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Article in *The TQM Journal* · January 2023

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# The intricate relationships of consumers' loyalty and their perceptions of service quality, price and satisfaction in restaurant service

Intricate  
relationships of  
consumers

519

Received 2 June 2021  
Revised 14 September 2021  
26 December 2021  
7 February 2022  
Accepted 14 February 2022

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## Abstract

**Purpose** – The purpose of this study is to determine how consumers perceive restaurant service in Bangladesh. The goal of this study is to determine the impact of perceived service quality and price fairness on consumer satisfaction and loyalty toward restaurant services.

**Design/methodology/approach** – The data for this study were collected from 326 respondents who have used restaurant services in Bangladesh. Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to evaluate the research data with SmartPLS 3.3.3.

**Findings** – The current study's findings indicate that perceived service quality and price fairness both have a direct and significant effect on consumer satisfaction. Additionally, the research findings reveal a considerable association between perceived pricing fairness and consumer pleasure and consumer loyalty. Additionally, findings indicate that perceived service quality and price fairness both have a significant indirect effect on customer loyalty via the mediating effect of consumer satisfaction.

**Practical implications** – The current study demonstrates that perceived price fairness has a substantial effect on restaurant consumers' satisfaction and loyalty; thus, this evidence can assist restaurant owners and managers in developing and implementing their pricing strategy to retain customers. Additionally, the findings have significant implications for restaurant operators, practitioners and policymakers.

**Originality/value** – Only a few research have been conducted to determine the effect of service quality and pricing fairness on consumer satisfaction and loyalty when it comes to restaurant services. This research conclusion provides guidance to service providers on how to increase customer satisfaction and loyalty through an emphasis on price fairness and service quality.

**Keywords** Perceived service quality, Perceived price fairness, Consumer satisfaction, Consumer loyalty, Restaurant service, PLS-SEM

**Paper type** Research paper



## 1. Introduction

The economic growth of Bangladesh has accelerated dramatically in recent years (Saad, 2021). Throughout this period of expansion, the service industry as a whole has contributed a significant portion to the country's economic performance (Rahman *et al.*, 2019). The hotel and restaurant industries in Bangladesh have grown significantly in recent years, with a gradual increase in customer base. The country had an average economic growth of around 8% in this industry between 2019 and 2020 (Popy and Bappy, 2022). Fast food became popular among urban consumers in the late 1990s, and global fast-food chains such as Pizza Hut and KFC have started operations in Bangladesh since 2000 (Islam and Ullah, 2010). Following that, the fast-food restaurant industry has become one of the most profitable in the country, and local citizens developed a taste for fast food, particularly in urban areas.

While it is clear that Bangladeshi restaurant owners have started to prioritize understanding and to track customer satisfaction and loyalty from a retention and sustainability standpoint, there is still a research gap in analyzing Bangladeshi fast food restaurant customers' satisfaction and loyalty. Based on this, the current research will examine customer satisfaction and loyalty concerning service quality and price fairness as determinants, using samples of Bangladeshi fast food restaurant consumers.

The onerous task of any company organization is to ensure consumer happiness. To remain competitive in today's shifting business environment, businesses must attract and retain customers. Clearly, an organization's success ultimately depends on the development of differentiated products and services and the effective value they provide to consumers (Namin, 2017). And, in order to survive and thrive, it is unavoidable to maintain a high standard of service (Malik *et al.*, 2020; Zhong and Moon, 2020). In a highly competitive environment, dissatisfied customers may switch to competitors (Xia and Ha, 2021). Consumers' demand for a high-quality product or service is critical. Nonetheless, offering high-quality service is critical for businesses to survive and prosper (Jeaheng *et al.*, 2020; Satti *et al.*, 2019). Even when it comes to ensuring a business's profitability, service quality is critical (Chi *et al.*, 2020; Wang, 2020). According to researchers, particularly specifically in the hospitality industry, service quality equates to increased client satisfaction, consumer revisit intention and profitability (Bougoure and Neu, 2010; Han and Hyun, 2017). Additionally, service quality is the difference between consumers' expectations and perceptions of their service experience. (Nunkoo *et al.*, 2020; Parasuraman *et al.*, 1988). In a growing country like Bangladesh, where restaurant businesses, like those in many other developed and developing countries, are booming, the quality and pricing of products and services are regarded critical influencing aspects for any marketing offering. To develop loyal consumers, it is necessary to achieve consumer satisfaction, and to achieve consumer satisfaction, businesses must create products, services or experiences that meet customers' expectations for service quality and affordability. Consumer decision-making is a prominent subfield of consumer behavior. It shows how an individual allocates his or her time, money, and other consumer-related efforts and matters when making purchasing decisions (Priest *et al.*, 2013). Customer behavior, in a broader sense, encompasses the processes by which a customer searches for, selects, uses and discards marketing offerings in order to meet his or her requirements and desires, while also taking into account the influence on consumers and society (Priest *et al.*, 2013). Five sequential phases are inextricably linked to the consumer purchasing process. Consumers must first require the product, followed by its quality, availability, pricing and marketing activities. Second, customers make judgments about perceived benefit and cost. Third, buyers weigh available choices and make a choice. Fourth, there is the purchasing or non-purchasing choice, and finally, there is the customer's actual experience with the marketing offer, also known as post-purchase behavior, which eventually results in customer satisfaction or dissatisfaction (Liat *et al.*, 2014).

