

Print ISSN: 1738-3110 / Online ISSN 2093-7717
http://dx.doi.org/10.15722/jds.14.7.201607.33

An Analysis of a Causal Relationship between a Franchise Coffee Shop's Servicescape Factors and the Ability to Provide Service with Customer Satisfaction and Loyalty*

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Received: April 09, 2016. Revised: July 03, 2016. Accepted: July 15, 2016.

Abstract

Purpose – This study aims to provide domestic franchise coffee shops with useful information by analyzing the impact of servicescape and the ability to provide service on the customer satisfaction and loyalty in franchise coffee shops in Seoul.

Research, data, and Methodology – The data were collected for a month from 1st in February, 2016 through judgement sampling. Then, the available collected data were analyzed with SPSS 19.0 package.

Results – The results from this study are as follows. First, the servicescape factors, which have impact on a franchise coffee shop's customer satisfaction, are determined to be interior, cleanliness and coziness. Next, the ability to provide service affects customer satisfaction. Third, servicescape factors have impacts on customer satisfaction. Also, the service from a coffee shop affects customer loyalty. Therefore, a customer's satisfaction through services of a coffee shop has an impact on customer loyalty.

Conclusions – It is important to have not only the ability to provide service but also servicescape factors, such as interior, cleanliness and coziness in order to be distinct from other competitors. These difference might create customer satisfaction and retention which will bring profits.

Keywords: Franchise Coffee Shop, ServiceScape, Ability to Provide Service, Customer Satisfaction, Customer Loyalty.

JEL Classifications: L80, M31, M55.

1.Introduction

There is diastrophism in the coffee shop industry. Since cheaply costed coffee drinks, from 500 won, are introduced

mainly from convenience stores, a franchise coffee shop's position has been weakened as they sell expensive coffee (e.g., Americano), priced between 3,000 – 4,000 won. Therefore, to maintain their positions, franchise coffee shops put a lot of efforts to try out broad scale changes, in terms of their structure of the organization and their brands (Daily economic newspaper, 2016).

Even though sales are gradually increasing in franchise coffee shops, which sell expensive coffee, their development seems slow. The main cause might be negative correlation between the number of faltered coffee consumption in the franchise coffee shops and rapidly increased number of shops. Except the coffee shops which sell high quality or low-priced coffee, other SMEs are suffering from the current phenomenon.

* The present study is a published paper at 2016 Je-Ju International Conference by Korea distribution Science Association. This study has been revised reflecting 2 discussants and 3 anonymous reviewer's opinion.

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As a consequence, this industry pointed out that the only factors to compete with low-priced convenience store coffee are distinctive taste and interior. It is also projected that different types of side menus will be developed to supplement beverages, not only coffee (Lee, 2014).

In the past, the purpose of going to franchise coffee shops was just to drink coffee; however, now it has been changed to spend and enjoy individual's time in there. Moreover, since coffee shops with creative interior are popular, many coffee shops with special themes are emerging (Jeon & Jo, 2011).

These franchise coffee shops made a difference on the physical environment which was not considered as an important factor in the past. To fulfil customer needs and expectations, there is an increased attention on the physical environment, including tangible and physical evidence.

Servicescape of franchise coffee shops turned intangible products, such as service, into tangible products which play crucial role as reducing uncertainty and increasing buying confident of customers (Son, 2013). This means that customers are spending long time and having greater frequency to encounter the physical environment of the shop, such as convenience of parking, exterior, music, coziness, color and light.

Byun et al. (2014) put emphasis on the importance of servicescape in the environment which provides service. Furthermore, Kim et al. (2013) argued that the physical environment has impact on customers' feelings, such as joyfulness and enlightenment, which also affect their revisitation and time of stay in the shop. However, the most crucial factor is the moment of service encounter between an employee and a customer, which create a positive or negative image of the brand. This image is also related to the reliability of the coffee shop and word-of-mouth effect.

From this view, there must be a huge impact of servicescape on customer satisfaction and the intention to repurchase. Even though there have been researches about franchise coffee shop's servicescape (Lee, 2014; Park, Kim, Choi & Lee, 2013; Ko & Lee, 2012; Choi & Yoo, 2011; Um, 2010), research regarding the impact of servicescape, which includes employee's ability to provide service, on customer satisfaction and loyalty is insufficient.

