

# The Effect of Service Quality and Price on Customer Loyalty to KFC Fanindo Sanctuary Garden Through Customer Satisfaction as an Intervening Variable

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## Abstract

This study examines the influence of service quality and price on customer loyalty at KFC Fanindo Sanctuary Garden in Batam, with customer satisfaction serving as an intervening variable. Employing a quantitative approach, data were collected via an online questionnaire from 100 repeat customers aged 17–50 years who purchased at the outlet within the past year. Structural Equation Modeling–Partial Least Squares (SEM-PLS) was used for data analysis. The results indicate that service quality and price both positively and significantly affect customer satisfaction and loyalty. Additionally, customer satisfaction significantly mediates the relationship between service quality and customer loyalty, while it does not mediate the effect of price on loyalty. These findings emphasize the critical role of enhancing service quality and competitive pricing to boost customer satisfaction and foster loyalty in the fast-food sector. This research provides valuable insights for KFC management KFC Fanindo Sanctuary Garden to refine service and pricing strategies to maintain and strengthen customer loyalty.

**Keywords:** Service Quality, Price, Customer Loyalty, Customer Satisfaction.

## 1. Introduction

The rapid advancement of technology and the impact of globalization have significantly accelerated the growth of the fast-food industry in Indonesia. In urban centers, particularly in densely populated areas such as Batam, instant food services have become a vital part of modern consumption habits. Batam's unique position as a border city and free trade zone has further amplified the demand for food that is not only quick to serve but also maintains a consistent standard of taste and quality.

KFC has established itself as a dominant player in Indonesia's fast-food industry since its entry in 1991. Its strong brand presence is evident in the 2024 Top Brand Index, where it secured the highest score at 23.60%, well above competitors like McDonald's (14.30%) and Hokben (11.40%). Supporting this, a 2023 Katadata survey ranked KFC first in customer service quality with 38.9% of consumer votes, surpassing McDonald's (33.33%). These results highlight KFC's consistent leadership at both the national and regional levels.

Batam has played a strategic role in this expansion. Historical records suggest that one of the earliest KFC outlets in the Riau Islands was established in Batam in the early 1990s, during the company's aggressive expansion across the country. By 1992, KFC outlets—then managed under the Gelael franchise—were already part of Batam's commercial landscape. Today, Batam hosts 10 KFC outlets, reflecting both the city's economic potential and the brand's ability to adapt to local demand.

However, despite this success, challenges remain. Customer feedback collected through Google Reviews highlights recurring issues related to service quality at various KFC outlets in Batam. For example, the KFC Panbil outlet received an average rating of only 2.4/5 from 45 reviews, with over 55% of complaints targeting poor cashier service. Even higher-rated outlets such as KFC Mega Mall (4.1/5) and KFC Botania (4.3/5) recorded customer dissatisfaction with staff interactions. These findings indicate that service quality—particularly in terms of reliability, responsiveness, assurance, empathy, and physical evidence (the SERVQUAL dimensions, Tjiptono, 2019)—remains a critical issue.

Service quality is widely acknowledged as a key determinant of customer loyalty. When the level of service delivered meets or exceeds customer expectations, it directly enhances satisfaction, which in turn fosters loyalty (Widagdo & Laily, 2020). Conversely, negative service experiences can discourage repeat purchases and even damage brand reputation in the long term.

Beyond service quality, price also plays a decisive role in shaping consumer behavior in the fast-food sector. A comparative analysis shows that KFC's "Super Besar 1" meal, priced at Rp 34,545, is slightly more expensive than McDonald's "Panas 1" at Rp 32,727, but cheaper than A&W's "Paket HHU" (Rp 39,500) and Richeese Factory's "Fire Chicken" (Rp 44,545). This narrow price competition makes it easy for customers to switch brands if they feel that the value received does not justify the cost. Price, therefore, not only influences purchasing decisions but also interacts closely with perceived value and satisfaction (Dhean, Arfia, & Laily, 2022).

Customer satisfaction emerges as a crucial intervening variable between service quality, price, and loyalty. According to Kotler & Armstrong (2014), satisfaction is an emotional response arising from a comparison between customer expectations and actual performance. If the perceived performance meets or surpasses expectations, satisfaction is achieved, encouraging repeat purchases. If not, dissatisfaction may arise, leading to customer churn. Previous studies confirm this mediating role: customer satisfaction significantly strengthens the relationship between service quality and loyalty, and between price perception and loyalty (Saiyaf Fakhri Aprilio & Lukman Hadi, 2020; Dhean, Arfia, & Laily, 2022).

Research on service quality, price, and loyalty has been conducted in various industries, from fitness centers to laundry services, but limited attention has been given to the fast-food industry, particularly in the unique socio-economic context of Batam. This research therefore seeks to fill the gap by focusing specifically on KFC customers in Batam, examining how service quality and price influence loyalty, with customer satisfaction serving as a mediating factor.