A consumer's perceived value has been proven to be critical in reinforcing brand loyalty for any business entity. In order to retain customers, service-oriented industries such as fast food restaurants have been increasingly focused on providing value-oriented customer service (Scarlett *et al.*, 2021; Baker and Wakefield, 2012). Customers' perceived service quality has been significant in reinforcing customer loyalty, as it is believed that providing high-quality, value-oriented restaurant services is critical in attracting and retaining loyal customers in the restaurant industry (Izquierdo-Yusta *et al.*, 2019). Additionally, offering high-quality service is likely to increase customer satisfaction in the hospitality industry (Jani and Han, 2015). Additionally, perceived reasonable pricing plays a critical role in satisfying customers, which ultimately influences their future behavioral activities (Heo and Lee, 2011). Positive customer perceptions of pricing fairness may result in improved satisfaction and loyalty (Bassey, 2014); while, negative customer perceptions of price unfairness may result in anti-purchase behaviors and increasing dissatisfaction (Bassey, 2014) (Liu and Jang, 2009). Customer satisfaction is a necessary condition for increasing the number of loyal customers. Restaurant owners and business managers believe that loyal clients are more valuable to the business than ordinary customers (Espinosa *et al.*, 2018). Therefore service-oriented businesses have been focusing on servicing existing customer relationships rather than attracting new consumers as a more successful business strategy (Gee *et al.*, 2008). To fully comprehend customer loyalty in the restaurant industry, analyzing the customer's decision-making process while selecting restaurants is important.

Customers consider a range of aspects when choosing which restaurant to patronize, including food and service quality, among other factors (Shamah *et al.*, 2018). Considering, increasing level of customer demand and intense market competition, it has become an utmost challenge for the restaurant business to focus on customer contentment and loyalty (Sinha *et al.*, 2021). Tracking the determinants of customer satisfaction and loyalty would be necessary to work with these issues. Moreover, scarce research evidence is available in the literature to understand the indirect impact of price fairness and service quality on customer loyalty in the restaurant segment (Severt *et al.*, 2020). Thus, from a research standpoint, it has become critical to determine which aspects would meet customers' needs and encourage them to return to the restaurant for another meal. To accomplish this research objective, the study uses Bangladesh as a case study, a country where fast food restaurant enterprises have exploded in recent years. As such, this study will examine the effect of perceived service quality and price fairness on customer satisfaction and loyalty in the Bangladeshi fast food restaurant market. Additionally, the study demonstrated how satisfaction acts as a mediator in the relationship between perceived service quality, price fairness and customer loyalty. The study contributes to the current literature on customer satisfaction and loyalty by emphasizing the importance of service quality and pricing fairness in influencing fast food restaurant customers' satisfaction and loyalty. Samples were drawn from a developing economy: Bangladesh. Additionally, the study validated the mediating effect of satisfaction on the relationship between service quality and pricing fairness and customer loyalty, allowing for a more complete knowledge of the indirect effect of service quality and price fairness on loyalty.

## 2. Literature review

Customer satisfaction and loyalty have acquired widespread recognition in its importance and significance in the service sector. As marketers continue to place emphasis on customer satisfaction and loyalty, further investigation is necessary to explore the relationship between the two (Cronin *et al.*, 2000). Service quality has long been acknowledged as a vital aspect in meeting customers' expectations for a particular service (Raza *et al.*, 2020). Providing a higher level of service quality increases the consumer's trust in the offered

service, which results in more loyal customers (Liu *et al.*, 2017). The concept of perceived price fairness has also gained substantial prominence among experts in the field of service marketing (Yieh *et al.*, 2007), and price has been found to be a significant factor in determining the value of a particular service (Malik *et al.*, 2020). The customer's perception of price fairness for a service is dependent on the value received (Andrés-Martnez *et al.*, 2014). Thus, the current study takes service quality and price fairness as antecedents of consumer satisfaction and loyalty in the fast-food restaurant industry.

### 2.1 Perceived service quality

Quality has a significant impact on the restaurant industry's ability to satisfy and retain customers. Prior research has concentrated on two types of quality, objective and subjective (Tsiotsou, 2006). Zeithaml (1988) defines objective quality as product/service excellence or technical superiority, whereas perceived quality is defined as the consumers' overall perception of a product or service. Perceived service quality contributes to consumers' trust in business enterprises. It has been a factor in assisting businesses in seizing new opportunities presented by the competitive environment (Ali *et al.*, 2015). Any business organization's existence and continuity are significantly dependent on the level of service offered to its customers (Gorondutse and Hilman, 2014). Perceived service quality has long been considered a critical component of the foodservice and restaurant industries (Thielemann *et al.*, 2018). Nowadays, service quality is measured in terms of consumer expectations and the level of service provided by service providers (Serhan and Serhan, 2019). In the foodservice industry, outstanding service is largely responsible for the consumer's perception of a restaurant (Garg, 2014). In the restaurant industry, various consumers may have varying perceptions of the same service quality. For example, if the offered service falls short of the consumer's expectation, the perceived service quality may be low; but, if the provided service meets the consumer's expectation, the perceived service quality may be high (Serhan and Serhan, 2019). It is critical for food service establishments to consistently enhance their service quality in order to compete and survive in the market (Namin, 2017).

According to Zeithaml and Bitner (1996), ongoing improvement in service quality would help businesses attract new customers and keep existing ones. The metric of service quality is widely considered as an excellent predictor of consumer satisfaction (Namin, 2017). Ryu *et al.* (2010) examined the relationship between restaurant foodservice quality and consumer satisfaction and discovered a favorable correlation. Thielemann *et al.* (2018) discovered a positive correlation between perceived service quality and perceived value, as well as a significant impact of perceived value on consumer satisfaction in the hospitality business. According to Tsiotsou's (2006) study, improved product quality inevitably results in a higher degree of satisfaction. Additionally, Konuk (2019) established a favorable relationship between service quality and consumer satisfaction. Additionally, Yuliantoro *et al.* (2020) discovered a link between perceived food quality and consumer satisfaction. Kasiri *et al.* (2017) shown that service quality has a significant impact on consumer satisfaction. It has been found that service quality characteristics such as safety and convenience have an effect on ride-sharing app users' satisfaction levels in Malaysia (Suhaimi *et al.*, 2018). Bahadur *et al.* (2018) found that when quality criteria of a given service was met, it resulted in higher customer satisfaction.