As a result, this report will analyze how a franchise coffee shop's servicescape and the ability to provide service affect customer satisfaction and loyalty. To find out the relationship and provide this information to domestic coffee shops, customers of franchise coffee shops in Seoul were asked about their satisfaction and loyalty toward franchise coffee shop's servicescape, including the ability of employee to deliver service.

2. Literature Review

2.1. Servicescape

Servicescape was first introduced by Kotler (1973) with the word, atmospheric, when he investigated about physical environment. After that Baker (1987) defined the word, store environment, by including not only artificial and physical environments, but also comprising all intangible evidence which can be seen, such as the moment when service encounters. The store environment embraces three elements: ambient factor, design factor, and social factor.

Contrary to making the physical environment to natural and social factors, Bitner (1992) considered the environment as servicescape. It was defined as a controllable artificial environment which composes ambient atmosphere, arrangements and functionalities of a place, signs, symbols, artificial objects and so on. A lot of research is also conducted in Korea (Seo & Lee, 2013; Kim, 2013; Park, 2013; Gwon & Han, 2014; Gwon, 2014; Bae, 2014; Park & Kim, 2014; Jung & Kim, 2015; Choi, Im, & Moon, 2015; Shin et al., 2015; Lee & Park, 2015; Han & Lee, 2016).

Um (2010) composed a franchise coffee shop's servicescape by five components: coziness of seats, working environment, aesthetic impression, cleanliness, and accessibility. It has been shown that working environment, coziness and aesthetic impression have impact on customer satisfaction. Jeon & Jo (2011) argued that a franchise coffee shop's physical environment is composed of coziness of seats, attractiveness, cleanliness, harmony, environment, crowded and freshness. Moreover, Lee & Seo (2012) compared outbound and inbound franchise coffee shops and stated that attractiveness of design, functionality of space and freshness are included in the physical environment.

Ko & Lee (2012) considered working environment, coziness of seats, cleanliness, aesthetic impression and accessibility as the factors of servicescape. After analyzing the impact of each factor on customer satisfaction and the intention of revisitation, it was possible to figure out that working environment and cleanliness affect all of the variations. Park (2013) organized with cleanliness, spatiality and convenience, while Bae (2014) analyzed spatiality, security and freshness. While conducting a research about the relationship between servicescape with social environment and customers' emotional responses and intention of actions, Byun et al. (2014) found that delight is affected by aesthetic impression, freshness and the image of employees, activation is affected by convenience, and visible side has a positive impact on both delight and enlightenment.

Summarizing the composition of physical environment, it was possible to find out that the foundation of various research was Bitner (1992) and Baker (1987)'s studies. This report will be based on Bitner (1992), Jeon & Jo (2011) and Ko & Lee (2012)'s researches and will study three factors of

servicescape, interior, cleanliness and coziness.

2.2. The Ability to Provide Service

The behavior of providing service is the level of service of the moment when an employee deliver service to customer. Gronroos (1990) defined the behavior of providing service as the customer recognition of the gap between expected and actual service. Kim & Won (1992) defined the level of delivered service as the level of performance when providing service products. Although an employee's behavior of providing service is an important factor which is directly related to customer satisfaction in the service industry, there is not much research dealing with the service delivering behavior (Han & Lee, 2016).

Jo (2006) analyzed the impact of an airline's service orientation on the behavior of providing service. Moreover, Kim & Lee (2013) conducted a research regarding the impact of the success factor of innovative service in a hotel business on concentration on duties and the behavior of providing service. Hwang, Song, & Lee (2014) proposed the needfulness of strategic management of human resource which reflects the nature of department to improve the level of delivering service. As a result of the impact of servicescape on each employee's emotional reactions and motivations, Han and Lee (2016) also analyzed motivation of hoteliers have an impact on the behavior of offering service.

This study defined the behavior of providing service as a performance of the service provider and a level of the performance, based on Han & Lee (2016)'s research.

