the tea drinking culture is remained as the dominant beverage as compared to coffee in China, but the number of coffee shops are skyrocketing (Kees & Zen, 2014). Not just in China, other Asian countries such as Singapore and Thailand, more individualized coffee shop are increasing drastically as to attract more customers by their unique concept.

Since the revolution of coffee, it has become part of our life as there must be a cup of coffee daily to kick start a brand new day. A cup of coffee must be enjoyed every day no matter in the morning, afternoon or even at night. People drink coffee regardless of what type of coffee they drink, where they are, whom they drink coffee with and when they drink the coffee. The importance of attaining distinctive atmosphere, servicescape or environment has gained growing attention among executives since it is considered one of the key factors in attracting and satisfying customers in hospitality (Han & Ryu, 2009). Servicescape plays a critical role in not only customer evaluation of the standard of service, but also offers opportunities for executives to influence customer satisfaction (Namasivayam & Lin, 2008). Executives could use servicescape of coffee shop to enhance customer services, attract new customers and



ensure customer loyalty. Servicescape is a company physical used to influence the feelings of consumers to be happy and positive emotion.

### Purpose of the Research

1. To examine the relationships among each dimension of servicescape (place identity, place physical and place attitude) on customer satisfaction,
2. To investigate the influences of customer satisfaction on increased customer loyalty within the context of coffee shop in Nakhon Ratchasima, Thailand,
3. To testing the role of customer satisfaction as the mediate variable between servicescape and customer loyalty.

### Literature Review / Conceptual Framework

#### Servicescape Logic

The importance of attaining distinctive atmosphere, servicescape has gained growing attention among executives since it is considered one of the key factors in attracting and satisfying customers in hospitality (Han & Ryu, 2009; Jang & Namkung, 2009). The servicescape or physical environment of any business is an important determinant of consumer psychology behaviour (Ryu & Jang, 2007). Bitner (1992) defined servicescape or service environment as the built environment, which has artificial physical surroundings as opposed to the natural or social environment. The servicescape remains critical in forming initial impression of the customer which could predict customer intentions (Dong & Siu 2013).

Servicescape, as defined by Namasivayam & Lin (2008), is the physical environment of a firm, including the overall layout, design and decoration. It is also the built environment, with an artificial physical surrounding as opposed to the nature or social environment (Bitner, 1992). Servicescape is more profound in firms that offer core services, like hotels, hospitals, cinemas, coffee shop and schools, yet its importance cannot be over emphasized in firms where customer services are rendered, as effective manipulation of the servicescape can lead to customer satisfaction and increase repeat purchases (Namasivayam & Lin, 2008). Thus, servicescape is important in both firms because of its influences on consumers' behavior (Bitner, 1992; Namasivayam & Lin, 2008). However, firms should be careful about their servicescape, as it is capable of enhancing or suppressing consumers' emotions (Kwabena, Mabel, Inusah, & Kwesiet, 2011).



Numerous studies have examined the influence of service environment in a variety of service settings and found its impact on customer satisfaction, service quality and customer loyalty. Wakefield & Blodgett (1994) investigated the influence of the servicescape on customer satisfaction and repatronage. Results of that study indicated that, servicescape quality does play an important role in determining customer attraction and behavioural response to the service. In addition, Van Heerden, Botha, & Durieux (2009), studied the relationship between atmospherics, servicescape and destination attractiveness of a holiday destination in South Africa and found a positive correlation between the tourists' perceptions of atmospherics, the servicescape and destination attractiveness. This implies that, when customers are satisfied with the service environment, they are likely to be loyal. There is the need for hotel managers to focus on the service environment to attract and retain customers.

In previous research, it was found that servicescape had significant influence on customer satisfaction and loyalty (Hur, Se-Hyuk, & Bit-Na, 2015). Servicescape can be used as a tool for making experience evaluations of customers easier (Situmorang, 2018). Thus, this study extends the prior research of servicescapes comprising three dimensions, which are place identity, place physical and place attitude. The conceptual framework explaining the effects of servicescape on customer loyalty are shown in figure 1.



Figure 1 Conceptual Framework of Servicescape on Customer Loyalty Place Identity

Place identity is defined as the congruency between a person's self-image and the physical and social aspects of a place (Proshansky, 1978). Place identity (in the psychological sense) is conceptualized here as a substructure of the social identity of the self, consisting of aspects of self-concepts that are based on the idea of belonging to geographically defined groups (Bernardo & Palma-Oliveira, 2012; Lewicka, 2008). Proshansky, Fabian, & Kaminoff (1983) defines place identity as those dimensions of self that define the individual's personal identity in relation to the physical environment.



