

## HOW PRICE AND SERVICE STAFF SHAPING CUSTOMER SATISFACTION AND LOYALTY

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**Abstract:** This study aims to evaluate the influence of price and people on customer loyalty, with customer satisfaction as a mediating variable, in Padang restaurants in Riau. This study employed a quantitative approach with an explanatory research design. Data were obtained through an online questionnaire distributed using Google Forms, which successfully collected 155 respondents who met the research criteria. Data analysis was conducted using Partial Least Squares (SEM-PLS)-based structural equation modeling to examine the relationships between latent variables and their mediating roles. The results showed that price had a positive and significant effect on customer satisfaction and loyalty. Similarly, employee behavior had a positive influence on customer satisfaction and loyalty. Furthermore, customer satisfaction was shown to mediate the relationship between price and employee behavior, leading to customer loyalty. These findings confirm that the combination of a fair pricing strategy and positive employee behavior can increase customer satisfaction, ultimately strengthening loyalty. The practical implication of this study is the need for Padang restaurant managers in Riau to implement competitive pricing strategies while improving the quality of employee interactions with customers to build long-term satisfaction and loyalty.

**Keywords:** Price, People, Customer Satisfaction, Loyalty

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### 1. Introduction

The Indonesian restaurant industry, particularly Padang restaurants, plays a crucial role in providing culinary services rooted in local culture while adapting to modern competition. In this increasingly competitive context, customer loyalty is key to business sustainability. Previous research confirms that price and employee behavior (people) are the primary determinants of customer loyalty, with customer satisfaction serving as a significant mediating variable. Pricing is considered crucial because perceived price fairness influences customers' decisions to continue choosing a particular restaurant. A study by (Ali et al., 2021) found that price fairness, along with service quality and the restaurant environment, significantly increases loyalty through customer satisfaction. A study by (Ahmed et al., 2023) showed that perceived fairness of prices is significantly related to satisfaction and ultimately strengthens consumer loyalty in the restaurant sector.

This finding is consistent with (Singh et al., 2022) research, which showed that perceived fairness strengthens satisfaction, which ultimately drives loyalty to fast food restaurants. This is also in line with Abdullah, Hamir, & Nor (2018) who found that food quality, service quality, and price fairness together increase the intention to return to the restaurant, with satisfaction as an important mediator. Furthermore, the human dimension (employee behavior) also plays a central role. Direct interactions between employees and customers determine the quality of the service experience. A study by (Ahmed et al., 2023) highlighted that service-oriented employee behavior increases customer satisfaction, which in turn impacts loyalty. This

research emphasizes the importance of the human factor as a differentiating element in the restaurant industry, especially when the product offering is relatively homogeneous.

A study by (Severt et al., 2022) highlighted that employee engagement in providing locally-oriented service can increase customer satisfaction and loyalty in local food restaurants. Furthermore, (Susanti, 2019) research confirmed that service quality, determined by employee behavior, along with perceived fair pricing, significantly contributes to customer satisfaction and loyalty in the economy hotel sector, which is also relevant for restaurants.

Furthermore, several recent studies confirm the role of satisfaction as an intervening variable. For example, (Prum et al., 2024) showed that in the hospitality industry, service quality, technology, and price indirectly influence loyalty through satisfaction. This strengthens the argument that satisfaction is a psychological mechanism that bridges the relationship between pricing strategy and employee interactions with customer loyalty.

In the context of Padang restaurants in Riau, competitive pricing and friendly, culturally appropriate employee interactions are thought to be strategic factors in maintaining customer satisfaction and loyalty. Therefore, this study is important to examine the influence of price and people on loyalty, with satisfaction as an intervening variable, thus providing empirical and practical contributions to the management of traditional restaurants in Indonesia.

## **2. Literature Review**

### **Customer satisfaction**

Customer satisfaction is a central concept in service management because it is a key indicator of the success of service companies, including restaurants. Satisfaction is often defined as the result of comparing customer expectations with their perceptions of the service performance they receive. Customer satisfaction plays a crucial role in determining loyalty, return intentions, and positive word-of-mouth recommendations. Various studies have confirmed the close relationship between service quality, price, and customer satisfaction. (Uslu & Eren, 2020) reviewed service quality scales in restaurants and found that customer satisfaction is a key mediating variable linking service quality to loyalty. This study underscores that a proper understanding of service quality allows restaurants to increase both customer satisfaction and loyalty.