In addition, KFC Fanindo Sanctuary Garden was chosen as the object of research because this outlet has characteristics that are highly relevant to the research focus on service quality, price, satisfaction, and customer loyalty. This outlet is located in a strategic area right in front of the Batam State Polytechnic and is surrounded by residential, educational, and business areas, making it a major destination for students, workers, and the general public. KFC Fanindo Sanctuary is also one of the leading outlets that operates 24 hours a day and provides complete facilities such as a drive-thru, a two-storey dine-in area, KFC Coffee, an event room, and public Wi-Fi. The

high level of customer visits, coupled with reviews regarding service quality and price perception, make this outlet representative of the fast food competition in Batam. Therefore, this outlet is highly relevant for research to analyse how service quality and price actually affect customer satisfaction and loyalty.

The findings of this study are expected to provide both academic and practical contributions. Academically, the study enriches existing literature on consumer behavior and marketing strategies within the Indonesian fast-food sector. Practically, the results can guide KFC management in Batam to design more effective strategies for improving service interactions, refining pricing policies, and ultimately enhancing both customer satisfaction and loyalty.

In summary, while KFC enjoys strong brand equity and a significant market share in Indonesia, evidence from Batam reveals that service quality issues and price sensitivity continue to challenge long-term customer loyalty. By investigating these factors in depth, this study aims to provide insights that can help KFC not only sustain but also strengthen its leadership in Batam's competitive fast-food industry.

## 2. Theoretical Study

### 2.1 Service Quality

Service quality refers to the extent to which the services provided are able to meet or even exceed customer expectations (Tjiptono, 2019). The closer the service aligns with customer expectations, the higher its perceived quality. In essence, service quality reflects a company's ability to fulfill customer needs and desires while delivering accurate and reliable service that matches expectations (Dhean, Arfia, & Laily, 2022).

According to Tjiptono (2019), service quality is commonly evaluated through five key dimensions. Reliability reflects the consistency and dependability of a company in delivering services accurately and as promised. Responsiveness highlights the willingness and readiness of employees to provide prompt assistance and resolve customer concerns quickly. Assurance encompasses the competence, courtesy, and credibility of staff, which together foster customer trust and confidence in the service. Empathy refers to the personalized care given to customers, including ease of access, effective communication, and genuine efforts to understand their needs. Finally, tangibles represent the physical aspects of service, such as the appearance of facilities, equipment, and staff, as well as the overall comfort and modernity of the service environment.

### 2.2 Price

Price is one of the key elements in marketing strategy, as it directly determines both market share and the level of profitability for a company. Kotler and Armstrong

(2014) define price as the amount of money charged for a product or service, or the total value exchanged by customers to obtain the benefits of using it. In other words, price represents the amount consumers must pay to acquire certain goods or services (Dhean, Arfia, & Laily, 2022).

In determining price, Kotler and Armstrong (2014) identify four main indicators. The first is price affordability, which reflects the company's ability to adjust pricing so that it remains accessible across consumer segments, often by offering product variations ranging from low-end to premium categories. The second is price as a reflection of quality, since consumers frequently perceive higher-priced products as being of superior quality compared to lower-priced alternatives. The third is price suitability with consumers' purchasing power, where buyers actively compare competing products to evaluate whether the price offers equal or greater value relative to alternatives. The fourth is price-benefit alignment, meaning customers are more willing to purchase when the perceived benefits outweigh the cost, whereas products are considered overpriced and less attractive if the value is perceived as lower than the expenditure.

### 2.3 Customer Loyalty

Customer loyalty refers to a deep commitment formed through long-term, satisfying purchasing experiences that lead customers to consistently repurchase the same brand (Tjiptono & Irwansyah, 2018; Suharyanto & Damayanti, 2022). Kotler and Keller (2018) define it as the strong intention to continue using and supporting preferred products or services despite marketing efforts or situational factors that may encourage switching, where high loyalty fosters repeat purchases and substantial company benefits. Loyal customers are typically characterized by satisfaction, repeated purchases, positive word-of-mouth, evangelism, and a sense of ownership toward the company (Dhean, Arfia, & Laily, 2022).

Indicators of loyalty include repeated transactions, resistance to negative perceptions or competitor incentives, and the active recommendation of the company's products or services to others (Kotler & Keller, 2018).

### 2.4 Customer Satisfaction

Customer satisfaction represents the value contributed by consumers through the fulfillment of their expectations, which ultimately drives company performance. It arises when customers perceive that product or service outcomes meet or exceed their prior expectations (Kotler & Keller, 2018; Dhean, Arfia, & Laily, 2022). Key factors influencing satisfaction include product quality, pricing, service quality, emotional attachment, and convenience in terms of cost and accessibility.

Indicators of satisfaction are reflected in three dimensions: expectation confirmation, where products, services, and facilities align with or surpass customer expectations; repurchase intention, expressed through willingness to return due to product value, service quality, and adequate supporting facilities; and willingness to recommend, where satisfied customers actively suggest the company's products or services to friends and family based on quality, comfort, and perceived benefits (Kotler & Keller, 2018).