2.3. Customer Satisfaction

The idea of customer satisfaction has a long history in terms of marketing. The studies about customer behavior consider customer satisfaction as the key factor during the post-purchase period, because customer satisfaction has a positive impact on repetitive purchase and word-of-mouth. Customer satisfaction is essential to run a business since customers with high loyalty increase profits through bringing more customers by positive word-of-mouth (Kim, 2012).

Oliver (1996) defined satisfaction as customers' reaction to determine whether their needs and wants are fulfilled or not. Johnson and Grayson (2005) argued that customer satisfaction is the result of interaction whilst receiving service and is affected by the value of provided service. Yoon (2012) stated that it is a perceived achievement and a function of expectation which are based on the experience of customers.

From the previous research, it was possible to understand that customer satisfaction is one of the most important factors in marketing process. Customer satisfaction has a substantial impact on customer attitude, loyalty, intention of repurchase, word-of-mouth, conversion of products and

complaints, and it is meaningful in marketing strategies (Han, 2015; Kim et al., 2012; Choo, Bae, & Jo, 2011; Ruiz-Molina, Gil-Saura, & Berenguer-Contró, 2009; Kim & Lee, 2016).

Customer satisfaction is defined as overall assessment of what customer experienced, including the interaction with the service provider. Therefore, positive evaluation on the service provider will have a positive effect on the business (Macintosh, 2007). This proves that customer satisfaction reflects not only perceive reactions, but also all the experiences and emotional reactions whilst receiving the service (Edvardsson, 2005).

This study defined customer satisfaction as the level of satisfaction which is perceived by customers, based on Oliver (1996), Kim (2012) and Kim et al. (2012).

2.4. Customer Loyalty

From a corporation's perspective, it requires a lot of efforts to retain customers by preventing them from going to competitors and letting them keep purchase products or services of the business. To retain current customers, the priority must be high-quality service by which customers can be satisfied.

The concept of customer loyalty has been treated as broader idea than customer satisfaction by many researchers (Kim, 1996). Most studies regarding customer loyalty have applied the concept of satisfaction to analyze the impact of satisfaction on customer loyalty (Koo et al., 2015). While conducting a research about strategic mechanism to minimize perceived risks, Kandampully & Liam (2001) and Florian & Bayoun (2004) considered loyalty as intention of repurchase and recommendation. Lee (2010) argued customer loyalty as a behavior and an attitude toward products or service and as an amicable attitude towards the brand, stores, employees and provided services and the intention to repurchase and revisit, which are resulted from tendency to be loyal to the business. Joo (2013) stated customer loyalty as a behavior and an attitude of a customer who keeps purchasing from one service provider and has positive perception about the provider. Yoon (2013) found that there are two strategies to retain customers, which are an aggressive strategy to attract new customers and a defensive strategy to retain current customer.

This study defined customer loyalty as the perceived intention to revisit from customers based on Jin (2011), Kim (2012) & Joo (2013).

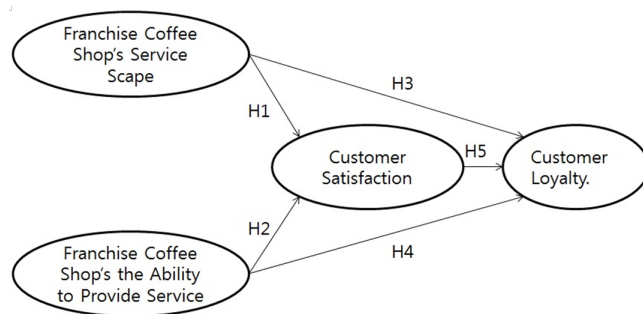
3. Research Model and Selecting Hypothesis

3.1. Research Model and Hypothesis

The purpose of this research is to analyze the impact of

servicescape and the ability to provide service on satisfaction and loyalty of the customers who go to franchise coffee shops in Seoul. Based on Bitner (1992), Jeon & Jo (2011) and Ko & Lee (2012)'s studies, it was possible to build and design models; moreover, hypotheses, regarding the ability to deliver service, were set by referring to Han & Lee (2016)'s research. Customer satisfaction hypotheses were based on Oliver (1996), Kim (2012) & Kim et al. (2012)'s research. Moreover, Jin (2011), Kim (2012) & Joo (2013)'s studies were referred as setting hypotheses about customer loyalty.