Cross-national research has also shown similar results. (Ahmed et al., 2023) analyzed the relationship between service quality, price, and satisfaction in the Bangladeshi restaurant sector and found that customer satisfaction plays a significant mediating role on loyalty. Thus, satisfaction is not only a result of good service but also a bridge that determines long-term customer loyalty.

In addition to quality and price, perceived value also influences satisfaction and loyalty. (Satti et al., 2020) showed that innovation in service quality can increase customer satisfaction, which in turn strengthens loyalty in the hospitality sector. This emphasizes the need for companies to focus not only on operational aspects but also on creating new value for customers. Another relevant factor is corporate social responsibility (CSR). (Severt et al., 2022) found that positively perceived CSR increased customer satisfaction at local food restaurants, ultimately driving conative loyalty. These results broaden the understanding that customer satisfaction is influenced not only by core services but also by the social values associated with the brand.

In general, recent literature indicates that customer satisfaction is an important mediating variable linking price, service quality, innovation, and social responsibility to customer loyalty. This has strategic implications for traditional restaurants, including Padang restaurants, which face the challenge of maintaining customer loyalty amidst intense competition.

### **Loyalty**

Customer loyalty is a strategic goal for the restaurant and hospitality industry because it directly relates to long-term profitability, positive word of mouth, and business sustainability. Loyalty is typically viewed as a combination of customer satisfaction, perceived value, service quality, and brand image. Some studies have also shown that loyalty is influenced by psychological factors such as trust and emotional attachment to a brand. Recent studies highlight the close relationship between service quality and customer loyalty. (Satti et al., 2020) assert that innovation in service quality can drive customer loyalty in the hospitality sector through increased satisfaction and positive experiences. This suggests that loyalty results not only from functional satisfaction but also from value-added service innovations.

In the restaurant industry, food is also a key factor. (Majid et al., 2018) found that service quality, food quality, and restaurant image significantly contribute to customer loyalty. This research shows that loyalty depends not only on service but also on the integration between the core product (food) and perceived image. Furthermore, the literature emphasizes the role of emotional value and reputation. (Kuhn et al., 2018) demonstrated that food service quality elements strongly influence hotel customer loyalty, indicating that emotional interactions with hotel restaurant service can foster long-term bonds. This is consistent with previous research that suggests brand image and reputation can strengthen loyalty, especially when product differentiation is relatively low.

A conceptual study by (Kandampully et al., 2015) deepens the discourse by emphasizing that loyalty in hospitality should be viewed as a multidimensional phenomenon encompassing behavioral loyalty (repurchase) and attitudinal loyalty (emotional commitment). This model is relevant for understanding the dynamics of customer loyalty in Padang restaurants in Indonesia, where cultural attachment can strengthen the affective dimension of loyalty. Overall, the literature suggests that customer loyalty is formed from a combination of functional experiences (service and food quality), price fairness, and psychological factors such as reputation and emotional attachment. This provides a strong theoretical basis for examining customer loyalty in Padang restaurants, considering satisfaction as an intervening variable linking price factors and employee behavior to loyalty.

### **Price**

Price is one of the most strategic elements in the service marketing mix. In the restaurant industry, price not only represents value for money but also serves as an indicator of quality and fairness, directly influencing customer satisfaction and loyalty. Recent research highlights the importance of perceived price fairness. (Ahmed et al., 2023) confirmed that price fairness has a positive impact on restaurant customer satisfaction and loyalty, especially in emerging markets like Bangladesh. Perceived fair prices can foster trust and strengthen long-term relationships with customers. This finding is further supported by (Prum et al., 2024), who found that price fairness, along with service quality and hospitality technology, contributes to customer loyalty through satisfaction.

In addition to price fairness, other studies have addressed pricing strategies. (Wahyuni & Tulim, 2024) demonstrated that an appropriate pricing strategy in the hotel business significantly increases customer satisfaction and loyalty. Therefore, good price management is not just about nominal value, but also about perceived value and affordability. Studies in the restaurant sector also emphasize the role of price in driving revisit intentions. (Abdullah et al., 2018) demonstrated that food quality, service quality, and price fairness collectively influence satisfaction, ultimately increasing restaurant return intentions. A study in Kenya by (Githiri, 2018) found similar results, namely that perceived fair pricing in starred restaurants is

significantly related to satisfaction and loyalty. In general, recent literature suggests that fair and transparent pricing is a crucial factor in enhancing customer satisfaction, which in turn fosters loyalty. This provides a theoretical basis for suggesting that, in the context of Padang restaurants in Indonesia, price management aligned with customers' perceived value will significantly contribute to business sustainability.