### 2.5 Hypotheses

The hypotheses in this research are formulated based on theoretical frameworks and prior research findings. According to the research questions outlined, the hypotheses of this study are as follows:

- H1: Service quality (X1) exerts a positive and significant influence on customer satisfaction (Z) at KFC Fanindo Sanctuary Garden.
- H2: Price (X2) positively influences customer satisfaction (Z) at KFC Fanindo Sanctuary Garden.
- H3: Service quality (X1) exerts a positive and significant influence on customer loyalty (Y) at KFC Fanindo Sanctuary Garden.
- H4: Price (X2) exerts a positive and significant impact on customer loyalty (Y) at KFC Fanindo Sanctuary Garden.
- H5: Customer satisfaction (Z) exerts a positive and significant impact on customer loyalty (Y) at KFC Fanindo Sanctuary Garden.
- H6: Service quality (X1) exerts a positive and significant influence on customer loyalty (Y) via the mediating variable of customer satisfaction (Z) at KFC Fanindo Sanctuary Garden.
- H7: Price (X2) positively and significantly influences customer loyalty (Y) via the mediating variable of customer satisfaction (Z) at KFC Fanindo Sanctuary Garden.

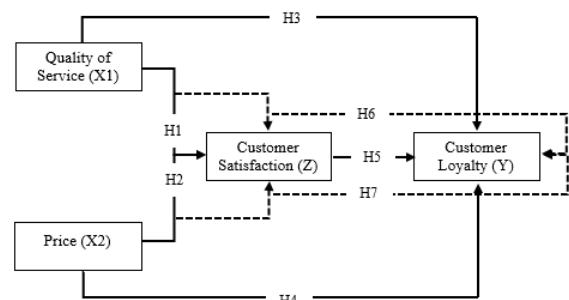


Figure 1 Research Framework

### 3. Research Methods

The study employs a quantitative approach, emphasizing objective measurement of the social phenomenon under investigation. Customer Loyalty (Y) is positioned as the dependent variable, influenced by Service Quality (X1) and Price (X2) as the independent variables. To reinforce these relationships, Customer Satisfaction (Z) is included as an intervening variable, mediating the effect of the independent variables on the dependent variable.

Primary data are utilized, collected directly from respondents through an online questionnaire distributed via Google Forms, shared through WhatsApp groups and other online communication channels (Sugiyono, 2017). This study used purposive sampling, whereby the criteria for respondents consisted of Batam residents who had purchased KFC products at the Fanindo Sanctuary Garden outlet within the past year and Batam residents aged 17–50 who had made repeat purchases at the KFC Fanindo Sanctuary Garden outlet. This study uses the Lemeshow formula to determine the sample size, which is as follows:

$$n = \frac{Z^2 \cdot p \cdot (1 - p)}{d^2}$$

Sehingga:

n = Sample size

Z = 1,96 (Confidence level)

p = 0,5 (Population proportion)

q = 1-p

d = 10% (Margin of error)

$$n = \frac{(1,96)^2 \cdot 0,5 \cdot (1 - 0,5)}{(0,10)^2} = 96,04$$

Thus, the sample size was rounded up to 100 from the previous value of 96.04.

In this study, responses to each questionnaire item were measured using a Likert scale. Respondents selected one of five alternatives:

TABLE I. PROMOTION VARIABLE

No	Option	Score
1	Strongly agree	5
2	Agree	4
3	Neutral	3
4	Disagree	2
5	Strongly disagree	1

Source: Sugiyono (2017)

This study applied Structural Equation Modeling (SEM) using the Partial Least Squares (PLS) approach with SmartPLS 4 to analyze both direct and mediated

relationships. The measurement model was assessed through convergent and discriminant validity, as well as reliability tests, while the structural model was evaluated using R-square, F-square, T-statistics, and VIF. Hypotheses were tested on direct and indirect effects to determine the role of customer satisfaction as an intervening variable.

### 4. Result and Discussion

#### 4.1 Descriptive Analysis Test

This research was conducted using a Google Form questionnaire containing several statements for respondents. The sample consisted of 100 repeat customers of KFC Fanindo Sanctuary Garden in Batam who had made purchases within the past year.

##### a) Respondent Description

TABLE II. RESPONDENT DESCRIPTION

Characteristic	Category	Frequency	Percentage
Gender	Laki-Laki	54	54%
	Perempuan	46	46%
Age	17-25 years	85	85%
	26-35 years	11	11%
	36-50 years	4	4%
Purchase Method	Dine In	78	78%
	Take Away	22	22%
Purchase Frequency	3 Times	55	55%
	4 Times	27	27%
	5 Times	18	18%

Source: G-form (2025)

The respondent description table II shows that the majority of respondents are male at 54%, while female respondents account for 46%. In terms of age, the 17–25 age group dominates with a percentage of 85%, while the 26–35 and 36–50 age groups account for only 11% and 4%, respectively. Most respondents made purchases through dine-in (78%), while the rest used takeaway (22%). The highest purchase frequency was in the three-times-purchase category (55%), followed by four times (27%), and five times (18%). These findings illustrate that respondents are predominantly young consumers who actively make purchases directly at the outlet.

##### b) Variable Data Description

The overall results of the survey show that customers of KFC Fanindo Sanctuary Garden Batam hold positive perceptions of the restaurant in terms of service quality, price, customer satisfaction, and customer loyalty.