Leveraging these values in a marketing context, Bhattacharya & Sen (2003), determine that correspondence between a person's identity and that of relevant businesses can be a source of self-identification. Thus, place identity is forged around a “deep-seated familiarity with the environment, a sense of bodily, sensuous, social and autobiographic insideness (Rowles, 1983) that arises as the result of individuals' habituation to their physical surroundings” (Dixon & Durrheim, 2004). Once an individual self-categorizes as being a member of a place or environmental setting, he or she is able to use it as a means of reference, a form of personal expression, and a communication tool (Sirgy, Grewal, & Mangleburg 2000). Finally, when there is congruence between the self-image of the individual and the image of the service place, feelings of attachment are increased. The result is similar to Inthasang, Pimpan, & Khamphroph (2019) servicescape plays a significant role in determining place attachment and customer satisfaction. Therefore, the research hypothesis is as follows:

H1: Place identity has a positive influence on customer satisfaction.

#### **Place Physical**

A firm's place physical environment have been identified by numerous authors, including Varley (2014); Broekemier, Marquardt, & Gentry (2008); Levy & Weitz (2012); and Situmorang (2018) as essential elements that affect human perceptions of and responses to an environment (layout, tools and décor). Place physical environment are the background features of an environment, and include elements like temperature, air quality, visual attractiveness, lighting, furniture noise, music and scent, which mostly affect the five senses (Kwabena et al., 2011). Ambient conditions are used by customers as part of auditory components of their evaluations of an environment, whereas management can use them as effective tools to reduce the negative consequences of waiting in any service operation (Hui, Dube, & Chebat, 1997). In view of the foregoing, ambient conditions have been affirmed as influential factors on customer responses (Milliman, 1982, 1986; Hui et al., 1997; Broekemier et al., 2008). The physical environment has daylighting in the area, but the waiting area did not have access to daylighting. The physical was clean but had an outdated look due to the finishes and materials. Therefore, the research hypothesis is as follows:

H2: Place physical has a positive influence on customer satisfaction.

#### **Place Attitude**

Attitude is a set of enduring psychological processes with respect to some aspects of our environment (Hawkins, Mothersbaugh, & Best, 2001). Thus, the way one thinks, feels and



acts toward some aspects of one's environment forms the person's attitude (Tiapana, 2009). Place attitude is an individual's evaluation of the environment in terms of its functionality in satisfying unfulfilled needs (Backlund & Williams, 2004). Jorgensen & Stedman (2001) define place attitude as a concern for "how well a setting serves goal obtainment given an existing range of alternatives (i.e., how does this setting compare to others for what I like to do?)" (p. 234). It is useful to consider sense of place as an attitude towards a spatial setting especially since the constructs noted above share strong similarities to the affective, cognitive components of attitude, respectively. Additionally, place attitude has been found to influence attitudes towards fees and spending preferences (Kyle, Absher, & Graefe, 2003), visitation within a recreational setting (Backlund & Williams, 2004), and place attachment (Jorgensen & Stedman, 2001; Kyle, Graefe, & Manning 2005).

The link between place attitude and strength of sense of place is based on principles from environmental psychology that suggest that functional assessments reflect the importance of a place in providing features that support desired goals and activities (Williams & Vaske, 2003). Sense of place that gained expression in property owners' thoughts, feelings and behavioral commitments for their lakeshore properties (Jorgensen & Stedman, 2001). Therefore, the research hypothesis is as follows:

H3: Place attitude has a positive influence on customer satisfaction.

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

Satisfaction is "a person's feelings of pleasure or disappointment that result from comparing a product perceived performance (or outcome) to expectation" (Kotler & Keller, 2012). Customer satisfaction is essential to long-term business success, and one of the most frequently researched topics in marketing (e.g., Jones & Suh, 2000; Pappu & Quester, 2006). Customer satisfaction can be defined as customer comparison between real performance and expectation (Mosahab, Mahamad, & Ramayah, 2010; Oliver, 2006). Because customer satisfaction has been regarded a fundamental determinant of long-term business success, much of the research on customer satisfaction investigates its impact on consumers' post consumption evaluations such as behavioural and attitudinal loyalty (Cooil, Keiningham, Aksoy, & Hsu, 2007).