### **People**

The people dimension of the service marketing mix refers to the role of frontline employees who interact directly with customers. Employee behavior is crucial because, in the service industry, customer satisfaction is significantly influenced by the quality of social interactions during service delivery. Research shows that employee commitment can increase customer attitudinal loyalty. (Agyeiwaah et al., 2022) emphasize that when employees demonstrate high commitment to service, customers are more likely to develop emotional attachments, ultimately strengthening their loyalty.

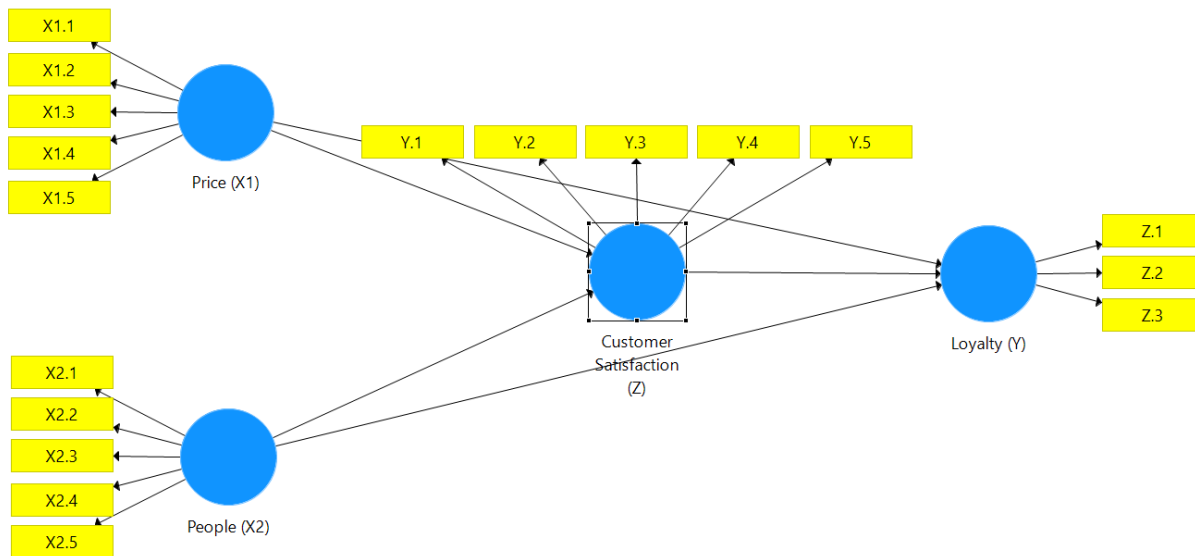
In the restaurant context, employee behavior also plays a direct role in shaping customer satisfaction. (Alhelalat et al., 2017) found that personal (friendliness, attentiveness) and functional (efficiency, speed) aspects of restaurant employee behavior significantly impact customer satisfaction. Furthermore, employee job satisfaction is also related to customer-oriented behavior. (Choi & Joung, 2017) revealed that employees with high job satisfaction are more likely to exhibit proactive behaviors that enhance the customer experience in the food industry. This underscores the importance of human resource management in creating a positive experience for customers.

Furthermore, employee behavior can moderate the impact of customer interactions on satisfaction and loyalty. For example, (Idris et al., 2017) found that good frontline employee behavior can mitigate the negative impact of bad experiences while still boosting hotel guest satisfaction. Overall, the literature suggests that employee behavior is not merely a complementary element but a crucial factor in determining customer satisfaction and loyalty. Therefore, in the context of Padang restaurants, where direct interaction between employees and customers is intense, employee behavior is a crucial variable that must be considered to maintain competitiveness and customer loyalty.

Based on the theoretical framework outlined previously, several research hypotheses can be formulated to serve as a reference for testing the model in this study.