Additionally, Miranda *et al.* (2018) asserted that service quality is connected with a variety of customer-centric outcomes, including consumer satisfaction, loyalty and repurchase behavior. It has been found that the service quality of Islamic banks has an effect on customer satisfaction but is a nonsignificant predictor of bank customer loyalty (Abror *et al.*, 2020). However, Hadi *et al.* (2019) found that service quality has a positive and statistically significant effect on cell phone users' loyalty. Bapat (2017) also discovered a strong

correlation between service quality and consumer loyalty. Similarly, in another sector of hospitality, the perceived quality of tourism package tour services influences tourists' loyalty to service providers (Cetin, 2020). As a result, the following hypotheses for this investigation are proposed:

- H1. Perceived service quality positively influences consumer satisfaction of foodservice restaurant business.
- H2. Perceived service quality has a positive, direct impact on consumer loyalty on foodservice restaurant business.

## 2.2 Perceived price fairness

From a consumer's perspective, pricing can be defined as "what is given up or sacrificed in order to receive a product" (Zeithaml, 1988, p. 10). Price, in general, is the external cue used by consumers to determine the quality of a product or service. Pricing has been shown to influence consumers' purchasing decisions in the past (Chua *et al.*, 2015). As a result, when customers make a purchasing decision, they frequently seek rationale for the pricing policy (Oh, 2000). When consumers believe pricing to be reasonable, they are more likely to be satisfied (Bei and Chiao, 2001). Price fairness, according to Xia *et al.* (2004), is "a consumer's evaluation and related feelings regarding whether the difference (or lack thereof) between a seller's price and the price of a comparable other party is reasonable, acceptable, or justifiable" (Xia *et al.*, 2004, p. 3). Campbell (2007) defines price fairness as "a consumer's subjective perception of a price as being correct, just, or legitimate versus being incorrect, unjust, or illegitimate" (Campbell, 2007, p. 261). Consumers typically appraise and examine pricing fairness in a variety of ways. For example, when prices are clearly labeled and adequately justified, attitudes toward fairness are enhanced (Homburg *et al.*, 2014). Occasionally, consumers determine the fairness of a price based on the pricing of a competitor (Xia *et al.*, 2004). Surprisingly, the growing acceptance of pricing justice may also result in increased consumer happiness and loyalty (Jin *et al.*, 2019). Similarly, if price is found to be unfair or unreasonable, unhappiness will result. This type of behavioral association has been particularly prevalent in the foodservice restaurant industry, where reasonable or fair pricing is associated with increased client loyalty and commitment (Nikbin *et al.*, 2016). Indeed, competitive or reasonable prices have a significant impact on consumer repurchase intentions and satisfaction (Kotler and Keller, 2012).

To better comprehend the consumer's hedonic side of consumption, Kausar *et al.* (2014) surveyed Pakistani dining restaurant customers and discovered that affordable pricing essentially induce consumer contentment. This is because diners constantly examine the costs they pay. Price perception is a significant predictor of consumer satisfaction at full-service restaurants (Ing *et al.*, 2019). Konuk (2019) demonstrated that price fairness positively stimulates and effects restaurant consumers' satisfaction and perceived food value in a recent study on organic food restaurants. Price fairness is crucial in measuring the level of customer satisfaction derived from a service, as customers perceive price as a criterion for evaluating the service provided (Severt *et al.*, 2020). Malik *et al.* (2020) also found a positive correlation between perceived pricing fairness and satisfaction among hotel consumers. Additionally, pricing inequality would have a detrimental effect on consumer satisfaction (Fernandes and Calamote, 2016). Jeaheng *et al.* (2020) have shown that a perceived fair price has a positive effect on Muslim tourists' trust in halal hotels, hence increasing their proclivity to return (i.e. loyalty) to the service provider. Hidayat *et al.* (2019) examined the effect of pricing on restaurant consumer loyalty in an Indonesian context and established a positive correlation between consumer loyalty and a fair price. Additionally, Githiri (2018) discovered a substantial link between consumer loyalty and price fairness in a survey of Kenyan restaurant patrons. Opata *et al.* (2019) studied the automobile industry to better understand

consumer behavior and concluded that perception of price fairness is an important determinant of customer satisfaction and loyalty as it is considered a significant purchase decision for individuals. As a result, the following hypotheses are advanced:

- H3. Perceived price fairness has a direct effect on consumer satisfaction of restaurant service.
- H4. Perceived price fairness positively and directly influence consumer loyalty of restaurant service.