Customer loyalty is very important for companies in business competition epoch. Companies that are able to develop and maintain consumer loyalty will achieve long-term success (Shoemaker, & Lewis, 1999). Firms must continuously improve any aspect (physically



and emotionally) in customer interaction, so the customer will be more loyal, willing to repurchase/revisit and recommend those brand/place to their friends or relatives (Situmorang, 2017). Customer loyalty refer to the result of consistently positive attitude experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services, causing repetitive same brand-set purchasing (Sombultawee, 2018). The hypothesis was that, there is a positive relationship between customer satisfaction and customer loyalty, that is, satisfied customers will repurchase from the satisfying organization. Some supporting literature came from Chiguvi & Guruwo (2017) who showed a research on the influence of customer satisfaction on customer loyalty among bank customers. Furthermore, Olajide & Israel (2013) found that there is a positive relationship between customer satisfaction and customer loyalty. Therefore, the research hypothesis is as follows:

H4: Customer satisfaction has a positive influence on customer loyalty.

H5: Customer satisfaction as the mediate variable between servicescape and customer loyalty.

## Research Methodology

### Sample Selection and Data Collection Procedure

The research targeted customers of coffee shop in Nakhon Ratchasima, Thailand. This coffee shop was targeted because a large proportion of coffee shop in Nakhon Ratchasima were found in this category and in order to improve upon representation. A sample size calculation method suggested by Cochran (1977); Zikmund, Babin, Carr, & Griffin (2013), pointed out that if the infinite population. This research assumed that tolerable error (e) is 5%, population proportion (P) is 0.5, and confidence interval is 95% ( $Z=1.96$ ), while 385 is the members in the sample. Beside, Bujang, Sa'at, & Bakar (2017) suggest that a minimum sample size of 300 or more is necessary to generate a close approximation of estimates with the parameters in the population. This study applies the purposive sampling technique to verify the hypotheses. Questionnaires were self-administered to ensure accuracy. The questionnaire contained questions covering elements of coffee shop service environment and respondents were asked to indicate their agreement or otherwise relating to each statement using five-point Likert scale. Out of the 400 questionnaires administered, 387 representing 96%. The filled questionnaires were screened and the badly filled ones were discarded from the analysis. Finally, 385 questionnaires were found suitable for the analysis.



### Measurements Research

This research employs a questionnaire as the instrument for data collection. All constructs in the model include multiple-item scales. Each of these variables is measured by a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire is divided into 4 sections.

Section 1: Personal information about customers of coffee shop,

Section 2: Opinion on servicescape of coffee shop,

Section 3: Opinion on customer satisfaction and loyalty of coffee shop,

Section 4: Recommendations regarding business administration of coffee shop.

In addition, all constructs are developed for measuring from definition of each construct and examine the relationship from theoretical framework and prior literature reviews. The details of each variable are presented in the following sections.

### Dependent Variables

In this study, customer loyalty is the result of consistently positive attitude experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services, causing repetitive same brand-set purchasing. (Shaoosanuk & Saipimpang, 2010). A five-item scale was, based on its definition and relevant literature reviews.

### Independent Variables

Servicescape is the focal construct of this research. It comprises three dimensions: namely, place identity, place physical and place attitude. All independent variables are proposed as the following.

Firstly, place identity is defined as the congruency between a person's self-image and the physical and social aspects of a place to measure place identity (Proshansky, 1978). Secondly, place physical environment are the background features of an environment, and include elements like temperature, air quality, visual attractiveness, lighting, furniture noise, music and scent (Kwabena et al., 2011). Thirdly, Place attitude is an individual's evaluation of the environment in terms of its functionality in satisfying unfulfilled needs (Backlund & Williams, 2004). Thus, the way one thinks, feels and acts toward some aspects of one's environment forms the person's attitude (Tiapan, 2009). To measure servicescapes comprising three dimensions, which are place identity, place physical, place attitude, and their measurement of the four item scale.



### Mediator Variables

Customer satisfaction is the mediator variable of the research, customer satisfaction is an evaluative judgment of the last purchase occasion and based on all encounters with service provider (Bitner & Hubbert, 1994). To measure customer satisfaction, and its measurement includes four-item scale.