- H1: Price has a positive and significant effect on Customer Satisfaction.
- H2: People have a positive and significant effect on Customer Satisfaction.
- H3: Price has a positive and significant effect on Customer Loyalty.
- H4: People have a positive and significant effect on Customer Loyalty.
- H5: Customer Satisfaction has a positive and significant effect on Customer Loyalty.
- H6: Customer Satisfaction mediates the effect of Price on Customer Loyalty.
- H7: Customer Satisfaction mediates the effect of People on Customer Loyalty.

## Research Model



**Figure 1: Research Model**  
 Sources: SmartPLS

## 3. Method

This study employed a quantitative approach with an explanatory research design. The quantitative approach was chosen because the research focuses on numerical measurements, analysis of relationships between variables, and statistical hypothesis testing. According to (Sharma et al., 2022), explanatory research in the hospitality context is used to analyze relationships between variables with the aim of explaining direct and indirect influences, particularly between work loyalty and employee engagement in hotels and restaurants. This is relevant to this study, which examines the influence of price and employee behavior on loyalty through customer satisfaction.

(Han et al., 2020) used quantitative methods to examine the determinants of pro-environmental consumption in green restaurants, using a structural analysis model that confirmed that explanatory research helps identify mediating and moderating variables. Data collection techniques in quantitative research are generally conducted through structured questionnaires with a Likert scale, as demonstrated by (Lo et al., 2018) who studied restaurant branding using structured surveys and statistical analysis to test the relationships between variables.

The population in this study was all consumers who had eaten at Padang restaurants in Riau Province. This population selection was based on the consideration that Padang restaurants are one of the most popular types of culinary businesses and have a broad customer base in the region. According to (Sekaran & Bougie, 2016), a research population is defined as the entire group of people, events, or things that the researcher is interested in studying. The sample for this study was 155 consumers selected using purposive sampling, a non-probability method with certain criteria. Respondents were selected based on the following criteria:

1. Have eaten at least twice at a Padang restaurant in Riau.
2. Be at least 17 years old, deemed capable of providing rational answers.
3. Be willing to participate as a research respondent.

The selection of 155 respondents was based on sample size guidelines for multivariate analysis. According to (Hair et al., 2019), an adequate sample size for regression analysis or structural equation modeling (SEM) is at least 5–10 times the number of indicators used. Because this study uses multiple variables with a total of more than 15 indicators, the number of 155 respondents met the eligibility criteria. This study used primary data obtained through the distribution of a structured questionnaire to respondents. The research instrument was structured based on the variables studied, namely price, people, customer satisfaction, and loyalty. All statements in the questionnaire used a five-point Likert scale, allowing respondents to rate their level of agreement with each statement ranging from 1 = strongly disagree to 5 = strongly agree. The five-point Likert scale was chosen because it is considered simple, easy for respondents to understand, and able to more clearly describe the intensity of attitudes or perceptions. According to (Joshi et al., 2015), the Likert scale is an effective measurement method in social and business research because it produces high reliability and consistency between question items.

This study used SmartPLS software version 3.2.8 as a data analysis method. The PLS or Partial Least Squares test is a variance-based structural equation modeling (SEM) approach. This approach performs a path analysis widely used in behavioral studies, making PLS a statistical technique used in statistical models that have more than one dependent variable and independent variable (Murniati & others, 2013). According to Muniarti, the PLS test is more suitable for experimental studies (with more complex models) that clearly have data limitations and causality objectives. The PLS test has two main test models: the measurement model and the structural model. (Jogiyanto, 2015) also stated that Partial Least Squares (PLS) analysis is a multivariate statistical technique designed to solve multiple regression when specific problems occur in the data. PLS analysis is carried out in two stages :

1. Outer Model Analysis (Measurement Model)

The measurement model in PLS testing is primarily used to test internal validity and reliability. This outer model analysis will specify the relationship between the latent variables and all indicators used. It can be said that the outer model defines how each indicator relates to the latent variables.

2. Inner Model Analysis (Structural Model)

Inner Model Analysis, also known as the Structural Model, is used to predict causal relationships between the variables tested in a model formed from the data used.