### 2.3 Consumer satisfaction and loyalty

The satisfaction can be quantified according to [Yang et al. \(2017\)](#) by monitoring the observed difference between the emotions that are felt during pre-sale and post-sale consumption of any goods or services for the consumer. Satisfaction can be determined by examining consumers' attitudes toward a product or service ([Opata et al., 2019](#)). Satisfaction is also described as a consumer's perceived evaluation of a product or service ([Han et al., 2011](#)). Consumer satisfaction is often defined as the consumers' favorable emotion following the use of a good or service. Consumer satisfaction was defined by [Oliver \(1997\)](#) as the consumer's fulfillment response, the degree to which the level of fulfillment is pleasant or unpleasant. If consumers believe that the performance of a particular commodity or service meets their expectations, they are likely to be satisfied ([Suhartanto et al., 2018](#)). Consumer happiness is critical for any business's growth, as satisfied customers promote positive word of mouth about the business, thereby reinforcing the consumers' intent to revisit ([Cakici et al., 2019](#)). On the other hand, unsatisfied consumers are viewed as a serious danger to commercial enterprises ([Cakici et al., 2019](#)). Satisfied customers are more likely to repurchase or experience the product or service in the future and to promote it to others ([Suhartanto et al., 2018](#)). Given the restaurant industry's competitive and challenging character, relying exclusively on customer satisfaction may not be adequate to ensure business sustainability and growth ([Ha and Jang, 2010](#)). Indeed, the primary factor in sustaining business growth and survival in a competitive business climate is having loyal consumers. [Oliver \(1999\)](#) defines loyalty as a firmly held commitment to regularly buy or re-patronize a chosen product or service in the future, regardless of situational factors or marketing attempts ([Oliver, 1999](#), p. 34). According to [Kim et al. \(2009\)](#), loyal consumers are more likely to repurchase than new consumers, recommend others to purchase and pay a premium price. As a result, businesses must cultivate a larger base of loyal customers in order to succeed. Consumer loyalty not only increases the willingness to repurchase but also generates recommendatory word of mouth ([Ladhari et al., 2008](#)). To earn consumers' loyalty to a product or service, business managers must identify consumers' perceived expectations and meet those expectations with their perceived product quality ([Yeo et al., 2017](#)).

According to the literature, when consumers perceive that their expectations are met by a product or service experience, they promote the product or service to others and become more loyal ([Jin et al., 2019](#); [Han and Hyun, 2015](#); [Ha and Jang, 2012](#)). According to [Opata et al. \(2019\)](#), the more satisfied customers are with the service quality, the more loyal they become. Previous research has established a positive and significant correlation between customer loyalty and satisfaction ([Shin et al., 2013](#); [Chang, 2018](#)). Additionally, numerous research have established a positive correlation between satisfaction and loyalty ([Singh et al., 2021](#); [Slack and Singh, 2020](#); [Tzavlopoulos et al., 2019](#); [Cheng et al., 2019](#); [Carranza et al., 2018](#); [Suhartanto et al., 2018](#)). In the restaurant industry, [Thielemann et al. \(2018\)](#) likewise identified a positive correlation between consumer satisfaction and loyalty. Consumer pleasure has already been identified as a significant mediator of the relationship between a fair price and consumer loyalty, as well as the association between perceived quality and consumer loyalty ([Atmaja and Yasa, 2020](#); [Mahato et al., 2020](#); [Kaura et al., 2015](#); [Ngo and Nguyen, 2016](#); [Cheng et al., 2019](#)). As a result

of the above discussion, the following Research Framework and Hypotheses (as depicted in Figure 1) are proposed:

H5. Consumer satisfaction positively influence consumer loyalty of restaurant service.

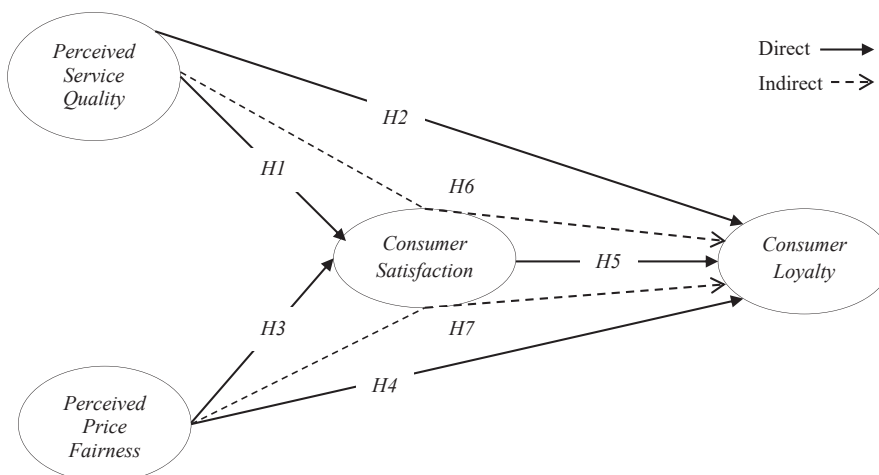
#### 2.4 The mediating role of consumer satisfaction on the relationship between perceived service quality and consumer loyalty

Consumer behavior literature contains evidence demonstrating the relationship between service quality, customer satisfaction and loyalty (Haron *et al.*, 2020; Iqbal *et al.*, 2018). The empirical evidence indicates that a higher perceived level of service quality is more likely to result in an increase in consumer satisfaction, which also then results in more loyal consumers (Izogo and Ogba, 2015; Kuo *et al.*, 2013). It is argued that in a service-oriented industry, whether clients stay or leave a particular service is determined by the quality of the service offered (Malik *et al.*, 2020). From a broad viewpoint, it is well established that perceived service quality is often a predictor of customer satisfaction (Uzir *et al.*, 2021; Dam and Dam, 2021) and that perceived service quality also has an indirect effect on loyalty through customer satisfaction (Su *et al.*, 2021). As a result, the study makes the following assumption:

H6. Consumer satisfaction mediates the relationship of perceived service quality with consumer loyalty of restaurant service.