### Reliability and Validity

The questionnaire was developed from existing literatures of marketing. First, prior to collection to the respondents, two experts and scholars were asked to modify the questionnaire to ensure comprehensiveness, clarity and reliability of the questionnaire. Second, the questionnaire was done among thirty customers randomly chosen in coffee shop, resulting in some minor modifications of the wordings of some survey items on place identity, place physical and place attitude.

Factor analysis was used to assess the underlying relationships of a large number of items and to decide whether they can be reduced to a smaller set of factors. The factor analysis was conducted separately on each set of the items representing a particular scale due to limited observations. With respect to confirmatory factory analysis, this analysis has a high potential to inflate the component loadings. Thus, a higher rule-of-thumb, a cut-off value of 0.70 was adopted (Hair, Babin, & Anderson, 2010). All factor loadings are greater than the 0.70 cut-off and are statistically significant. The reliability of the measurements was evaluated by Cronbach alpha coefficients. In the scale's reliability, Cronbach alpha coefficients are greater than 0.70 (Nunnally & Bernstein, 1994). The scales of all measures appear to produce internally consistent results; thus, these measures are deemed appropriate for further analysis because they express an accepted validity and reliability in this study. Table 1 presents the results of measure validation and reliability in this study.

Table 1 Results of Measure Validation and Reliability

Variables	Factor Loadings	Cronbach's Alpha	Items
Place Identity	.811-.867	.807	4
Place Physical	.779-.901	.854	4
Place Attitude	.721-.843	.788	4
Customer Satisfaction	.744-.851	.814	4
Customer Loyalty	.733-.917	.826	5



### Statistical Techniques

The multiple regression analysis (MRA) is used to test and evaluate all hypotheses following the conceptual framework. Then, the aforementioned variables play significant roles in explaining the research relationships. Because the dependent variables and independent variables in this study were neither nominal data nor categorical data, MRA is an appropriate method for examining the hypothesized relationships (Hair et al., 2010). Furthermore, mediation analysis using the hierarchical multiple regression technique by Baron & Kenny (1986) and Frazier, Tix, & Baron (2004).

### Results and Discussion

The descriptive statistics and correlation matrix for variables are provided as shown in Table 2.

Table 2 Descriptive Statistics and Correlation Matrix

Variable	Place	Place	Place	Customer	Customer	Mean	S.D.
	Identity	Physical	Attitude	Satisfaction	Loyalty		
Place Identity	1					4.13	.441
Place Physical	.566**	1				4.27	.393
Place Attitude	.625**	.478**	1			4.12	.448
Customer Satisfaction	.638**	.547**	.571**	1		4.01	.662
Customer Loyalty	.641**	.623**	.693**	.598**	1	4.28	.513

\*\* P<0.01, \* P<0.05, a Beta coefficients with standard errors in parenthesis

To verify the multicollinearity problems of the study, multicollinearity might occur when inter-correlation in each predict variable is more than 0.80, which is a high relationship (Hair et al., 2010). The correlations ranging from .478 to .693 at the p < 0.05 level, which means that the possible relationships of the variables in the conceptual model could be tested. Similarly, variance inflation factors (VIFs) were used to provide information on the extent to which non-orthogonality among independent variables inflates standard errors. The VIFs range from 1.737 to 3.651, well below the cut-off value of 10 as recommended by Neter, Kutner, Nachtsheim & Wasserman (1996), means that the independent variables are not



correlated with each other. Therefore, there are no substantial multicollinearity problems encountered in this study.

To investigate the effects of servicescape on customer loyalty, the results of multiple regression analysis of the research relationships are presented in Table 3.

Table 3 Results of Multiple Regression Analysis

Independent Variables	Dependent Variable	
	Customer Satisfaction (CUS)	Customer Loyalty (CUL)
Place Identity	.270** (.109)	-
Place Physical	.311** (.297)	-
Place Attitude	.214** (.143)	-
Customer Satisfaction-	-	.236** (4.132)
Adjusted R <sup>2</sup>	.266	.349

\*\* p<0.01, \* p<0.05, a Beta coefficients with standard errors in parenthesis

Table 3 presents the results of multiple regression analysis of the relationships among the three dimensions of servicescape on customer satisfaction and customer loyalty. This study proposes three dimensions of servicescape which comprise place identity, place physical and place attitude. Servicescape plays an important role in determining the customer loyalty of the coffee shop in the Nakhon Ratchasima.