## **4. Result and Discussion**

### **Outer Model**

In the measurement model assessment process, this study employed a data analysis approach with the aid of SmartPLS. The evaluation was conducted by considering three main criteria commonly used in testing measurement models. These criteria include convergent validity, discriminant validity, and composite reliability, which serve as the basis for assessing the extent to which indicators represent the construct. Therefore, these three criteria serve as the primary reference for ensuring that the outer model used has good reliability and validity.

1. Convergent validity

Convergent validity is a form of validity used to evaluate the extent to which indicators designed to measure a construct are highly correlated with each other. In the context of Structural Equation Modeling (SEM), particularly with the Partial Least Squares (PLS-SEM) approach, convergent validity is often tested using the Average Variance Extracted (AVE) value, where the recommended minimum value is  $\geq 0.50$ . This indicates that more than 50%

of the indicator's variance can be explained by the latent construct it measures (Haji-Othman & Yusuff, 2022). According to (Cheah et al., 2018), convergent validity can be demonstrated by a high correlation between indicators within the same construct.

Testing can be conducted through confirmatory factor analysis in PLS-SEM by ensuring that the factor loading of each indicator is greater than 0.70. Meanwhile, (Cheung et al., 2024) emphasized that reporting convergent validity must be accompanied by reliability testing (Composite Reliability and Cronbach's Alpha) and discriminant validity to provide a comprehensive overview of the quality of the measurement model.

**Tabel 2. Element Loadings (Measurement Model)**

| Variable              | Indicator | Customer Satisfaction<br>(Z) | Loyalty<br>(Y) | People<br>(X2) | Price<br>(X1) | Conclusion |
|-----------------------|-----------|------------------------------|----------------|----------------|---------------|------------|
| Price                 | X1.1      |                              |                |                | 0.761         | Available  |
|                       | X1.2      |                              |                |                | 0.737         | Available  |
|                       | X1.3      |                              |                |                | 0.781         | Available  |
|                       | X1.4      |                              |                |                | 0.769         | Available  |
|                       | X1.5      |                              |                |                | 0.820         | Available  |
| People                | X2.1      |                              |                | 0.794          |               | Available  |
|                       | X2.2      |                              |                | 0.839          |               | Available  |
|                       | X2.3      |                              |                | 0.861          |               | Available  |
|                       | X2.4      |                              |                | 0.826          |               | Available  |
|                       | X2.5      |                              |                | 0.823          |               | Available  |
| Customer Satisfaction | Y.1       | 0.878                        |                |                |               | Available  |
|                       | Y.2       | 0.818                        |                |                |               | Available  |
|                       | Y.3       | 0.891                        |                |                |               | Available  |
|                       | Y.4       | 0.804                        |                |                |               | Available  |
|                       | Y.5       | 0.767                        |                |                |               | Available  |
| Loyalty               | Z.1       |                              | 0.900          |                |               | Available  |
|                       | Z.2       |                              | 0.871          |                |               | Available  |
|                       | Z.3       |                              | 0.748          |                |               | Available  |

**Source:** Output SmartPLS (2025)

Based on the table above, it can be seen that all loading factor values for each variable indicator are above 0.70. This value indicates that each indicator is able to consistently represent the construct it measures. Therefore, these results confirm that the research model meets the criteria for good convergent validity, as recommended for analysis using SEM-PLS. This finding strengthens the validity of the measurements and ensures that the instrument used in the study is suitable for further analysis.

## 2. Discriminant validity

Discriminant validity is the extent to which a construct in a measurement model differs empirically from other constructs, both in terms of the indicators and the concepts being measured. This means that indicators of one construct should not have a high correlation with indicators of another construct, so that each construct can be clearly distinguished. According to (Rasoolimanesh, 2022), discriminant validity in PLS-SEM is typically tested using two main approaches: the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT). The Fornell-Larcker criterion states that the square root of the AVE of each construct must be greater than the correlation between the other constructs.

Meanwhile, the HTMT method was introduced as a more sensitive alternative for detecting discriminant validity issues. Furthermore, (Rönkkö & Cho, 2022) emphasized that discriminant validity is not merely a statistical procedure but also serves as evidence that the constructs used in the study are truly conceptually distinct. Therefore, discriminant validity testing should always be reported along with convergent validity and construct reliability.