Based on previous studies, it was possible to draw <Figure 1> to analyze an impact of a franchise coffee shop's servicescape and the ability to deliver service on customer satisfaction and loyalty and the impact of customer satisfaction and customer loyalty.



<Figure 1> Research model.

- <Hypothesis 1> A franchise coffee shop's servicescape factors will have a positive impact on customer satisfaction.
- <Hypothesis 2> A franchise coffee shop's the ability to provide service will have a positive effect on customer loyalty.
- <Hypothesis 3> A franchise coffee shop's servicescape factors will positively affect customer satisfaction.
- <Hypothesis 4> A franchise coffee shop's the ability to provide service will have a positive impact on customer loyalty.
- <Hypothesis 5> a franchise coffee shop's customer satisfaction will have a positive impact on customer loyalty.

3.2. Operational Definitions of Variables

The operational definitions of variables which are used in the model are stated below.

3.2.1. Operational Definitions of Independent Variables

1) Interior

Interior was estimated according to interior, styles, decorations, panorama, exterior and the arrangement of tables and chairs. By conducting factor analysis, all these elements are defined as "interior".

2) Cleanliness

Cleanliness was estimated based on cleanliness of floor, corridor, tables, chairs, restrooms and facilities, also including freshness. All of these factors are considered as "cleanliness" via the process of factor analysis.

3) Coziness

Coziness was based on different factors, such as appropriate temperature, scent, atmosphere of lights and background music. These factors are also considered as "coziness" by going through the coding process.

4) The ability to provide service

This variable includes reliability, assurance, promptness, effort to provide standardized service, complaint resolving skill, customer satisfaction regarding service, provided service followed by service sequence and friendly voice. By conducting factor analysis and the coding process, all of these elements are defined as "the ability to provide service".

3.2.2. Operational Definitions of Dependent Variables

1) Customer Satisfaction

Customer satisfaction was estimated based on overall satisfaction, satisfaction regarding provided service, satisfaction regarding atmosphere and satisfied taste. By going through the coding process, it was able to fine one common these of those factors, which is "customer satisfaction".

2) Customer Loyalty

Continuous purchase after increasing price, continuous purchase even though the price is higher than competitors, recommendations to others and continuous visitation are considers as "customer loyalty" via the process of coding and analysis of each element.

3.3. Formation of Questionnaire and Evaluation Methods

3.3.1 Formation of Questionnaire

<Table 1> shows the components of questionnaire.

<Table 1> Formation of questionnaire.

Variables		Content	Number of questions	Reference
A franchise coffee shop's servicescape factions (independent variables)	Interior	Interior, styles, decorations, panorama, exterior and the arrangement of tables and chairs	5	Jeon & Jo (2011); Ko & Lee (2012)
	Cleanliness	Cleanliness of floor, corridor, tables, chairs, restrooms and facilities, including also freshness	5	Jeon & Jo (2011); Ko & Lee (2012)
	Coziness	Appropriate temperature, scent, atmosphere of lights and background music	4	Jeon & Jo (2011); Ko & Lee (2012)
The ability to provide service (independent variable)	Reliability, assurance, promptness, effort to provide standardised service, complaint resolving skill, customer satisfaction regarding service, provided service followed by service sequence and friendly voice		7	Han & Lee (2016)
Customer satisfaction (dependent variable)	Overall satisfaction, satisfaction regarding provided service, satisfaction regarding atmosphere and satisfied taste		4	Kim (2012)
Customer loyalty (dependent variable)	Continuous purchase after increasing price, continuous purchase even though the price is higher than competitors, recommendations to others and continuous visitation		4	Jin (2011); Kim (2012); Jo (2013)
Demographics	Gender, marriage status, education, age, occupation, annual income		4	