#### 2.5 The mediating role of consumer satisfaction on the relationship between price fairness and consumer loyalty

Price is traditionally considered a determining factor in customer satisfaction, as it reflects the worth of any particular service (Han *et al.*, 2020). Additionally, pricing perception has been shown to be a predictor of customer satisfaction and loyalty (Malik *et al.*, 2020). In the service industry, it has been demonstrated that a justifiable and acceptable price has a beneficial effect on client satisfaction and loyalty (Erjavec *et al.*, 2016; Han and Ryu, 2009). Moreover, research indicates that the service industry places priority on maintaining positive relationships with clients, and that perceived fair pricing helps retain a satisfied customer base, thus resulting in more loyal customers (Han and Hyun, 2015). As a result of the study's review of the prior research literature, it is proposed that:



**Figure 1.**  
Research framework  
with hypotheses

### 3. Methodology

This study used the Purposive Sampling technique to evaluate the consumer satisfaction and consumer loyalty of the restaurant service in Bangladesh. Consumer satisfaction and consumer loyalty are predicted by two variables i.e. perceived service quality and perceived price fairness. A self-administered survey questionnaire was undertaken to measure four research variables with 10 items. The first research variable is perceived service quality that pertains to three items. They are (1) the restaurant provides a variety of food items on the menu, (2) the restaurant provides hygienic foods and (3) the restaurant provides services within the assured time. These items are adapted from [Parasuraman \*et al.\* \(1988\)](#) and [Konuk \(2019\)](#). The second research variable is perceived price fairness that consists of also three items, namely, (1) the prices of restaurant food are affordable, (2) the restaurant provides great value as compared to others and (3) the restaurant experience is worth the money. These items are adapted from [Konuk \(2019\)](#) and [Yuliantoro \*et al.\* \(2020\)](#). The third research variable is consumer satisfaction which pertains to two items, specifically, (1) satisfaction with the foodservice of the restaurant and (2) the experience with the restaurant service was enjoyable. These two items are adapted from [Yuliantoro \*et al.\* \(2020\)](#). The fourth research variable is consumer loyalty which consists of two items i.e. (1) the willingness to revisit this restaurant in the future and (2) recommend the restaurant to friends and associates. These two items are adapted from [Konuk \(2019\)](#). All research variables are measured by five points Likert scales (5 = strongly agree, 4 = agree, 3 = neutral, disagree, 2 = disagree, 1 = strongly disagree).

The present study distributed 550 questionnaires to the respondents who were consumers of restaurants' services in Bangladesh's fast-food and family restaurants, coffeehouses, seafood restaurants, buffet restaurants, casual dining restaurants and others. The survey questionnaire was created using Google form and the response data was then obtained via email, WhatsApp and messenger. The survey questionnaires were distributed to the respondents living in the urban areas of Bangladesh such as Dhaka, Chittagong, Rajshahi, Sylhet, Khulna, Barishal and others. After distributing 550 survey questionnaires, we received 326 (59.27%) useful responses from students, teachers, self-employed, professionals, government employees, executives of private organizations and others. These respondents' age groups were 20 years or below, 21–30 years, 31–40 years, 41–50 years and above 50 years. The detailed demographic profiles of the respondents are presented in [Table 1](#).

The present study used “*A-priori* Sample Size Calculator” to determine the minimum sample size for using Structural Equation Modeling (SEM). For the calculation of the sample size, we provided the anticipated effect size = 0.3, desired statistical power level = 0.8, number of latent variables = 4, probability level = 0.05. Based on the inputs and calculation it was recommended 288 minimum sample size for using SEM. This study used 326 responses which meet the minimum requirement of the sample size.

The PLS-SEM was used to measure the international consistency, reliability and validity of the constructs. The reasons for using PLS-SEM over CB-SEM because it can predict the key target of the constructs, and it also can be used when the sample size is small and data are not normally distributed ([Rigdon \*et al.\*, 2017](#)). Data were analyzed through the software SmartPLS 3.3.3 to assess the predictive power of the structural model. Before analyzing the Measurement Model and the SEM, we have done the data screening and preliminary analysis to confirm the data were free from possible statistical errors. We have eliminated those respondents' responses if there were missing more than 20% responses. The missing values of less than 20% were replaced by the mean of the variables' item.

|                                    |           |            | Intricate<br>relationships of<br>consumers |
|------------------------------------|-----------|------------|--------------------------------------------|
| Description                        | Frequency | Percentage |                                            |
| <i>Gender</i>                      |           |            | <b>527</b>                                 |
| Male                               | 208       | 63.8       |                                            |
| Female                             | 118       | 36.2       |                                            |
| <i>Age</i>                         |           |            |                                            |
| 20 years or below                  | 37        | 11.4       |                                            |
| 21–30 years                        | 98        | 30.0       |                                            |
| 31–40 years                        | 136       | 41.7       |                                            |
| 41–50 years                        | 43        | 13.2       |                                            |
| Above 50 years                     | 12        | 3.7        |                                            |
| <i>Educational background</i>      |           |            |                                            |
| Secondary School Certificate (SSC) | 26        | 8.0        |                                            |
| Higher Secondary Certificate (HSC) | 38        | 11.7       |                                            |
| Diploma                            | 36        | 11.0       |                                            |
| Bachelor degree                    | 123       | 37.7       |                                            |
| Master's degree                    | 87        | 26.7       |                                            |
| Others                             | 16        | 4.9        |                                            |
| <i>Occupation</i>                  |           |            |                                            |
| Student                            | 84        | 25.8       |                                            |
| Teacher                            | 57        | 17.5       |                                            |
| Professional                       | 31        | 9.5        |                                            |
| Govt. Employee                     | 39        | 12.0       |                                            |
| Executive                          | 60        | 18.4       |                                            |
| Self-employed                      | 44        | 13.5       |                                            |
| Others                             | 11        | 3.3        |                                            |

**Table 1.**  
Demographic profile of  
the respondents

Besides the data screening process, we run the outlier, common method bias tests to ensure the validity of the data.