- Service Quality (X1): Customers rated service quality highly, especially in responsiveness to complaints and cleanliness of facilities (mean

variable 4.22). Friendliness, personal attention, and service speed were also well appreciated. This suggests that service quality is a strong factor driving satisfaction and loyalty.

- Price (X2): Most respondents viewed KFC's prices as affordable and reasonable, with the highest score (mean variable 4.15) for fairness of price relative to quality. Customers also saw KFC's pricing as competitive compared to other restaurants.
- Customer Loyalty (Y): Loyalty indicators were consistently strong, with the highest score (mean variable 4.22) for willingness to recommend KFC to others. Repeat visits and preference over competitors further indicate solid customer loyalty.
- Customer Satisfaction (Z): Satisfaction levels were very positive, led by overall service satisfaction (mean 4.30)

In summary, the findings confirm that service quality and price positively contribute to customer satisfaction, which in turn strengthens customer loyalty at KFC Fanindo Sanctuary Garden Batam.

## 4.2 Data Analysis Using SEM-PLS

### 1. Convergent Validity

According to Hair et al. (2017), an indicator is considered reliable if it has a factor loading  $\geq 0.70$ . However, in exploratory or initial models, loadings between 0.50 and 0.60 are still acceptable. The measurement model analysis revealed several manifest variables with factor loadings below 0.70, which would normally require indicator removal to meet the criteria.

TABLE III. LOADING FACTOR VALUE

	(X1)	(X2)	(Y)	(Z)
X1.1	0.911			
X1.2	0.931			
X1.3	0.960			
X1.4	0.923			
X1.5	0.911			
X2.1		0.948		
X2.2		0.900		
X2.3		0.900		
Y.1			0.955	
Y.2			0.913	
Y.3			0.912	
Z.1				0.953
Z.2				0.918
Z.3				0.898

Source: Smart-PLS Primary Data, 2025

According to Table 3, the load factor values for each variable indicate that these indicators have values  $< 0.7$ , which means that no improvement is necessary.

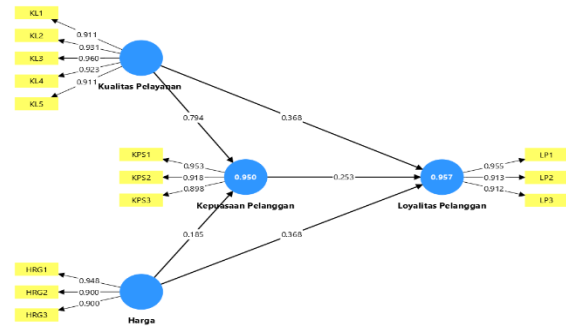


Figure 2. Graph of Loading Factor Value Results

Source: Smart-PLS Primary Data, 2025

### 2. Composite Reliability

The Partial Least Squares (PLS) approach is also used to assess reliability, specifically to evaluate the internal consistency of a reflective construct, meaning the extent to which its indicators consistently measure the same concept (Hair et al., 2017). One key measure is Composite Reliability (CR), which reflects the true reliability of a construct. A CR value is considered acceptable if it exceeds 0.60. An indicator is regarded as reliable and acceptable with a score above 0.70, and values higher than this indicate a satisfactory result.

TABLE IV. COMPOSITE RELIABILITY

Construct Validity and Reliability				
	Cronbach's alpha	rho ..a	rho..c	AVE
(X1)	0.959	0.960	0.968	0.860
(X2)	0.904	0.904	0.940	0.839
(Y)	0.918	0.918	0.948	0.860
(Z)	0.914	0.915	0.946	0.853

Source: Smart-PLS Primary Data, 2025

The validity and reliability values of the constructs indicate that both Cronbach's alpha and composite reliability for all research constructs exceed 0.70. Therefore, it can be concluded that the constructs are reliable.

### 3. Discriminant Validity

Discriminant validity is assessed by ensuring each indicator loads higher on its own construct than on others, with loadings above 0.70 preferred.

TABLE V. CROSS-LOADING VALUE

	(X1)	(X2)	(Y)	(Z)
X1.1	0.911	0.872	0.862	0.863
X1.2	0.931	0.936	0.921	0.920
X1.3	0.960	0.931	0.939	0.948
X1.4	0.923	0.887	0.877	0.887
X1.5	0.911	0.866	0.901	0.892
X2.1	0.883	0.948	0.889	0.864
X2.2	0.886	0.900	0.904	0.891
X2.3	0.893	0.900	0.862	0.867
Y.1	0.887	0.898	0.955	0.896
Y.2	0.924	0.916	0.913	0.909
Y.3	0.889	0.872	0.912	0.871
Z.1	0.929	0.917	0.930	0.953
Z.2	0.889	0.868	0.870	0.918
Z.3	0.879	0.860	0.867	0.898

Source: Smart-PLS Primary Data, 2025

Based on the results in Table 5, it can be interpreted that all indicators meet the cross-loading criteria, meaning that each indicator’s loading on its own construct is higher than its loading on any other construct.

