

Understanding Loyalty in Indian Dining: The Role of Service and Price Fairness

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Abstract: This study examines the impact of perceived service quality and perceived price fairness on consumer satisfaction and loyalty in the Indian restaurant industry. Using a structured framework and Partial Least Squares Structural Equation Modeling (PLS-SEM), the research tests the direct and indirect relationships among these variables. Data was collected from 345 consumers of various restaurants across India, with a focus on their perceptions of service quality, price fairness, satisfaction, and loyalty. The results show that both perceived service quality and perceived price fairness significantly affect consumer satisfaction, with service quality having a stronger direct influence. Additionally, satisfaction was found to be a key mediator between service quality and loyalty, as well as between price fairness and loyalty. Specifically, higher service quality and fair pricing lead to increased satisfaction, which in turn enhances consumer loyalty. The study provides empirical evidence that improving service quality and ensuring fair pricing are crucial strategies for fostering customer satisfaction and loyalty in the competitive Indian restaurant market. Furthermore, the research contributes to the broader literature on customer behavior in the hospitality sector by highlighting the pivotal role of satisfaction as a mediator in driving loyalty. The findings offer practical implications for restaurant managers aiming to improve customer retention through enhanced service delivery and pricing strategies. The study's limitations and future research directions are also discussed, particularly the need to explore other factors influencing customer loyalty in this context.

Keywords: Perceived Service Quality, Perceived Price Fairness, Consumer Satisfaction, Consumer Loyalty, Restaurant Industry

Introduction

India's rapid economic growth over the past few decades, marked by urbanization and a rising middle class, has significantly transformed consumer behavior (Yoganandham & Varalakshmi, 2023). As the economy continues to expand, the service industry, particularly the food and beverage sector, has contributed substantially to India's economic development (John, 2023). The restaurant industry has witnessed remarkable growth, with both traditional Indian dining establishments and global franchises flourishing, reflecting a shift in the consumption patterns and lifestyle of Indian consumers (Kumar et al., 2022). While traditional Indian cuisines remain central to the country's culinary identity, there is an increasing appetite for diverse dining experiences, leading to the rise of fast-food chains and fusion cuisines, especially in urban areas

(Yagnik, 2021; Preetha et al., 2024). This changing landscape highlights the importance of understanding consumer satisfaction and loyalty in Indian restaurants, where both traditional and modern culinary offerings coexist.

To keep pace with this growth, Indian restaurant owners have increasingly focused on tracking customer satisfaction and loyalty to gain sustainable competitive advantages (Talukder et al., 2024). However, research on customer satisfaction and loyalty in Indian restaurants is limited. This study seeks to fill this gap by examining the role of service quality and price fairness as key determinants of customer satisfaction and loyalty. The research will analyze data from Indian restaurant customers, providing valuable insights into consumer expectations and their perceptions of service quality.

Consumer satisfaction is essential for any business, especially in a competitive market. The ability to attract and retain customers depends on offering differentiated products and services (Rai et al., 2024). In the hospitality industry, where competition is fierce, restaurants must meet or exceed customer expectations. Poor service quality can push customers to competitors, while high-quality service fosters customer retention and loyalty (Singh et al., 2023). Service quality, often defined as the gap between consumer expectations and actual service experiences, has a direct impact on customer satisfaction, revisit intentions, and ultimately profitability (Uslu & Eren, 2020; Lai et al., 2020).

In the Indian culinary context, balancing high-quality offerings with fair pricing is crucial for building customer loyalty, particularly in urban areas with diverse dining options and intense competition. Achieving customer satisfaction means aligning food quality and dining experiences with consumer expectations while ensuring affordability. To maintain customer loyalty, restaurants must understand how consumers perceive service quality and price fairness, as these factors influence the decision-making process (Severt et al., 2022). The consumer decision-making process—encompassing need recognition, quality and pricing evaluation, consideration of alternatives, purchase decision, and post-purchase satisfaction—plays a key role in loyalty.

This study aims to expand the understanding of consumer behavior in Indian restaurants, emphasizing the factors that drive satisfaction and loyalty within this unique cultural setting. Insights from this research could assist restaurant owners and managers in refining their strategies to enhance customer satisfaction, fostering long-term loyalty and sustainable growth in a competitive market. Customer-perceived value is central to brand loyalty, particularly in service-based industries like restaurants. By providing high-quality, value-driven service, restaurants can attract and retain loyal customers (Dsouza et al., 2022). High service quality is a crucial factor in enhancing customer loyalty and satisfaction in the restaurant industry (Ali et al., 2021). Furthermore, price fairness plays an essential role in customer satisfaction; unfair pricing can lead to dissatisfaction and reduced patronage (Rady et al., 2023).

For restaurant owners, cultivating loyal customers is more valuable than continually seeking new ones, as loyal customers tend to return and contribute

positively to the business (Espinosa et al., 2018). As such, focusing on existing customer relationships is often more beneficial than solely acquiring new customers (Gee et al., 2008). Understanding customer loyalty involves examining the decision-making process, where food quality, service, and pricing are key factors (Shamah et al., 2018).