## 4. Results

### 4.1 Measurement model

The measurement models for all constructs in this study were specified as reflective, as the research model was built on the basis of theoretical principles. Prior to testing SEM, the measurement model must be evaluated. The purpose of assessing the measuring model is to ascertain the study components' internal consistency, reliability and validity (Hair *et al.*, 2020). Cronbach's alpha and composite dependability (CR) values show the internal consistency and reliability of the constructs. If the Cronbach's alpha and composite reliability scores are equal to or greater than 0.7, the construct is considered to be reliable and internally consistent (Henseler, 2018). The measurement model's results reveal that both Cronbach's alpha and composite reliability values for the four variables were greater than 0.7, satisfying the constructs' reliability and internal consistency requirements (Hair *et al.*, 2020).

On the other hand, the current study determined the construct validity and convergent validity of the constructs using outer loading and AVE (average variance extracted) values. Hair *et al.* (2020) assert that when the outer loadings of a variable item are 0.7 or above, the construct is valid. To ensure convergent validity, the AVE value should be greater than or equal to 0.5. The measurement model's results suggest that the outer loadings of the four variables were larger than 0.7 and the AVE values were greater than 0.5, satisfying the minimum requirements for construct and convergent validity. Table 2 provides additional context on this.

The present study also determines the discriminant validity of the measurement model by using Fornell–Larcker criterion, cross-loadings and Heterotrait–Monotrait ratio (HTMT). The bootstrapping option was used to check that all HTMT values were significantly different from 1. The results of the measurement model indicate that all constructs cross-loadings, Fornell–Larcker criterion and HTMT are acceptable (see [Tables 3 and 4](#)).

4.2 Structural model assessment

To evaluate the research hypotheses, the current study used PLS-predict in SmartPLS ([Shmueli et al., 2019](#)). The SEM was conducted following confirmation of the constructs' reliability and validity. The primary justification for employing PLS-SEM is that it is capable of managing a variety of endogenous and exogenous components in order to ascertain direct and indirect relationships ([Shiau et al., 2019](#)). Additionally, it can be used to test hypotheses when the sample size is small and the data do not follow a normal distribution ([Hair et al., 2020](#)). To determine the significance level of the route coefficients in this study, we employed

**Table 2.**  
Reliability and validity  
of the  
measurement model

| Variable                  | Item | Outer loading | Cronbach's alpha | Composite reliability (CR) | AVE   |
|---------------------------|------|---------------|------------------|----------------------------|-------|
| Perceived service quality | PQ1  | 0.748         | 0.767            | 0.831                      | 0.622 |
|                           | PQ2  | 0.835         |                  |                            |       |
|                           | PQ3  | 0.780         |                  |                            |       |
| Perceived price fairness  | PP1  | 0.796         | 0.754            | 0.827                      | 0.614 |
|                           | PP2  | 0.808         |                  |                            |       |
|                           | PP3  | 0.747         |                  |                            |       |
| Consumer satisfaction     | CS1  | 0.883         | 0.786            | 0.864                      | 0.860 |
|                           | CS2  | 0.861         |                  |                            |       |
| Consumer loyalty          | CL1  | 0.932         | 0.835            | 0.924                      | 0.858 |
|                           | CL2  | 0.921         |                  |                            |       |

**Table 3.**  
Fornell–Larcker  
criterion and cross  
loadings of the  
measurement model

| Variable                         | Item | Consumer<br>loyalty | Consumer<br>satisfaction | Perceived price<br>fairness | Perceived service<br>quality |
|----------------------------------|------|---------------------|--------------------------|-----------------------------|------------------------------|
| <i>Fornell–Larcker criterion</i> |      |                     |                          |                             |                              |
| Consumer loyalty                 |      | 0.926               | –                        |                             |                              |
| Consumer<br>satisfaction         |      | 0.598               | 0.872                    | –                           |                              |
| Perceived price<br>fairness      |      | 0.551               | 0.580                    | 0.784                       | –                            |
| Perceived service<br>quality     |      | 0.456               | 0.561                    | 0.625                       | 0.788                        |
| <i>Cross loadings</i>            |      |                     |                          |                             |                              |
| Consumer loyalty                 | CL1  | 0.932               | 0.564                    | 0.544                       | 0.419                        |
|                                  | CL2  | 0.921               | 0.543                    | 0.475                       | 0.427                        |
| Consumer<br>satisfaction         | CS1  | 0.552               | 0.883                    | 0.472                       | 0.548                        |
|                                  | CS2  | 0.488               | 0.861                    | 0.542                       | 0.427                        |
| Perceived price<br>fairness      | PP1  | 0.421               | 0.481                    | 0.796                       | 0.550                        |
|                                  | PP2  | 0.475               | 0.493                    | 0.808                       | 0.422                        |
|                                  | PP3  | 0.395               | 0.379                    | 0.747                       | 0.509                        |
| Perceived service<br>quality     | PQ1  | 0.396               | 0.422                    | 0.504                       | 0.748                        |
|                                  | PQ2  | 0.332               | 0.503                    | 0.556                       | 0.835                        |
|                                  | PQ3  | 0.351               | 0.397                    | 0.409                       | 0.780                        |

the Bootstrapping method in conjunction with the PLS-SEM analysis. The Bootstrapping option generates a significant level for each path coefficient.

The findings of PLS-SEM analysis illustrated in Figure 1 and also in Tables 5 and 6. Based on the PLS-SEM tests, it was observed that perceived service quality has a direct significant relationship with consumer satisfaction ( $\beta = 0.326$ ,  $t = 2.916$ ,  $p$ -value = 0.004). However, perceived service quality has insignificant direct relationship with consumer loyalty ( $\beta = 0.051$ ,  $t = 0.450$ ,  $p$ -value = 0.653). The results also indicate that perceived price fairness has significant influence on both consumer satisfaction ( $\beta = 0.376$ ,  $t = 3.399$ ,  $p$ -value = 0.001) and consumer loyalty ( $\beta = 0.202$ ,  $t = 2.605$ ,  $p$ -value = 0.043). Likewise, consumer satisfaction has a significant impact on consumer loyalty ( $\beta = 0.404$ ,  $t = 4.250$ ,  $p$ -value = 0.000).