**4.3 Structural Model Test (Inner Model)**

**a) R-Square**

The structural model can be evaluated using the R-squared values of the dependent variables and the path coefficients of the independent variables. Significance is then assessed by examining the t-statistics for each path. In interpreting R-squared values, a value of 0.70 is considered strong, 0.50 is moderate, and 0.25 or below is considered weak. The following section presents this information in detail:

TABLE VI. R-SQUARE VALUE

<i>R - Square</i>		
	<i>R - Square</i>	<i>Adjusted R - Square</i>
(Y)	0.957	0.956
(Z)	0.950	0.949

Source: Smart-PLS Primary Data, 2025

The analysis results show that the R<sup>2</sup> value for the Customer Loyalty variable (Y) is 0.957, indicating that the Service Quality (X1) and Price (X2) variables can explain 95% of its variance. This value falls into the high category, suggesting that the model is strong and well-fitting.

**b. F-Square**

The impact of external latent factors on endogenous latent variables can be evaluated using the effect size F<sup>2</sup>. An F<sup>2</sup> value greater than 0.35 is considered a strong effect, values between 0.15 and 0.34 indicate a moderate effect, and values between 0.02 and 0.14 are

considered weak. This measure helps determine the relative contribution of each predictor in the structural model.

TABLE VII: F-SQUARE VALUE

<b>F - Square</b>				
	(Y)	(Z)	(X1)	(X2)
(Y)				
(Z)	0.075			
(X1)	0.109	<b>0.759</b>		
(X2)	<b>0.184</b>	0.041		

Source: Smart-PLS Primary Data, 2025

The F-square analysis reveals varying levels of influence among the variables. Service Quality (X1) has a strong effect on Customer Satisfaction (Z) with an F<sup>2</sup> of 0.759, indicating a substantial contribution to satisfaction. In contrast, the impact of Customer Satisfaction (Z) and Service Quality (X1) on Customer Loyalty (Y) is weak, with F<sup>2</sup> values of 0.075 and 0.109, respectively, suggesting these variables influence loyalty but only minimally. Price (X2) shows a moderate effect on Customer Satisfaction (Z) with an F<sup>2</sup> of 0.242, reflecting a fairly strong relationship. However, its effect on Customer Loyalty (Y) is weak (F<sup>2</sup> = 0.041), indicating a small contribution to loyalty. Overall, service quality plays the most significant role in shaping customer satisfaction, while the effects on loyalty are generally weaker.

**4.4 Hypothesis Testing (Direct Effect)**

Hypotheses in this study are accepted if the T-value > 1.96 and the P-value < 0.05, indicating statistical significance at the 95% confidence level.

TABLE VIII: HYPOTHESIS TESTING RESULTS

<b>Path coefficient – Mean, STDEV, T-value, P-value</b>					
	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T-statistic ( O /STDEV)</b>	<b>(P-Values)</b>
Customer Satisfaction (Z) => Customer Loyalty (Y)	0.253	0.266	0.129	1.963	0.050
Service Quality (X1) => Customer Satisfaction (Z)	0.794	0.793	0.080	9.990	0.000

Service Quality (X1) => Customer Loyalty (Y)	0.368	0.355	0.124	2.976	0.003
Price (X2) => Customer Satisfaction (Z)	0.185	0.185	0.081	2.276	0.023
Price (X2) => Customer Loyalty (Y)	0.368	0.369	0.101	3.635	0.000

Source: Smart-PLS Primary Data, 2025

Based on the hypothesis testing results:

1. H1 is accepted: Product quality (X1) has a positive and significant effect on Customer Loyalty (Y), with a T-statistic of 2.976 ( $>1.96$ ) and a P-value of 0.003 ( $<0.05$ ). This indicates that better product quality increases repurchase interest.
2. H2 accepted: Price (X2) significantly affects Customer Loyalty (Y), as indicated by a T value of 3.635 ( $<1.96$ ) and a P value of 0.000 ( $>0.05$ ).
3. H3 is accepted: Product quality (X1) significantly influences customer satisfaction (Z), with a T-statistic of 9.990 ( $>1.96$ ) and a P-value of 0.000 ( $>0.05$ ).
4. H4 is accepted: Promotion (X2) has a significant positive effect on customer satisfaction (Z), supported by a T-statistic of 2.276 and a P-value of 0.023 ( $>0.05$ ).
5. H5 is accepted: Customer satisfaction (Z) significantly affects repurchase intention (Y), with a T-statistic of 1.963 and a P-value of 0.050, indicating that higher satisfaction leads to stronger repurchase intention.

#### 4.5 Mediation Testing (Indirect Effect)

The primary objective of this research is to examine the relationship between exogenous and endogenous variables through the mediating effect of customer satisfaction (Z), using PLS-SEM with mediation analysis (Indirect Effect). The mediation test follows standard significance thresholds, where T-statistics must exceed 1.96 and P-values must be less than 0.050 to confirm a statistically significant mediating relationship.