Firstly, the results demonstrate that place identity has a significant and positive effect on customer satisfaction ( $\beta = .270$ ,  $p < .01$ ). Secondly, the results point out that place physical has a significant and positive effect on customer satisfaction ( $\beta = .311$ ,  $p < .01$ ). Thirdly, the results demonstrate that place attitude has a significant and positive effect on customer satisfaction ( $\beta = .214$ ,  $p < .01$ ). **Therefore, H1, H2, and H3 are supported.** A major area of contribution to the literature is the evaluation of servicescape as determinants of customer satisfaction. Quite obviously, several findings found that personal involvement and place has a positive significant effect on interpretation satisfaction (Hwang, Lee, & Chen, 2005). Moreover, it is consistent with Lap-Kwong (2017) argued that there is a significant impact of servicescapes



(ambient conditions, spatial layout signs, and artifacts) have a positive effect on customer satisfaction where cleanliness has the greatest impact. In addition, empirical research agreed that the results support the assertion that firm competitive strategy has an impact on the strength of the relationship between servicescape characteristics and customer satisfaction (Miles, Miles, & Cannon, 2012). Also, prior research suggested that place dependence has been found to influence attitudes towards fees and spending preferences (Kyle et al., 2003), visitation within a recreational setting (Backlund & Williams, 2004), and customer loyalty (Jorgensen & Stedman, 2001). Likewise, Kim & Moon (2009) agreed that the results emphasize that theme restaurant managers should seek an understanding of customers' perception process in relation to emotion and attitude. Finally, the results suggest that servicescape have positive impact and significant to customer satisfaction, social media, word of mouth, and customer loyalty (Situmorang, 2018).

Lastly, the results indicate that customer satisfaction has a significant and positive effect on customer loyalty ( $\beta = .236$ ,  $p < .01$ ). *Thus, hypothesis 4 is supported.* The findings are congruent with Olajide & Israel (2013) who conducted a research on the effect of customer satisfaction on customer loyalty among bank customers in Ado-Ekiti Metropolis. Likewise, evidence to support the positive relationship between customer satisfactions was positively correlated with customer loyalty formed in the study of Chiguvu & Guruwo (2017) and Inthasang & Thiamjite (2020). The result is similar to Wong, Tong, & Wong (2014), who found that customer satisfaction has a positive direct effect on customer loyalty in healthcare insurance policyholders in Hong Kong.

#### Hierarchical Regression Analysis on Mediating Variable

Hierarchical regression analysis (HRA) is the technique to examine of mediation analysis that have analytical format of procedure, clear, and simple for study (Muller, Judd, & Yzerbyt, 2005). Moreover, HRA is able to used analysis results for the objectives correctly, similar with advanced statistic method. It both forecasting equations and can understand in- depth information about the causal factors of each of the independent variables affects the dependent variable more clearly (Prasithrathsint, 2012; Yoonaisin, 2013). The HRA approach, supplemented with a statistical test for the size and significance of the mediation effect (Cohen, Cohen, West, & Aiken, 2003). This study establish the mediating effect of customer satisfaction on the relationship between servicescape and customer loyalty of coffee shops.



Table 4 Results of Hierarchical Regression Analysis on Mediating Variable

Independent Variables	Dependent Variables			
	Step 1	Step 2	Step 3	Step 4
	CUL	CUS	CUL	CUL
Servicescape (SER)	.354** (2.847)	.318** (2.545)		
Customer Satisfaction (CUS)			.220** (2.926)	
Servicescape (SER)				.209* (1.487)
Customer Satisfaction (CUS)				.236** (2.132)

\*\* P<0.01, \* P<0.05, a Beta coefficients with standard errors in parenthesis

A mediation analysis was conducted using Baron & Kenny (1986) proposed a four steps approach in which hierarchical regression analyses are conducted and significance of the coefficients is examined at each step. To test the model which consists customer satisfaction on the relationship between servicescape and customer loyalty in Table 4.

Step 1: Conduct a simple regression analysis with servicescape predicting customer loyalty to test for path  $c$  ( $\beta = .354$ ) alone,

Step 2: Conduct a simple regression analysis with servicescape predicting customer satisfaction to test for path  $a$  ( $\beta = .318$ ),

Step 3: Conduct a simple regression analysis with customer satisfaction predicting customer loyalty to test the significance of path  $b$  ( $\beta = .220$ ) alone,

Step 4: Conduct a multiple regression analysis with servicescape and customer satisfaction predicting customer loyalty to test for path  $c'$  ( $\beta = .209$ ) and  $b$  ( $\beta = .236$ ).