Though perceived service quality has a direct insignificant relationship with consumer loyalty, it has an indirect influence on consumer loyalty via mediating effect of consumer satisfaction ( $\beta = 0.132$ ,  $t = 2.627$ ,  $p$ -value = 0.009). Likewise, perceived price fairness has an indirect significant influence on consumer loyalty through the mediating effect of consumer loyalty ( $\beta = 0.152$ ,  $t = 2.133$ ,  $p$ -value = 0.033). Based on the coefficient results, it can be concluded that the six hypotheses (H1, H3, H4, H5, H6 and H7) are supported with 5% ( $p < 0.05$ ) significant level and only one hypothesis (H2) is not supported at 5% ( $p < 0.05$ ) significant level (see Figure 2 and Table 5).

| Variable                  | Consumer loyalty | Consumer satisfaction | Perceived price fairness | Perceived service quality |
|---------------------------|------------------|-----------------------|--------------------------|---------------------------|
| Consumer loyalty          |                  |                       |                          |                           |
| Consumer satisfaction     | 0.788            |                       |                          |                           |
| Perceived price fairness  | 0.722            | 0.841                 |                          |                           |
| Perceived service quality | 0.600            | 0.807                 | 0.874                    |                           |

**Table 4.**  
Heterotrait–Monotrait ratio (HTMT) of the measurement model

| Hypothesised relationships               | Coefficient ( $\beta$ ) | $t$ -value | $p$ -value | Remarks       |
|------------------------------------------|-------------------------|------------|------------|---------------|
| H1 PSQ $\rightarrow$ CS                  | 0.326                   | 2.916      | 0.004      | Supported     |
| H2 PSQ $\rightarrow$ CL                  | 0.051                   | 0.450      | 0.653      | Not supported |
| H3 PPF $\rightarrow$ CS                  | 0.376                   | 3.399      | 0.001      | Supported     |
| H4 PPF $\rightarrow$ CL                  | 0.202                   | 2.605      | 0.043      | Supported     |
| H5 CS $\rightarrow$ CL                   | 0.404                   | 4.250      | 0.000      | Supported     |
| H6 PSQ $\rightarrow$ CS $\rightarrow$ CL | 0.132                   | 2.627      | 0.009      | Supported     |
| H7 PPF $\rightarrow$ CS $\rightarrow$ CL | 0.152                   | 2.133      | 0.033      | Supported     |

**Note(s):** PSQ = Perceived Service Quality, PPF = Perceived Price Fairness, CS = Consumer Satisfaction, CL = Consumer Loyalty

**Table 5.**  
Hypothesized path coefficients

| Variable              | $R^2$ | $Q^2$ | $f^2$ | Effect size |
|-----------------------|-------|-------|-------|-------------|
| Consumer loyalty      | 0.422 | 0.330 | 0.236 | Medium      |
| Consumer satisfaction | 0.401 | 0.283 | 0.169 | Medium      |

**Note(s):** 0.02 = small effect, 0.15 = medium effect and 0.35 = large effect

**Table 6.**  
Effect size of endogenous variables

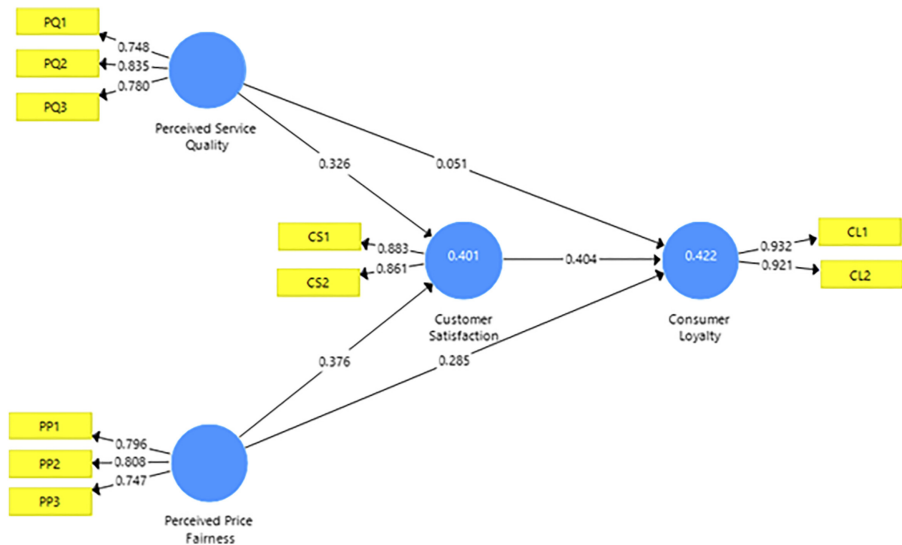


Figure 2.  
Output of PLS-SEM

Also, the results of the SEM analysis reveal that consumer satisfaction is explained by perceived service quality and perceived price fairness at 40.1%. On the other hand, consumer loyalty is explained by consumer satisfaction at 42.2%. We also examined the effect size and predictive relevance of the endogenous variables (consumer satisfaction and consumer loyalty) by using the values of  $Q^2$  and  $f^2$ . The values of  $Q^2$  indicates that the research model is predictive relevant and Stone–Geisser indicator ( $f^2$ ) values indicate that both consumer satisfaction and consumer loyalty have medium effect with perceived service quality and perceived price fairness (see Table 6).