TABLE IX. MEDIATION TESTING RESULTS

Path coefficient – Mean, STDEV, T-value, P-value					
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-statistic (IO/STDEV)	(P-Values)
Service Quality (X1) => Customer Satisfaction (Z) => Customer Loyalty (Y)	0.201	0.207	0.097	2.082	0.037
Price (X2) => Customer Satisfaction (Z) => Customer Loyalty (Y)	0.047	0.053	0.039	1.196	0.232

Source: Smart-PLS Primary Data, 2025

The results of the mediation analysis are as follows:

1. H6 is accepted: The analysis shows that Service Quality (X1) has a positive and significant indirect effect on Customer Loyalty (Y) through Customer Satisfaction (Z), with a T-statistic of 2.082 ( $>1.96$ ) and a P-value of 0.037 ( $<0.05$ ). This confirms that good service quality creates customer satisfaction, which acts as an important factor in fostering customer loyalty. In other words, customer satisfaction serves as a mediating bridge between service quality and customer loyalty at KFC Fanindo Sanctuary Garden.
2. H7 is rejected: The analysis indicates that Price (X2) does not have a significant indirect effect on Customer Loyalty (Y) through Customer Satisfaction (Z), with a T-statistic of 1.196 ( $<1.96$ ) and a P-value of 0.232 ( $>0.05$ ). This shows that customer satisfaction cannot mediate the effect of price on loyalty. This may occur because customers consider not only price but also other factors such as product quality, service, and overall consumption experience when forming loyalty.

## 4.6 Discussion

### 1. The Effect of Service Quality on Customer Satisfaction,

The results reveal that service quality (X1) has a positive and significant effect on customer satisfaction (Z), as indicated by a *T-statistic* of 9.990 ( $>1.96$ ) and a *P-value* of 0.000 ( $<0.05$ ). These findings confirm that improvements in service quality significantly enhance customer satisfaction among customers at KFC Fanindo Sanctuary Garden. In practical terms, this indicates that consistent order accuracy, responsive staff behavior, and personalized service interactions directly contribute to a more positive dining experience. These findings align with previous studies, including Dhean, Arfia, & Laily (2022), which found a significant positive effect of service quality on customer satisfaction at Laundry Starclean, and Rahmani & Rusdianto (2024), which reported similar results among GrabBike customers in Surabaya. Multiple recent studies in Indonesian restaurant contexts report that higher perceived service quality significantly elevates satisfaction, aligning with SERVQUAL's core dimensions. For instance, research at Sabar Restaurant found empathy to be a notably significant driver of satisfaction, underscoring the importance of staff attentiveness and personalized care in dining experiences. A multi-restaurant analysis likewise concluded that overall service quality positively and significantly impacts customer satisfaction, supporting consistent managerial focus on service processes Riyadi et al. (2024). Taken together, the evidence base substantiates the reported positive and significant effect (T-statistic 9.990; P-value 0.000) by indicating that elevating frontline empathy, responsiveness to complaints, and reliability in order processing should produce tangible gains in customer satisfaction. Given hospitality research linking service quality and satisfaction to loyalty, improvements at service touchpoints in KFC's queueing, order accuracy, and staff courtesy are likely to translate into stronger revisit and recommendation intentions Ofosu-Boateng & Acquaye (2020). These results collectively affirm that service quality remains a dominant determinant of customer satisfaction in the fast-food industry, consistent with the SERVQUAL framework (Tjiptono, 2019). Continuous improvement in reliability, responsiveness, and empathy will therefore be essential for KFC to maintain customer satisfaction and sustain long-term loyalty in Batam's competitive fast-food market.

### 2. The Effect of Price on Customer Satisfaction

The results indicate that price (X2) has a positive and significant effect on customer satisfaction (Z),

as evidenced by a *T-statistic* of 2.276 ( $>1.96$ ) and a *P-value* of 0.023 ( $<0.05$ ). This means that customers perceive KFC Fanindo Sanctuary Garden's pricing as fair and proportionate to the quality of food and service they receive. When customers feel that prices reflect the actual value of their experience—considering taste consistency, service speed, and dining atmosphere that they are more likely to express satisfaction and return for future purchases. This result is consistent with Dhean, Arfia, & Laily (2022) and Widagdo & Laily (2020), who reported that price positively affects customer satisfaction in service contexts such as laundry services and GrabBike users. Price fairness tends to influence satisfaction indirectly via perceived value, with several reviews and sectoral studies noting that fair, transparent pricing enhances satisfaction and downstream loyalty. In restaurant analyses, perceived price fairness frequently shows a direct positive effect on satisfaction, though strength can vary by context and mediators such as brand image and word-of-mouth Hadi et al. (2025). While many studies confirm positive effects, some contexts show non-significant or weaker direct impacts of price fairness on satisfaction, suggesting the effect is contingent on category, sampling, or concurrent quality cues. This nuance implies that pricing strategies work best when aligned with consistent product and service quality, which together amplify perceived value and satisfaction Aprianto & Sukoco (2024). In the context of KFC Fanindo Sanctuary Garden, the significance of the statistical results ( $p = 0.023$ ) confirms that pricing strategies such as bundled menus, promotions, and student-friendly offers effectively strengthen perceived value. Yet, these pricing advantages appear to work best when coupled with dependable service delivery and food quality. Thus, consistent with prior findings, the results of this study underline that price fairness must operate synergistically with service quality to enhance satisfaction and sustain positive customer perceptions in Batam's competitive fast-food industry.