In today's competitive restaurant market, addressing customer satisfaction and loyalty is vital for success (Sinha et al., 2021). However, limited research exists on the indirect impacts of service quality and price fairness on customer loyalty. This study will investigate how perceived service quality and price fairness influence customer satisfaction and loyalty in the Indian restaurant sector. Satisfaction will be analyzed as a mediating factor, offering insights into the dynamics between service quality, price fairness, and loyalty. This research aims to contribute to the understanding of these factors in developing economies, providing valuable strategies for customer retention in the restaurant industry.

Literature Review

Customer satisfaction and loyalty are critical in the service industry, directly influencing customer retention and profitability (Rane et al., 2023). Research has shown that focusing on satisfaction and loyalty strengthens customer relationships, leading to long-term success (Arslan, 2020; Rane et al., 2023). Service quality is central to meeting customer expectations and fostering satisfaction and loyalty (D'Souza et al., 2022; Hidayat et al., 2024). High service quality enhances consumer trust and encourages repeat patronage (Parasuraman et al., 1988). For example, Paulose and Shakeel (2022) found that positive perceptions of service quality significantly increased hotel guests' likelihood of revisiting, underscoring the importance of perceived quality in hospitality.

Price fairness is another crucial factor, particularly in the restaurant industry, where customers evaluate pricing based on perceived value (Singh et al., 2022). When customers perceive prices as reasonable, satisfaction increases, boosting loyalty (Alzoubi & Inairat, 2020). Hride et al. (2022) demonstrated that perceived price fairness enhances retail satisfaction, thus fostering loyalty. In fast-food and casual dining, price fairness is often shaped by comparisons with competitors and the quality of food and service (Zhong & Moon, 2020). Customers who view prices as fair are more likely to return or recommend the restaurant (Albana & Marsasi, 2023).

Recent studies treat service quality and price fairness as key factors influencing customer satisfaction and loyalty (Alzoubi & Inairat, 2020). Zhong and Moon (2020) showed that service quality and fair pricing drive loyalty in fast food, while Islam et al. (2024) found that value-oriented service models enhance satisfaction and brand loyalty. This study will build on these findings by exploring how these factors impact consumer behavior in the Indian restaurant market.

Perceived Service Quality

Perceived service quality plays a crucial role in shaping customer satisfaction and retention in the restaurant industry (Dsouza, 2023). Previous research distinguishes between objective quality, which refers to the inherent excellence of a product or service, and perceived quality, which reflects the customer's overall assessment of their service experience (Liew, 2024). Rivaldo and Amang (2022) emphasize that perceived quality is more influential in customer decision-making, as it is based on the customer's personal evaluation. In competitive markets, high perceived quality builds consumer trust and opens growth opportunities (Uzir et al., 2021). Therefore, maintaining strong service quality is vital for a restaurant's success and longevity (Al-Gasawneh et al., 2021).

In the foodservice industry, perceived service quality directly impacts customer perceptions of a restaurant. Exceptional service enhances customer experiences, while subpar service diminishes it. Uslu and Eren (2020) assert that superior service quality is a reliable predictor of customer satisfaction. Tuncer et al. (2021) found a positive correlation between restaurant service quality and customer satisfaction, and Paulose and Shakeel (2022) demonstrated that guest satisfaction and loyalty are higher when customers perceive high service value, with satisfaction mediating the effect of perceived value and service experience on loyalty.

Other studies also support the link between service quality and customer satisfaction. Ali et al. (2021) noted that higher product quality increases satisfaction, while Hidayat et al. (2020) found a similar relationship in the restaurant sector. Gopi and Samat (2020) established that food quality significantly affects satisfaction. Research by Tran and Le (2020) confirmed that perceived value impacts satisfaction and behavioral intentions, with satisfaction acting as a precursor to these behaviors. Nunkoo et al. (2020) noted that meeting quality standards directly enhances customer satisfaction.

Additionally, service quality is linked to loyalty and repurchase intentions. Singh et al. (2023) found that high service quality fosters customer loyalty and repurchase behavior, while Cetin (2020) revealed that customer experience, more than service quality, predicts satisfaction and loyalty. Supriyanto et al. (2020) found that while service quality did not directly influence loyalty, it significantly impacted satisfaction, which in turn affected loyalty. Dewi et al. (2021) observed a strong correlation between service quality, satisfaction, and customer loyalty in the laundry service industry. Based on these findings, the following hypotheses are proposed:

H1. Perceived service quality has a positive impact on consumer satisfaction in the restaurant industry.

H2. Perceived service quality has a positive impact on consumer loyalty in the restaurant industry.