**Tabel 2. Discriminant Validity**

|                           | Customer Satisfaction (Z) | Loyalty (Y) | People (X2) | Price (X1) |
|---------------------------|---------------------------|-------------|-------------|------------|
| Customer Satisfaction (Z) | 0.833                     |             |             |            |
| Loyalty (Y)               | 0.758                     | 0.842       |             |            |
| People (X2)               | 0.794                     | 0.769       | 0.829       |            |
| Price (X1)                | 0.679                     | 0.621       | 0.704       | 0.755      |

**Source:** Output SmartPLS (2025)

The test in Table 2 shows that the diagonal value of each construct, namely Price (0.755), People (0.829), Customer Satisfaction (0.833), and Loyalty (0.833), is higher than the correlation of the construct with other constructs. As an illustration, the value of the Student Decision construct (0.840) was recorded as greater than its correlation with Promotion (0.729), Tuition Fees (0.659), and Process (0.784). These results confirm that all constructs in the study have met the requirements of discriminant validity.

### 3. Composite Reliability

Composite Reliability (CR) is a measure of the internal consistency of the indicators that form a latent construct in Structural Equation Modeling (SEM). Unlike Cronbach's Alpha, which assumes equal indicator weights, CR considers the outer loadings of each indicator, thus providing a more accurate reliability estimate. According to (Hair et al., 2020), CR is used in PLS-SEM to ensure that the indicators of a construct are truly consistent in measuring the same concept. A CR value  $\geq 0.70$  is considered to indicate good reliability, while a value between 0.60–0.70 is still acceptable in the exploratory stage of research.

(Purwanto & Sudargini, 2021) emphasized that CR is superior to Cronbach's Alpha because it takes into account the actual contribution of each indicator. Therefore, although Cronbach's Alpha is frequently used, CR is considered more appropriate in PLS-SEM-based models. Furthermore, (Haji-Othman & Yusuff, 2022) explained that CR is a crucial step in evaluating measurement models, typically reported alongside Average Variance Extracted (AVE) to assess convergent validity.

**Tabel 3. Composite Reliability and Average Variance Extracted**

|                              | Cronbach's<br>Alpha | rho_A | Composite<br>Reliability | Average Variance Extracted<br>(AVE) | Conclusion |
|------------------------------|---------------------|-------|--------------------------|-------------------------------------|------------|
| Customer<br>Satisfaction (Z) | 0.889               | 0.892 | 0.919                    | 0.694                               | Suitable   |
| Loyalty (Y)                  | 0.793               | 0.805 | 0.879                    | 0.710                               | Suitable   |
| People (X2)                  | 0.886               | 0.887 | 0.917                    | 0.687                               | Suitable   |
| Price (X1)                   | 0.812               | 0.824 | 0.869                    | 0.571                               | Suitable   |

**Source:** Output SmartPLS (2025)

The results shown in Table 3 indicate that all constructs in this study have met acceptable reliability requirements. This is evident from the composite reliability value of each construct,

which exceeds the minimum limit of 0.70. Furthermore, the average variance extracted (AVE) value is also recorded as greater than 0.50, indicating that the indicators used are able to adequately explain the construct variance. Therefore, it can be concluded that this research model has a good level of reliability and validity, in accordance with the recommended criteria.

### Inner Model

The inner model is used to assess the structural relationships between latent constructs in the research model. The testing process involves three main stages: the coefficient of determination ( $R^2$ ), effect size ( $f^2$ ), and predictive relevance ( $Q^2$ ).

#### 1. Coefficient of Determination ( $R^2$ )

The coefficient of determination ( $R^2$ ) functions to show the extent to which the independent variable is able to provide an explanation of the dependent variable.

**Tabel 4. Result Determination ( $R^2$ ), Effect size ( $f^2$ ), Predictive Relevance ( $Q^2$ )**

|                           | R Square | Q-Square | F-Square |
|---------------------------|----------|----------|----------|
| Customer Satisfaction (Z) | 0.659    | 0.449    | 0.579    |
| Loyalty (Y)               | 0.653    | 0.456    | 0.584    |

**Source:** Output SmartPLS (2025)

$R^2$  values of 0.75, 0.50, and 0.25 indicate that the model is strong, moderate, and weak, respectively (Hair et al., 2017) and (Ghozali, 2018). The research model is better if the  $R^2$  value is higher. When evaluating the model with PLS, the R-squared value for each dependent latent variable is prioritized. The results of the R-squared estimation using SmartPLS are shown in Table 4. Based on Table 4, the  $R^2$  value of customer satisfaction is calculated at 0.659, which indicates that 65 percent of the consumer satisfaction variable is influenced by price and people. In addition, factors such as price and people have an influence of 0.653 on loyalty, other factors not explored in this study have a greater influence.