## 5. Discussion and conclusion

The impacts of perceived service quality and perceived price fairness on consumer satisfaction and loyalty to restaurant service in Bangladesh were explored in this study. According to the research findings, perceived service quality and fair pricing have a direct and considerable effect on consumer satisfaction. Additionally, the current research indicates that perceived price fairness and consumer satisfaction have a significant impact on consumer loyalty. Malik *et al.* (2020) investigated consumer satisfaction and loyalty in three- and four-star hotels in two Pakistani cities. Their research indicates that consumer happiness and loyalty are highly influenced by perceived service quality and price fairness. Similarly, Konuk (2019) did a study on consumer perceptions of organic meals in Turkish restaurants, finding that price fairness and perceived value have a substantial impact on consumer satisfaction. Another study, Hidayat *et al.* (2019), examined restaurant service in Indonesia and concluded that price fairness had a positive, direct and significant association with client loyalty.

Additionally, the current study examined the indirect effect of perceived service quality and perceived price fairness on customer loyalty through the mediating effect of consumer satisfaction. As a result of the mediating influence of customer satisfaction, the findings indicate that both perceived service quality and perceived price fairness have a considerable effect on customer loyalty. Similarly, Malik *et al.* (2020) demonstrate that consumer satisfaction acts as a mediator between perceived service quality and perceived pricing

fairness and client loyalty in the hospitality industry. Recent research ([Atmaja and Yasa, 2020](#); [Mahato et al., 2020](#)) indicates that perceived service quality and price fairness have a considerable indirect effect on customer loyalty via the mediating effect of consumer satisfaction.

The results of the present study however suggest that perceived quality of service has not had a direct impact on consumer loyalty in restaurant services. While the perceived quality of service has not directly influenced consumer loyalty, the mediating effect of consumer satisfaction has a significant and positive relationship to consumer loyalty. The restaurant service providers must continuously develop their company according to consumer needs to ensure an effective relationship between the perceived quality of service and client loyalty. It must also ensure that the quality of service attracts more new consumers while maintaining their current consumers ([Zeithaml and Bitner, 1996](#)).

### 5.1 Theoretical implications

The purpose of this study is to contribute theoretical value to the consumer behavior literature by examining the direct and indirect effects of price fairness and service quality on customer satisfaction and loyalty in Bangladesh's growing service industry. The current research paper makes a significant contribution to the body of knowledge by focusing on the consumer behavior of a developing nation. This is important because there are significant socio-economic and cultural differences between consumer behavior in developed and developing countries. The study model validates the mediating role of customer satisfaction in the relationship between perceived service quality and loyalty, as well as the relationship between price fairness and loyalty. The present study has also validated the connection between customer satisfaction and loyalty, along with providing support of the relationship between quality service, customer satisfaction and loyalty ([Sinha et al., 2021](#)). Our result has also confirmed that in order to create more satisfied and loyal customers, fairness about price offering has to be established in the customers' mind ([Uddin, 2019](#)). This implies that customers who frequent restaurants are more loyal if they are highly satisfied with the restaurant's service quality and the restaurant offers a reasonable and fair prices. In addition to providing satisfactory support for previous research findings in various service sectors, such as the transportation sector ([Nguyen-Phuoc et al., 2020](#)), ride-sharing service ([Kuswanto et al., 2020](#)), banking sector ([Teeroovengadum, 2022](#)), hospitality industry ([Kasiri et al., 2017](#)), restaurant industry ([Thielemann et al., 2018](#)), the current research also presents satisfactory support of the significance of the relationships between customer satisfaction and their loyalty.

### 5.2 Practical implications

The current study is one of the studies including the "price fairness" measure for analyzing and understanding consumer satisfaction and loyalty in Bangladesh's restaurant business. The outcomes of this study may serve as a foundation for future research that incorporates price fairness into their study model and in-depth examination of the consumer experience. Given that the study's findings indicate that perceived price fairness has a substantial effect on restaurant consumers' satisfaction and loyalty, this evidence can assist restaurant owners and managers in developing and implementing their pricing strategy to retain customers. It is essential that restaurant managers maintain frequent contact with their customers to ascertain their perceptions of pricing, as negative or unfair prices ultimately result in consumer dissatisfaction. Additionally, because restaurants and hotels are service-oriented enterprises, customer satisfaction is critical. Indeed, these businesses' long-term growth and development are heavily reliant on customers. Increased service quality significantly adds to increased consumer happiness, which results in loyal customers in this business. Thus, giving a higher level of service quality and charging a fair and acceptable pricing are believed

to be the primary tasks of restaurant managers in order to increase customer satisfaction and loyalty.

### 5.3 Limitations and future research

It is acknowledged that this study has several limitations. This study used a nonprobability sampling method, thus the results of the study might not be generalized to all the service sectors. However, the results of the study are applicable only to the restaurant services in Bangladesh. The survey sampled only major cities in Bangladesh. For future studies, researchers may investigate expanding the sample size to include additional cities in Bangladesh in order to get more universal results. Additionally, this study excluded demographic characteristics such as age, gender and educational attainment as moderating variables. Future research may wish to investigate the moderating effect of these factors and their relationships, as well as develop the conceptual framework for their investigations. Finally, future studies may include new factors in their research scopes, such as repurchase intention and word-of-mouth promotions. Furthermore, the current study was cross-sectional in nature as it collected data at a single point in time and only included consumers of fast-food restaurants in a developing country as sample respondents. As a result, the conclusion of this study can only be applied to the restaurant sector, instead of all service-oriented industries. Thus, future researchers may strive to collect data from a variety of service-oriented sectors in emerging and developed countries in order to provide comprehensive findings applicable to other service industries.

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Intricate  
relationships of  
consumers

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