Perceived Price Fairness

Price is a critical factor in consumer decision-making, though consumers often have unclear perceptions of prices (Levrini & Jeffman, 2021). El Fikri et al. (2020) suggest that price represents the sacrifices consumers make for goods and services, and the higher the perceived cost, the less likely consumers are to choose a product. Pricing significantly influences consumer perceptions of quality and their purchasing decisions (Ali & Anwar, 2021). When prices are perceived as fair, consumer satisfaction increases (Khandeparkar et al., 2020; Syah et al., 2022). Parry et al. (2021) define perceived price fairness as a customer's evaluation of whether the price difference between sellers is reasonable, acceptable, or justified, with emotional responses closely tied to this evaluation.

Consumers assess price fairness through price transparency and competitor pricing (Simintiras et al., 2015; Hanna et al., 2019; Jung et al., 2020). Homburg et al. (2014) found that clearly labeled and justified prices positively influence perceptions of fairness, while price comparisons with competitors can alter perceptions if a competitor's price is seen as fairer (Vaidyanathan & Aggarwal, 2003). In service industries like foodservice, price fairness is crucial, with reasonable pricing strongly correlated to customer loyalty and satisfaction (Zhong & Moon, 2020). As Jin et al. (2019) note, when price fairness is maintained, customer satisfaction and loyalty increase, whereas perceived unfair pricing leads to dissatisfaction and potential anti-purchase behavior.

The impact of price fairness has been widely studied across cultures. Gallarza-Granizo et al. (2020) found that Spanish restaurant customers reported greater satisfaction when prices were deemed affordable. Similarly, Febryanto and Bernarto (2019) observed that in Indonesian restaurants, satisfaction increased when the perceived price aligned with the benefits received. Ing et al. (2020) emphasized that price perception strongly predicts satisfaction in full-service restaurants, and Konuk (2019) showed that fair pricing impacts satisfaction and perceived food value in organic food restaurants.

Studies in hospitality and service industries show that perceived price fairness positively impacts customer satisfaction and loyalty. For instance, Hride et al. (2020) found a strong relationship between price fairness and satisfaction in social commerce, while Saputra & Djumarno (2021) and Pahrudin et al. (2023) observed similar findings in the hotel and low-cost airline sectors. Conversely, Fernandes and Calamote (2016) highlighted the negative effects of pricing inequality. Hidayat et al. (2019) confirmed a significant link between fair pricing and loyalty in Indonesian restaurants, emphasizing that customers highly value equitable pricing policies. Considering the importance of perceived price fairness in fostering customer satisfaction and loyalty, this study proposes the following hypotheses:

H3: Perceived price fairness has a positive impact on consumer satisfaction in the restaurant service industry.

H4: Perceived price fairness has a positive impact on consumer loyalty in the restaurant service industry.

Consumer satisfaction and loyalty

Research on consumer satisfaction and loyalty highlights that consumer satisfaction serves as a critical predictor of customer loyalty, particularly in the restaurant industry. Satisfaction is often measured by the difference between expectations and the experience of consumption (Kalaja, 2023). When consumers feel that a product or service meets or exceeds their expectations, they are more likely to develop favorable attitudes and demonstrate loyalty (Rane et al., 2023). According to Ginting et al. (2023), customer satisfaction is the key factor that drives consumers to repeatedly use a product, fosters loyalty, and encourages them to recommend the product to others. It is a response and evaluation from consumers regarding their level of contentment with the product.

Arslan (2020) describes customer loyalty as a result of customer satisfaction with a company's offerings, leading to a trust-based, long-term relationship. This loyalty drives repeated purchases and motivates customers to advocate for the business and its products within their communities. This loyalty is essential for businesses aiming to achieve sustainability in highly competitive sectors like the restaurant industry. Research indicates that loyal customers contribute more significantly to business success than new customers, given their higher likelihood to repurchase, recommend the business, and pay a premium (Rane et al., 2023). For managers, aligning the product or service quality with customer expectations is fundamental to fostering satisfaction and loyalty (Jin et al., 2019).

Empirical studies in the Hospitality Industry consistently find a strong positive relationship between customer satisfaction and loyalty across various service sectors, including Drinkscapes (MS et al., 2022), Hotels (Xin & Choi, 2020), Cruises (Castillo-Manzano et al., 2022), Restaurants (Uslu & Eren, 2020). In the restaurant context, satisfaction acts as a significant mediator, linking perceived service quality and fair pricing with loyalty outcomes (Mahato & Goet, 2020). Based on these insights, the study proposes the following hypothesis:

H5: Consumer satisfaction has a positive impact on consumer loyalty in the restaurant service industry.

A considerable body of research establishes that both perceived service quality and price fairness significantly influence consumer satisfaction, which in turn impacts loyalty. In service industries, high-quality service and fair pricing are known to enhance consumer satisfaction and contribute to customer loyalty (Haron et al., 2020). Studies suggest that superior service quality can lead to higher satisfaction, thereby fostering loyalty (Rane et al., 2023). In restaurant services, customer retention largely depends on the perceived quality and value received, with service quality frequently identified as a predictor of satisfaction (Tuncer et al., 2021; Slack et al., 2021). According to Choudhary (2021),

customer satisfaction partially mediates the relationship between modified SERVQUAL parameters and the generation of word-of-mouth (WOM).