### 3. The Effect of Service Quality on Customer Loyalty

The results indicate that service quality (X1) significantly influences customer loyalty (Y), with a *T-statistic* of 2.976 ( $>1.96$ ) and a *P-value* of 0.003 ( $<0.05$ ). This indicates that higher service quality directly contributes to increased customer loyalty among visitors of KFC Fanindo Sanctuary Garden. In practical terms, consistent service accuracy, staff responsiveness, and courteous communication enhance not only satisfaction but also customers' long-term preference for the brand. These findings are in line with Reskiansyah et al.

(2023), who found service quality positively affects loyalty among GrabBike users in Jakarta, and Suharyanto & Vita Budi Damayanti (2022), who reported a similar effect in electronic service contexts. In Indonesian fast-food contexts, structural models commonly show that service quality boosts satisfaction, which then drives loyalty; when satisfaction is included, the direct path from service quality to loyalty can weaken or turn insignificant, highlighting satisfaction's mediating role. Agustia et al.(2022), restaurant studies likewise report service quality's positive association with loyalty outcomes, especially when paired with perceived value and trust as complementary mechanisms. Overall, these studies demonstrate that service quality remains a decisive factor in building customer loyalty, though its impact may operate both directly and through mediating factors such as satisfaction and perceived value. The strong significance level in this research ( $p = 0.003$ ) confirms that loyal KFC customers are influenced not only by product quality or price but also by consistent, high-quality service experiences that make them feel valued and understood. Therefore, continuous improvements in staff responsiveness, reliability, and empathy are essential strategies for KFC Fanindo Sanctuary Garden to maintain competitive advantage and foster enduring customer loyalty.

#### 4. The Effect of Price on Customer Loyalty

The findings show that price (X2) has a positive and significant effect on customer loyalty (Y), with a *T-statistic* of 3.635 ( $>1.96$ ) and a *P-value* of 0.000 ( $<0.05$ ). This indicates that fair, consistent, and competitive pricing strategies directly foster customer loyalty among KFC Fanindo Sanctuary Garden consumers. In this context, customers perceive the restaurant's prices as proportional to the value received balancing product quality, service experience, and affordability, which encourages repeat purchases and long-term patronage. These findings align with Saiyaf Fakhri Aprilio & Lukman Hadi (2020) and Karina (2025), who found that perceived price fairness positively influences loyalty in both retail and educational service settings. Likewise, (Dhean, Arfia & Laily, 2022) confirmed that price has a significant effect on customer loyalty in service industries such as laundry services, reinforcing the role of perceived value as a loyalty driver. In the case of KFC Fanindo Sanctuary Garden, the strong significance level ( $p = 0.000$ ) confirms that the outlet's pricing strategy—offering affordable meal bundles, student promotions, and value-based pricing—plays a key role in customer retention. When customers perceive that the cost of dining corresponds fairly with the quality of food and

service received, their trust in the brand deepens. Therefore, maintaining transparent, equitable, and value-oriented pricing is essential to preserving loyalty in Batam's competitive fast-food market.

#### 5. The Effect of Customer Satisfaction on Customer Loyalty

The analysis indicates that customer satisfaction (Z) has a positive and significant effect on customer loyalty (Y), with a *T-statistic* of 1.963 ( $>1.96$ ) and a *P-value* of 0.050 ( $\leq 0.05$ ). This result confirms that satisfaction is a fundamental antecedent of loyalty, meaning that customers who are pleased with their overall experience at KFC Fanindo Sanctuary Garden are more likely to repurchase, recommend the brand, and maintain long-term relationships. Although the significance level is at the threshold ( $p = 0.050$ ), it still demonstrates a meaningful and consistent influence, emphasizing that even marginal increases in satisfaction can lead to substantial improvements in loyalty. These findings are consistent with Dhean, Arfia, & Laily (2022) and Karina (2025), which demonstrated that customer satisfaction positively and significantly drives loyalty in both laundry and educational service settings. Study of Asfahani & Wijaya (2024), A&W customers in oJakarta found that satisfaction significantly increases loyalty, with satisfaction itself shaped by price, service quality, food quality, and physical environment, mirroring KFC's service bundle. Overall, these findings indicate that customer satisfaction is not only an end result, but also a strategic mechanism that links customer experience with loyalty. For KFC Fanindo Sanctuary Garden, this means that sustained loyalty depends on the ability to consistently meet or exceed customer expectations in terms of product quality, fair pricing, and service. The significance of this relationship confirms that improving satisfaction through responsive service and consistent value perception remains one of the most effective ways to strengthen customer loyalty in the competitive fast food industry in Batam.