Summaries, step 4 model, some form of mediation is supported if the effect of customer satisfaction (path  $b$ ) remains significant after controlling for servicescape. The results show that servicescape (path  $c'$ ) is still significant (i.e., both servicescape and customer satisfaction both significantly predict customer loyalty), the finding supports partial mediation in figure 2. However, servicescape and customer satisfaction was significant to influence customer loyalty, so it could be concluded that customer satisfaction partially mediated the



effect of servicescape on customer loyalty. *Thus, hypothesis 5 is supported.* This finding was supported by Mosahab et al (2010); Ongkowidjoyo (2015) that satisfied customer mediates loyalty as they must be satisfied with the business brand provided before they become loyal customers.

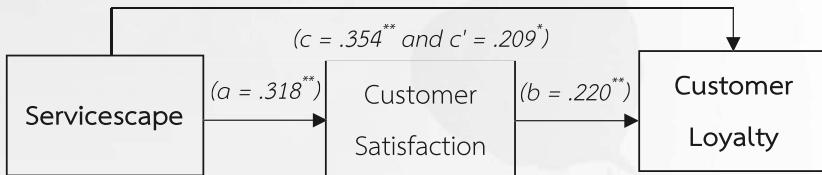


Figure 2 Research Model: Mediation Analysis

### Conclusions and Contribution

Servicescape becomes a valuable service marketing strategic tool in helping firms obtain opportunities in doing firms to the improvement of new ideas. Therefore, the objective of this study is to examine the relationships between servicescape and customer loyalty of coffee shop in Nakhon Ratchasima, Thailand. Servicescape comprising three dimensions, which are place identity, place physical and place attitude. In this study, 385 respondents of coffee shop in Nakhon Ratchasima are the samples. The empirical results found that servicescape has a significant and positive effect on customer loyalty.

### Theoretical Contribution

This study efforts to integrate place identity, place physical and place attitude as key characteristics of servicescape. It provide a unique theoretical contribution, expanding on previous knowledge and literature of servicescape and customer loyalty. In addition, confirms that these characteristics play important roles in determining customer loyalty. To expand the research results, future research may need to test a longitudinal design could provide a more dynamic perspective and contribute further to this stream of research. To verify the generalizability of the study, future research there is a need for testing in a number of service settings to establish those cases where the servicescape variable is significant and those where it may not be significant, and also to establish how the size of effect varies in different situations. In summary, this research is limited to a single coffee shop retail setting establishment and corresponding clients who are located in one geographical country at one point in time exploring the constructs relationships from a consumer perspective. Therefore, future research should be conducted to confirm that these studies' findings can be drawn to



other different service settings (e.g., restaurant, banks, different segments of the hospitality industry, and different local or country).

### Managerial Contribution

In addition, this study is fulfill the knowledge of the servicescape strategy that can help the executive to customer needs, requirements, expectations, marketing strategic, creative and planning of location in doing marketing activities and to be used as a guideline for the development, improvement of marketing competitiveness effectively. This paper also provides important to executive officers marketing manager or business owners, who responsible for generate marketing strategic, creative and planning of location.

Servicescape has positive impact and significant to customer loyalty leading to business development, has superior performance and business sustainability. It means executives must provide unique servicescape factors. First, careful consideration is needed in determining the appropriate level of arousal elicited by the physical environmental attributes such as attractiveness, ambient condition, amenity, interior, coziness, free Wi-Fi, an assortment of magazines, operate 24 hours, color, music, layout, design, aesthetics, seating, temperature, and cleanliness in order to be distinct from other competitors. Second, it is important to take into account the perceived congruency effects, or the goodness of fit, between the physical environment and the core product. Finally, managers can adopt novel servicescape attributes to enhance customers' memorable experiences at the cafe. These difference might create customer satisfaction, customer loyalty, and retention which will bring profits.

To this end, owners should rely on servicescape to enhance service experience by making differences with other competitors. Owners in the coffee shops should fully understand that the an accommodating environment, instilling feelings of satisfaction with their customers will more likely lead to the long term relationship commitments of customer retention and positive referrals.

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