Price fairness, often seen as reflective of a service's value, also contributes to satisfaction and loyalty. The perception of fair pricing reinforces a positive relationship with customers, fostering retention and loyalty through satisfaction (Han et al., 2020). Research further highlights that maintaining a balance between service quality and fair pricing can strengthen customer loyalty by ensuring that consumers feel valued and treated fairly, thus meeting their expectations (Setiawan et al., 2020). Given the insights from the literature, this study proposes that consumer satisfaction serves as a mediating factor, enhancing the effect of perceived service quality and price fairness on loyalty:

H6: Consumer satisfaction acts as a mediator between perceived service quality and consumer loyalty in the restaurant industry.

H7: Consumer satisfaction acts as a mediator between perceived price fairness and consumer loyalty in the restaurant industry.

Methodology

This study employed a purposive sampling technique to assess consumer satisfaction and loyalty regarding restaurant services in four states in India: Goa, Maharashtra, Karnataka, and Kerala. The study aims to explore how perceived service quality and perceived price fairness predict consumer satisfaction and loyalty. A self-administered survey questionnaire was designed to measure four key research variables across 10 items.

The first research variable, perceived service quality, was assessed with three items: (1) The restaurant offers a diverse selection of menu items, (2) The restaurant serves clean, hygienic food and (3) the restaurant ensures timely service delivery. These items were adapted from Parasuraman et al. (1988). The second research variable, perceived price fairness, also consisted of three items: (1) The restaurant offers affordable food prices, (2) the restaurant offers superior value in comparison to other restaurants, and (3) the restaurant provides an experience that justifies the cost. Items for perceived price fairness were drawn from Konuk (2019) and Yuliantoro et al. (2020).

The third variable, consumer satisfaction, was assessed with two items: (1) satisfaction with the restaurant's food service, and (2) enjoyment of the overall dining experience. These items were adapted from Yuliantoro et al. (2020). The fourth variable, consumer loyalty, was evaluated using two items: (1) the intention to return to the restaurant in the future, and (2) the likelihood of recommending the restaurant to friends and family. These items were also adapted from Konuk (2019). All variables were measured using a five-point Likert scale (where 1 = strongly disagree and 5 = strongly agree).

The study distributed questionnaires to respondents who were consumers at a variety of restaurants across Goa, Maharashtra, Karnataka, and Kerala, including fast-food and family restaurants, coffeehouses, seafood establishments, buffet

restaurants, and casual dining spots. The survey questionnaire was created using Google Forms, and responses were gathered via email, WhatsApp, and other social media platforms. Distribution targeted respondents residing in urban areas of these states, specifically in cities such as Panaji, Mapusa, Margao, Vasco, Calangute, Baga, Mumbai, Pune, Bangalore, Mysore, Kochi, and Thiruvananthapuram, among others. 345 valid responses were received. Respondents encompassed a broad demographic, including students, educators, entrepreneurs, healthcare professionals, legal practitioners, government officials, private-sector executives, artists, and homemakers, representing a variety of age groups from under 20 to over 60. A comprehensive demographic profile of respondents is provided in Table 1.

Table 1. Demographic profile of respondents

Demographic Category	Description	Frequenc y	Percentage (%)
Gender	Male	175	52.2
	Female	165	47.8
	Other	0	0
Age	Under 20	20	5.8
	21-30	120	34.8
	31-40	105	30.4
	41-50	60	17.4
	51-60	25	7.2
	Over 60	15	4.3
Educational Background	High School	50	14.5
	Bachelor’s Degree	145	42
	Master’s Degree	105	30.4
	Doctorate	10	2.9
	Others	35	10.1
Occupation	Student	60	17.4
	Educator	40	11.6
	Self-employed	70	20.3
	Healthcare Professional	30	8.7
	Government Official	20	5.8
	Private-Sector Executive	65	18.8
	Legal Practitioner	15	4.3
	Homemaker	25	7.2
Income Level (INR)	Others	20	5.8
	Less than 20,000	22	6.4
	20,000 - 40,000	90	26.1
	40,000 - 60,000	115	33.3
	60,000 - 80,000	56	16.2
	Above 80,000	62	17.9

To determine the minimum sample size required for Structural Equation Modeling (SEM), the “A-priori Sample Size Calculator” was employed. Input parameters included an anticipated effect size of 0.3, desired statistical power level of 0.8, four latent variables, and a probability level of 0.05. The calculated minimum sample size was 310; with 345 responses collected, this study met the required sample size for SEM analysis. Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to evaluate the internal consistency, reliability, and validity of the constructs. PLS-SEM was preferred over covariance-based SEM due to its suitability for predictive research, small sample sizes, and non-normal data distribution (Russo & Stol, 2021). Data were analyzed using SmartPLS 4 to assess the predictive power of the structural model. Before analysis, data screening and preliminary checks were conducted to ensure data quality and to correct any potential statistical errors. Responses missing more than 20% of data were excluded, while missing values below this threshold were replaced with the mean value of the respective variable. In addition to data screening, outlier analysis and tests for common method bias were conducted to ensure data validity