#### 6. The Effect Service Quality on Customer Loyalty Through the Mediation of Customer Satisfaction

The analysis results show that service quality (X1) has a positive and significant effect on customer loyalty (Y) through the mediating variable of customer satisfaction (Z), with a T-Statistic value of 2.082, which is greater than ( $>1.96$ ), and a P-Value of 0.037, which is smaller than ( $<0.050$ ). These results confirm that good service quality can create satisfaction, and that satisfaction is an important factor that encourages customers to

remain loyal. In other words, service quality acts as a bridge connecting customer satisfaction with customer loyalty at KFC Fanindo Sanctuary Garden. Similar results were also reported by Rahmani & Rusdianto (2024), who found that service quality and price have a positive and significant effect on the loyalty of Grab Bike Generation Z customers in Surabaya through customer satisfaction as a mediating variable. Likewise, Suharyanto & Vita Budi Damayanti (2022) discovered similar findings in the ICTEC RSCM FKUI webinar services, where service quality also positively and significantly influences customer loyalty through customer satisfaction. Overall, these findings reinforce the theoretical proposition of the SERVQUAL Model (Tjiptono, 2019), which states that consistent service reliability, responsiveness, and empathy not only create satisfaction but also maintain long-term loyalty. For KFC Fanindo Sanctuary Garden, this mediating effect means that improving the customer service experience—such as by increasing staff attention, reducing waiting times, and maintaining consistency in order accuracy—will significantly increase satisfaction, which ultimately leads to stronger loyalty. Therefore, satisfaction serves as both a short-term emotional response and a long-term strategic driver for loyalty in the competitive fast-food market in Batam.

#### **7. The Effect of Price on Customer Loyalty Through the Mediation of Customer Satisfaction**

The results indicate that the **effect of price (X2)** on customer loyalty (Y) through the mediating variable customer satisfaction (Z) is not significant, as shown by a *T-statistic of 1.196 (<1.96)* and a *P-value of 0.232 (>0.050)*. This finding suggests that customer satisfaction does not mediate the relationship between price and loyalty at KFC Fanindo Sanctuary Garden. In other words, while price directly affects customer perceptions and purchasing decisions, it does not necessarily translate into long-term loyalty through satisfaction. This result indicates that customer satisfaction is unable to mediate the influence of price on loyalty. This may occur because customers consider not only price, but also other factors such as product quality, service, and overall consumption experience when forming loyalty. In addition, customers' perceived value is often shaped more by consistent quality and service convenience than by merely competitive pricing. Therefore, although price remains an initial consideration, long-term loyalty is more strongly driven by overall satisfaction and an emotional connection with the brand. Similar

findings were also reported by Saiyaf Fakhri Aprilio and Lukman Hadi (2020), who discovered that price had a positive but insignificant effect on loyalty through customer satisfaction among members of the New Body fitness center. Likewise, Reskiansyah et al. (2023) found that the influence of price on loyalty through customer satisfaction was also not significant. Overall, these studies show that price acts as an initial factor that attracts customers at first, but does not guarantee continued loyalty. Loyalty is driven by sustained satisfaction, which stems from quality, service reliability, and emotional attachment to the brand. In the case of KFC Fanindo Sanctuary Garden, these findings imply that while competitive pricing strategies can increase transaction frequency, long-term loyalty depends on maintaining consistent value and service excellence. Therefore, management should prioritise improving customer satisfaction through superior service and product quality rather than relying solely on price adjustments to maintain loyalty in the competitive fast-food market in Batam.

#### **5. Conclusion and Suggestion**

This study shows that the objective of analysing the effect of service quality and price on customer loyalty at KFC in Batam, with satisfaction as an intermediary variable, has been clearly achieved and is consistent with the empirical evidence found. The findings show that improvements in service quality contribute directly to increased satisfaction, which in turn strengthens customer loyalty through a mediating relationship; that is, improvements in service accuracy, responsiveness, friendliness, and reliability of the service process lead to a more satisfying experience and result in a commitment to return visits and positive recommendations. Additionally, competitive and perceived fair pricing increases satisfaction while directly shaping loyalty, reflecting the importance of perceived value-for-money in the price-sensitive fast-food restaurant context. On the other hand, the role of satisfaction as a mediating bridge between service quality and loyalty proved to be strong, while the mediation of satisfaction in the price-loyalty relationship did not appear significant, indicating that loyalty in the KFC context is shaped more by a combination of service quality, product experience consistency, and overall consumption experience than by price alone. Thus, the most relevant managerial implication for KFC in Batam is to prioritise continuous improvement in front-line service quality, maintain product quality consistency, and design fair and transparent pricing strategies to strengthen satisfaction and foster long-term loyalty.

Although this study provides valuable insights, there are still several opportunities for further research. Future studies could expand the scope beyond KFC Fanindo Sanctuary Garden to include several outlets in Batam or other cities in Indonesia, thereby increasing generalisation. Researchers are also encouraged to include additional variables, such as brand image, perceived value, digital customer experience, trust, or e-WOM (electronic word of mouth), to capture the broader behavioural dynamics that influence loyalty.

Future research could also apply mixed-method or longitudinal approaches to explore how customer satisfaction and loyalty evolve over time—particularly in response to digitalisation, delivery platforms, or post-pandemic consumer habits. Such expansion would provide a deeper and more holistic understanding of the factors that support customer loyalty in Indonesia's fast-food industry.

## 6. Limitations of the Study

The research was conducted at only one location, namely KFC Fanindo Sanctuary Garden in Batam City, with a total of 100 respondents. Therefore, the findings cannot necessarily be generalized to all KFC consumers in Batam or other cities. Furthermore, the relatively short research period only reflects the conditions at the time of data collection, so the results may differ if conducted at a different time or in a changing market situation.

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