#### 2. Fit Model

The Gof index has been created. Based on the description on the SmartPLS website, the following constraints or criteria for model fit must be met for the model to pass: Root Mean Square Theta value is 0.102, Standardized Root Mean Square value is 0.10 or 0.08, and NFI value is between 0 and 1 or, preferably, close to 1 (Hair et al., 2017)

**Tabel 5. Model fit**

|            | Saturated Model | Estimated Model |
|------------|-----------------|-----------------|
| SRMR       | 0.073           | 0.073           |
| d_ULS      | 0.901           | 0.901           |
| d_G        | 0.515           | 0.515           |
| Chi-Square | 441.413         | 441.413         |
| NFI        | 0.777           | 0.777           |

**Source:** Output SmartPLS (2025)

Table 5 above shows the conclusions of the analysis. Based on the previous Table 5, the NFI value is 0.777, which is close to the best value, which is 1, and the SRMR value is 0.073, which is less than 0.102. Thus, this research model is suitable.

### Hypothesis Test (Path Coefficient)

Hypothesis testing was conducted based on the output containing the R-square value, parameter coefficients, and t-statistics values from the inner model test (structural model). The relationship between constructs was evaluated through t-statistics and p-values to determine whether the hypothesis could be accepted or rejected. The analysis was conducted using SmartPLS (Partial Least Square) 3.0 software, where the test results were displayed through a bootstrapping procedure. The criteria used in this study refer to (Hair et al., 2017), namely t-statistics greater than 1.96, a significance level below 0.05 (5%), and a positive beta coefficient. The analysis of the data processing results is presented in Table 6 below.

**Tabel 6. Bootstrapping PLS SEM Direct Effects**

| General Framework                        | O.S   | S.M   | S.D   | T.S   | P.V   | Conclusion |
|------------------------------------------|-------|-------|-------|-------|-------|------------|
| Customer Satisfaction (Z) -> Loyalty (Y) | 0.377 | 0.375 | 0.097 | 3.906 | 0.000 | Accept     |
| People (X2) -> Customer Satisfaction (Z) | 0.626 | 0.629 | 0.076 | 8.285 | 0.000 | Accept     |
| People (X2) -> Loyalty (Y)               | 0.422 | 0.427 | 0.112 | 3.774 | 0.000 | Accept     |
| Price (X1) -> Customer Satisfaction (Z)  | 0.239 | 0.237 | 0.081 | 2.948 | 0.003 | Accept     |
| Price (X1) -> Loyalty (Y)                | 0.267 | 0.266 | 0.088 | 2.757 | 0.000 | Accept     |

**Source:** Output SmartPLS (2025)

H1: Price has a positive and significant effect on Customer Satisfaction.

The calculation results in Table 6 indicate that the Price variable has a positive effect on customer satisfaction at a significance level of 0.05 ( $\alpha = 5\%$ ). This is indicated by the P-coefficient value of 0.003, which is less than 0.05. Therefore, the first hypothesis is accepted. This is in accordance with (Prum et al., 2024), who found that perceived price fairness influences satisfaction, which in turn increases customer loyalty in the Cambodian hospitality industry.

H2: People have a positive and significant influence on Customer Satisfaction.

The P-value of  $0.000 < 0.05$ , based on the calculations in Table 6, indicates that people have a positive influence on customer satisfaction at the 0.05 significance level ( $\alpha = 5\%$ ). Thus, the second hypothesis is confirmed. This is consistent with (Ahmed et al., 2023), who showed that employee service quality in restaurants, along with price perception, strengthens customer satisfaction and loyalty.

H3: Price has a positive and significant effect on customer loyalty.

The calculations in Table 6 show that price has a positive effect on loyalty with a significance level of 0.05 ( $\alpha = 5\%$ ). This is indicated by the P-coefficient value of 0.000, which is less than 0.05. Therefore, the third hypothesis is accepted. This is consistent with (Githiri, 2018), who asserted that the perception of fair prices is directly related to customer loyalty in starred restaurants in Kenya.