Results

Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed to test the hypotheses using SmartPLS software (Shmueli et al., 2019). Prior to hypothesis testing, the reliability and validity of the constructs were confirmed to establish a solid foundation for the analysis of direct and indirect relationships among the variables. PLS-SEM is well-suited for handling both endogenous and exogenous constructs, particularly in small sample sizes and non-normally distributed data (Hair et al., 2020). The Bootstrapping method was used to evaluate the significance of path coefficients, allowing for the assessment of relationships within the model.

Measurement Model Evaluation

The measurement model was assessed to ensure internal consistency, reliability, and validity of the constructs (Hair et al., 2020). The reliability of the constructs was assessed using Cronbach’s alpha and composite reliability (CR) values. Both Cronbach’s alpha and CR values exceeding 0.7 are considered indicators of reliable and internally consistent constructs (Hair et al., 2021). The results indicated that all constructs met this criterion.

Convergent validity was evaluated through outer loadings and Average Variance Extracted (AVE) values. According to Hair et al. (2020), an outer loading of 0.7 or higher and an AVE greater than 0.5 are considered acceptable. The results showed that all outer loadings were above 0.7, and AVE values exceeded 0.5, confirming convergent validity. The detailed reliability and validity results for the measurement model are presented in Table 2.

Table 2. Reliability and Validity of the Measurement Model

Variable	Item	Outer Loading	Cronbach's Alpha	Composite Reliability (CR)	AVE
Perceived Service Quality	PQ1	0.758	0.784	0.835	0.635
	PQ2	0.822			
	PQ3	0.799			
Perceived Price Fairness	PP1	0.804	0.765	0.832	0.622
	PP2	0.792			
	PP3	0.751			
Consumer Satisfaction	CS1	0.885	0.812	0.876	0.812
	CS2	0.867			
Consumer Loyalty	CL1	0.948	0.854	0.934	0.892
	CL2	0.934			

Discriminant validity was evaluated using the Fornell-Larcker criterion, cross-loadings, and the Heterotrait-Monotrait ratio (HTMT). Bootstrapping was used to ensure that all HTMT values were significantly different from 1, confirming that the measurement model met the requirements for discriminant validity. These results are further illustrated in Tables 3 and 4.

Table 3. Fornell-Larcker Criterion

Variable	Consumer Loyalty	Consumer Satisfaction	Perceived Price Fairness	Perceived Service Quality
Consumer Loyalty	0.949			
Consumer Satisfaction	0.612	0.902		
Perceived Price Fairness	0.572	0.565	0.791	
Perceived Service Quality	0.479	0.547	0.635	0.795

Table 4. Cross-loadings

Variable	Consumer Loyalty	Consumer Satisfaction	Perceived Price Fairness	Perceived Service Quality
Consumer Loyalty (CL1)	0.948	0.563	0.537	0.429
Consumer Loyalty (CL2)	0.934	0.541	0.504	0.412
Consumer Satisfaction (CS1)	0.563	0.885	0.493	0.554
Consumer Satisfaction (CS2)	0.495	0.867	0.517	0.431
Perceived Price Fairness (PP1)	0.433	0.482	0.804	0.561
Perceived Price Fairness (PP2)	0.501	0.511	0.792	0.434
Perceived Price Fairness (PP3)	0.426	0.385	0.751	0.515
Perceived Service Quality (PQ1)	0.418	0.457	0.556	0.758
Perceived Service Quality (PQ2)	0.372	0.476	0.498	0.822
Perceived Service Quality (PQ3)	0.399	0.432	0.426	0.799

Hypothesis Testing

The results of the PLS-SEM analysis, presented in Table 5, reveal several significant relationships between the constructs. All seven hypothesized relationships were supported, with p-values less than 0.05, indicating statistical significance.

Table 5. Hypothesized Path Coefficients

Hypothesized Relationships	Coefficient (β)	t-value	p-value	Remarks
H1: Perceived Service Quality (PSQ) → Consumer Satisfaction (CS)	0.428	4.056	0.000	Supported
H2: Perceived Service Quality (PSQ) → Consumer Loyalty (CL)	0.213	2.725	0.007	Supported
H3: Perceived Price Fairness (PPF) → Consumer Satisfaction (CS)	0.452	4.387	0.000	Supported
H4: Perceived Price Fairness (PPF) → Consumer Loyalty (CL)	0.298	3.212	0.002	Supported
H5: Consumer Satisfaction (CS) → Consumer Loyalty (CL)	0.478	5.142	0.000	Supported
H6: Perceived Service Quality (PSQ) → Consumer Satisfaction (CS) → Consumer Loyalty (CL)	0.215	3.104	0.002	Supported
H7: Perceived Price Fairness (PPF) → Consumer Satisfaction (CS) → Consumer Loyalty (CL)	0.262	2.868	0.004	Supported

Model Fit and Predictive Relevance

The R^2 values in Table 6 indicate the explanatory power of the model. Perceived service quality and perceived price fairness together explain 42.1% of the variance in consumer satisfaction. Consumer satisfaction, in turn, explains 46.2% of the variance in consumer loyalty. These R^2 values suggest that the model is reasonably robust in explaining the relationships among the constructs. Additionally, the Q^2 values (0.309 for consumer satisfaction and 0.358 for consumer loyalty) confirm the predictive relevance of the model, indicating that the constructs used in the study are useful for predicting consumer outcomes in the restaurant industry.

Table 6. Effect Size of Endogenous Variables

Variable	R^2	Q^2	f^2 (Effect Size)
Consumer Loyalty (CL)	0.462	0.358	0.268 (Medium)
Consumer Satisfaction (CS)	0.421	0.309	0.183 (Medium)

The f^2 values, which assess the effect size of the exogenous variables (perceived service quality and perceived price fairness) on the endogenous variables (consumer satisfaction and consumer loyalty), show medium effect sizes. Specifically, the effect size for consumer satisfaction (0.183) and consumer loyalty (0.268) reflects that both service quality and price fairness have a moderate but meaningful impact on customer outcomes. This emphasizes the importance of these factors in shaping consumer experiences and outcomes in the restaurant industry.

Findings

The results from the Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis provide significant insights into the relationships among perceived service quality, perceived price fairness, consumer satisfaction, and consumer loyalty in the Indian restaurant industry. All seven hypothesized relationships were supported, with p-values below 0.05, confirming their statistical significance.

Perceived Service Quality and Consumer Satisfaction: The analysis revealed a significant positive relationship between perceived service quality and consumer satisfaction ($\beta = 0.428$, $t = 4.056$, $p\text{-value} = 0.000$). This indicates that as customers perceive higher service quality in restaurants, their satisfaction levels increase. This finding aligns with previous research in the hospitality industry, which has highlighted service quality as a key determinant of customer satisfaction (Malik et al., 2020). It emphasizes the importance of delivering high-quality service to enhance customer experiences in Indian restaurants.

Perceived Service Quality and Consumer Loyalty: A significant positive relationship was also found between perceived service quality and consumer

loyalty ($\beta = 0.213$, $t = 2.725$, $p\text{-value} = 0.007$). This result suggests that better service quality is associated with higher customer loyalty. It supports prior studies indicating that service quality plays a crucial role in fostering customer retention in the hospitality sector (Zeithaml & Bitner, 1996). However, the direct effect of service quality on loyalty was found to be weaker compared to its effect on satisfaction.

Perceived Price Fairness and Consumer Satisfaction: Perceived price fairness had a strong positive impact on consumer satisfaction ($\beta = 0.452$, $t = 4.387$, $p\text{-value} = 0.000$). This finding suggests that customers who perceive prices as fair are more likely to be satisfied with their overall dining experience. Price fairness is recognized as a significant factor in customer satisfaction, particularly in price-sensitive markets like India (Hidayat et al., 2019).

Perceived Price Fairness and Consumer Loyalty: Similarly, perceived price fairness significantly influenced consumer loyalty ($\beta = 0.298$, $t = 3.212$, $p\text{-value} = 0.002$). This underscores the importance of fair pricing in cultivating customer loyalty, supporting the findings of Konuk (2019) and others who assert that fair pricing enhances loyalty in the restaurant industry.

Consumer Satisfaction and Consumer Loyalty: Consumer satisfaction also demonstrated a strong positive effect on consumer loyalty ($\beta = 0.478$, $t = 5.142$, $p\text{-value} = 0.000$), confirming that satisfied customers are more likely to exhibit loyalty behaviors, such as repeat visits and positive word-of-mouth. This finding reinforces the established notion that customer satisfaction is a primary driver of loyalty in service industries (Zeithaml & Bitner, 1996).

Mediating Role of Consumer Satisfaction: The study further examined the mediating role of consumer satisfaction in the relationships between perceived service quality, price fairness, and loyalty. The results show that consumer satisfaction significantly mediates the impact of both perceived service quality ($\beta = 0.215$, $t = 3.104$, $p\text{-value} = 0.002$) and perceived price fairness ($\beta = 0.262$, $t = 2.868$, $p\text{-value} = 0.004$) on consumer loyalty. These findings highlight that the influence of service quality and price fairness on loyalty is indirect and operates through customer satisfaction, underscoring its role as a key driver of customer loyalty.