H4: People have a positive and significant influence on Customer Loyalty.

The calculation results in Table 6 indicate that the people variable has a positive influence on loyalty at a significance level of 0.05 ( $\alpha = 5\%$ ). This is evidenced by the P-coefficient value of 0.000, which is less than 0.05. Thus, the fourth hypothesis is accepted. This is consistent with (Severt et al., 2022), who found that employee behavior oriented toward quality and social values can increase customer satisfaction and conative loyalty in local food restaurants.

H5: Customer satisfaction has a positive and significant effect on customer loyalty.

Based on the calculations in Table 6, a P-value of  $0.000 < 0.05$  was obtained, indicating that customer satisfaction has a positive effect on loyalty at the 0.05 significance level ( $\alpha = 5\%$ ). Therefore, the fifth hypothesis is accepted.

**Tabel 7. Bootstrapping PLS SEM Indirect Effects**

| General Framework                                       | O.S   | S.M   | S.D   | T.S   | P.V   | Conclusion |
|---------------------------------------------------------|-------|-------|-------|-------|-------|------------|
| People (X2) -> Customer Satisfaction (Z) -> Loyalty (Y) | 0.236 | 0.236 | 0.068 | 3.469 | 0.001 | Accept     |
| Price (X1) -> Customer Satisfaction (Z) -> Loyalty (Y)  | 0.090 | 0.089 | 0.040 | 2.279 | 0.023 | Accept     |

**Source:** Output SmartPLS (2025)

H6: Customer Satisfaction Mediates the Effect of Price on Customer Loyalty.

The calculations in Table 7 show that price has a positive and significant effect on loyalty, mediated by customer satisfaction in Padang restaurants, with a significance level of 0.05 ( $\alpha = 5\%$ ). This is evidenced by the P-coefficient value of 0.023, which is less than 0.05. Thus, the sixth hypothesis is confirmed. This is in line with (Susanti, 2019) who emphasized that price fairness influences loyalty through customer satisfaction in budget hotels in East Java, which is also relevant in the restaurant context.

H7: Customer Satisfaction Mediates the Effect of People on Loyalty.

The calculation results in Table 7 indicate that the people variable influences loyalty through customer satisfaction in Padang restaurants with a significance level of 0.05 ( $\alpha = 5\%$ ). This is evidenced by the P-value of 0.001, which is less than 0.05. This is consistent with (Ahmed et al., 2023), who also demonstrated the mediating role of employee service satisfaction and restaurant customer loyalty.

## 5. Conclusions

This study aims to analyze the influence of price and people (employee behavior) on customer loyalty, with customer satisfaction as a mediating variable in Padang restaurants in Riau. Based on data analysis using SEM-PLS with 155 respondents, the results show several important findings. First, price is proven to have a positive and significant effect on customer satisfaction and loyalty. This confirms that the perception of fairness and the appropriateness of price to service quality significantly determine satisfaction and encourage the formation of customer loyalty. Second, people or employee behavior also have a positive effect on customer satisfaction and loyalty, which means that friendliness, responsiveness, and customer orientation are important factors in creating a satisfying experience. Third, customer satisfaction has a significant effect on loyalty and mediates the relationship between price and loyalty as well as between employee behavior and loyalty. Thus, customer satisfaction is a key mechanism that bridges customer perceptions of price and employee behavior towards stronger loyalty. Overall, this study emphasizes the importance of fair pricing strategies and quality employee behavior in building satisfaction and strengthening customer loyalty.

Based on these findings, several recommendations can be made. From a practical perspective, Padang restaurants in Riau need to implement transparent, consistent pricing strategies that align with service quality to improve perceptions of price fairness. Furthermore, regular employee training on communication skills, friendliness, and customer-oriented service should be improved to strengthen positive customer experiences. A primary focus should also be placed on efforts to create overall customer satisfaction, encompassing food quality, restaurant

atmosphere, and service interactions. Academically, further research is recommended to include other variables such as brand image, customer trust, or customer engagement to deepen understanding of the factors influencing customer loyalty. The study could also be expanded to other restaurant types or broader regions to generalize the findings. Furthermore, the use of mixed methods research with a qualitative approach, such as in-depth interviews or observation, will provide a more comprehensive understanding of the reasons behind customer perceptions of price, employee behavior, satisfaction, and loyalty.

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