Discussion

This study explores the effects of perceived service quality and price fairness on customer satisfaction and loyalty in the Indian restaurant industry, offering unique insights into consumer behavior, especially in a developing economy like India. The results align with previous research but also present distinctive findings, particularly regarding the mediating role of customer satisfaction.

The findings corroborate Bernarto et al. (2022), who found that perceived price fairness positively impacts customer satisfaction, loyalty, and trust. However, their study did not identify customer satisfaction and trust as mediators in the price fairness-loyalty relationship. In contrast, this study highlights the

mediating role of customer satisfaction, emphasizing that in India, satisfaction plays a crucial intermediary role in the link between price fairness and loyalty. This observation aligns with Atmaja & Yasa (2020), who also highlighted the significance of customer satisfaction as a mediator between service quality, price fairness, and loyalty in the hospitality sector. The divergence between this study and Bernarto et al. (2022) may stem from cultural and market differences, as Indian consumers appear more attuned to how service quality and price fairness interact, with satisfaction being integral to loyalty.

The study's findings also resonate with Putu & Ekawati (2020), who showed that service quality, price fairness, and customer satisfaction influence word-of-mouth behavior, with both service quality and price fairness significantly affecting satisfaction. Similarly, this study found that both service quality and price fairness significantly impact customer satisfaction and loyalty in the Indian restaurant context. Furthermore, the mediating role of customer satisfaction reinforces these findings, as satisfied customers are more likely to engage in positive behaviors like word-of-mouth and repeat visits, which strengthen loyalty. This highlights the importance of maintaining high service standards and fair pricing to foster long-term loyalty.

While Atmaja & Yasa (2020) observed that price fairness had a positive but insignificant effect on loyalty, this study found that price fairness significantly influenced both customer satisfaction and loyalty. This suggests that in India, price fairness plays a more substantial role in building loyalty than in other regions, where other factors may be more prominent. Indian consumers seem particularly sensitive to the perceived value of their purchases, making fair pricing a critical determinant in cultivating loyalty, sometimes even more than service quality alone. Additionally, Alzoubi & Inairat (2020) emphasized that perceived service quality, price fairness, and service recovery are crucial for customer satisfaction and delight. While service recovery was not directly explored in this study, the results align with their assertion that service quality and price fairness are central to driving satisfaction and loyalty. This research contributes to the broader theoretical framework by focusing on these two variables and their direct and indirect effects on customer loyalty in the Indian restaurant industry. It reinforces the importance of transparent communication and consistency in service and pricing to ensure customer satisfaction and foster loyalty.

The significance of price fairness is further supported by studies in other markets. Konuk (2019) found that price fairness impacted consumer satisfaction in Turkish restaurants, and Hidayat et al. (2019) found a direct relationship between price fairness and customer loyalty in Indonesian restaurants. These studies underscore that in competitive and price-sensitive markets, such as India, where consumers are often more cost-conscious, fair pricing can be pivotal in driving loyalty, even if service quality is not as influential. This highlights the need for restaurant managers to prioritize fair pricing as part of their customer

retention strategies, especially in developing economies where consumers are more sensitive to economic factors.

Another important contribution of this study is the revelation that customer satisfaction significantly mediates the relationship between service quality, price fairness, and customer loyalty. This aligns with findings by Atmaja & Yasa (2020), who also emphasized the importance of satisfaction as an intermediary in the hospitality sector. The results suggest that service quality and price fairness indirectly foster loyalty by enhancing customer satisfaction. This reinforces the pivotal role satisfaction plays in building long-term customer relationships, as satisfied customers are more likely to return and recommend the restaurant to others.

An intriguing aspect of this study is that, unlike prior research suggesting a direct link between service quality and loyalty, we found that perceived service quality did not directly influence loyalty. Instead, customer satisfaction acted as a crucial mediator. This finding echoes Zeithaml and Bitner's (1996) argument that satisfaction is a primary driver of loyalty in service industries. This suggests that while high service quality may improve immediate satisfaction, it is sustained satisfaction that ultimately translates into loyalty. Thus, restaurants must focus not only on service quality but also on overall customer satisfaction to convert positive experiences into repeat patronage.

The indirect relationship between service quality and loyalty further emphasizes the need for restaurants to adapt to evolving consumer expectations. While service excellence is vital, it is satisfaction that turns these experiences into lasting loyalty. This insight is crucial for managers who may be overly focused on improving service quality but must recognize that satisfaction bridges service excellence and loyalty. Managers should ensure that service quality is consistently high and focus on satisfaction to maintain long-term customer relationships.

This study also demonstrates that service quality and price fairness explain a significant portion of the variance in customer satisfaction, which, in turn, explains a substantial portion of the variance in customer loyalty. These results highlight the robustness of the constructs—service quality, price fairness, and satisfaction—in predicting loyalty in the restaurant industry. This practical framework provides restaurant managers, particularly in developing economies like India, with valuable insights into the key factors that influence loyalty.

This study reinforces the importance of customer satisfaction as a mediator and provides a nuanced understanding of how service quality and price fairness affect satisfaction and loyalty. The findings contribute to the literature on consumer behavior and offer practical guidance for restaurant managers in India, helping them navigate the complexities of consumer behavior in a developing economy. By emphasizing the importance of service quality, fair pricing, and customer satisfaction, this research offers valuable insights into fostering long-term loyalty in the restaurant industry.

Implications

This study offers important implications for the restaurant industry, particularly in developing markets like India. It highlights the critical roles of perceived service quality and price fairness in shaping customer satisfaction and loyalty. A dual focus on service quality and fair pricing can be a powerful strategy to build a loyal customer base. In price-sensitive markets, where value for money is paramount, restaurant managers should regularly seek customer feedback to ensure offerings align with expectations and perceived value.

The study underscores the significant impact of perceived price fairness on customer satisfaction and loyalty. Managers should adopt transparent pricing strategies, offering clear price breakdowns to help customers understand the value they receive. Consistency in pricing across services is also essential to avoid perceptions of bias or unfairness, which could harm customer trust and satisfaction.

Service quality also plays a key role in driving satisfaction and loyalty. Restaurant managers should prioritize staff training to improve communication, responsiveness, and knowledge of the menu, ensuring that service meets or exceeds customer expectations. This aligns with research indicating that high service quality enhances both satisfaction and loyalty (Malik et al., 2020; Konuk, 2019).

The mediating role of customer satisfaction in the relationship between service quality, price fairness, and loyalty suggests that managers should focus on enhancing satisfaction as a pathway to loyalty. Regular satisfaction surveys or feedback collection can help track consumer sentiments, enabling managers to adjust service and pricing strategies to better meet evolving customer expectations.

Finally, culturally tailored approaches to customer service can provide a competitive edge in India. Aligning with local culture and social norms can make dining experiences more relatable and welcoming, fostering stronger customer satisfaction and loyalty. This study offers a roadmap for restaurant managers in developing markets to enhance loyalty by balancing service excellence and fair pricing, securing long-term success in a competitive industry.

Limitations and Future Research

This study has several limitations that should be considered when interpreting the findings. First, the use of a non-probability, convenience sampling method means that the sample may not fully represent the diverse consumer base within the Indian restaurant industry. The study primarily focused on urban areas, which may not reflect the behaviors of consumers in rural or smaller towns. Future studies could employ probability sampling and expand the sample to include both urban and rural areas to provide a more comprehensive understanding of consumer preferences across India's diverse regions.

Another limitation is the exclusion of demographic variables such as age, gender, income, and education level, which could moderate the relationships between perceived service quality, price fairness, customer satisfaction, and loyalty. These demographic factors may influence consumer perceptions and behaviors, especially in a developing country like India, where socioeconomic conditions play a significant role. Future research could examine these variables to understand their impact on consumer satisfaction and loyalty in different market segments. Additionally, the study focused only on service quality and price fairness, excluding other factors like repurchase intention, word-of-mouth, and brand loyalty, which could offer deeper insights into customer decision-making. Future research could broaden the scope to include these variables and also consider emotional or experiential factors, such as ambiance, to understand the more intangible aspects of customer loyalty.

Finally, the cross-sectional nature of the study captures data at a single point in time and does not account for changes over time. Longitudinal studies tracking consumer behavior over an extended period would provide a more robust understanding of how service quality and price fairness influence loyalty. Expanding the research to include other service industries, such as hospitality or transportation, would offer a broader view of the factors driving customer satisfaction and loyalty across different contexts and markets.

Conclusion

This study explores the relationships between perceived service quality, price fairness, customer satisfaction, and loyalty in India's restaurant industry. It confirms that both service quality and price fairness significantly impact customer satisfaction, which, in turn, plays a crucial role in fostering customer loyalty. These findings align with previous research in various service sectors, emphasizing the importance of service quality and pricing strategies in driving consumer satisfaction and loyalty.

The study highlights the mediating role of customer satisfaction, supporting theories in hospitality and service management literature. It demonstrates that customer satisfaction is not only an outcome of high service quality or fair pricing but also a critical mechanism through which these factors influence long-term loyalty. By focusing on the Indian context, the research provides a better understanding of the cultural and economic factors shaping consumer behavior in developing countries.

Furthermore, this research underscores the importance of price fairness in building customer trust and loyalty in India's restaurant market. It suggests that restaurant managers must pay attention to customer perceptions of value and ensure transparency in their pricing strategies. The findings emphasize that balancing excellent service quality with competitive pricing is crucial for maintaining a loyal customer base in a competitive market.

While the study offers valuable insights, it also opens avenues for future research, such as exploring a broader range of consumer segments, conducting

longitudinal studies, and examining other factors like brand loyalty and word-of-mouth behavior. Overall, this research advances knowledge in the field by emphasizing the interconnectedness of service quality, price fairness, and customer satisfaction, providing practical guidance for restaurant managers in India to refine their strategies and build lasting customer relationships.

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