<Table 2> Demographic trend of respondents

Classification		Frequency	Percent	Classification		Frequency	Percent
Gender	Male	165	41.5	Age	Less than 20	18	4.5
	Female	233	58.5		20-29	227	57.0
	Total	398	100.0		30-39	96	24.1
Marriage status	Not married	303	76.1		40-49	34	8.5
	Married	95	23.9		50-59	19	4.8
	Total	398	100.0		Above 60	4	1.0
Education	Under high school graduate	43	10.8		Total	398	100.0
	University graduate (including enrolled students)	299	75.1	Occupation	Student	181	45.5
	Above post graduate (including enrolled students)	56	14.1		Employee	106	26.6
	Total	398	100.0		Self-employed	23	5.8
Annual income	Less than 20,000,000 won	146	36.7		Public servant	3	.8
	20,000,000-29,999,999	70	17.6		Housewife	26	6.5
	30,000,000-39,999,999	67	16.8		Profession	31	7.8
	40,000,000-49,999,999	23	5.8		Other	28	7.0
	50,000,000-59,999,999	20	5.0		Total	398	100.0
	60,000,000-69,999,999	21	5.3				
	More than 70,000,000	51	12.8				
	Total	398	100.0				

3.3.2. Sampling and Analysis Methods

By targeting customers of franchise coffee shops in

Seoul, the relationship between of a franchise coffee shop's servicescape and the ability to deliver service and customer satisfaction and loyalty was analyzed for one month, from

February, 2016. Judgement sampling was used to collect data, and 398 out of 400 were analyzed by using SPSS 19.0 statistics package.

To find out trend in demographics, frequency analysis was conducted. To examine the reliability and validity of measurements, which are a franchise coffee shop's service scape, the ability to provide service, customer satisfaction and loyalty, factor analysis and reliability analysis were also conducted. To find out correlations among variables, correlation analysis was conducted while regression analysis was conducted to assess hypotheses.

4. Result

4.1. Trends of Demographics

The result of frequency analysis regarding demographics of respondents are show in <Table 2>.

4.2. Analysis of Reliability and Validity of Questionnaire Methods

4.2.1. The Analysis of Reliability and Validity of a Franchise Coffee Shop's Servicescape

<Table 3> is the result of the examination of reliability and validity of a franchise coffee shop's servicescape.

According to the result of <Table 3>, the factors of a franchise coffee shop's servicescape are identified as three elements with distributed power explain of 66.930%. The value of KMO is greater than 9.0, which is a good value. In addition to Bartlett's test, everything is related to conduct factor analysis. Since the value of chi-square (3,076.800) and p (.000) indicate a possibility to conduct factor analysis, reliability and validity of variables, used in this research, are confirmed.

4.2.2. The result of reliability and validity of the ability to provide service

The result of reliability and validity of the ability to provide service is shown in <Table 4>.

According to <Table 4>, a franchise coffee shop's ability to provide service is extracted as one and show 60.520% of distributed power explain. The value of KMO is positive, higher than 0.8, and from Bartlett's test, everything is related to conduct factor analysis. Reliability and validity of variables in this research are proved with the value of chi-square (1,410.552) and p (.000).

4.2.3. The result of reliability and validity of a franchise coffee shop's customer satisfaction and loyalty

The result of reliability and validity of a franchise coffee shop's customer satisfaction and loyalty are indicated in <Table 5>.

<Table 3> The result of reliability and validity of a franchise coffee shop's servicescape.

Factor	Type of questions	Factor loading value	Cronbach's α	Eigen value	Distributed Power Explain
Interior	Interior and style	.851	.865	6.624	26.636
	Indoor decoration	.802	.865	6.624	26.636
	Exterior	.801	.865	6.624	26.636
	Panorama and view	.703	.865	6.624	26.636
	Table and chair arrangement	.633	.865	6.624	26.636
Cleanliness	Cleanliness of floor and corridor	.858	.873	1.689	49.381
	Cleanliness of table and chair	.801	.873	1.689	49.381
	Cleanliness of restroom	.782	.873	1.689	49.381
	Cleanliness of objects	.716	.873	1.689	49.381
	Cleanliness and freshness of facilities	.539	.873	1.689	49.381
Coziness	Appropriate temperature	.818	.799	1.057	66.930
	Scent	.754	.799	1.057	66.930
	Ambient and harmony of lights	.559	.799	1.057	66.930
	Ambien and harmony of background music	.540	.799	1.057	66.930
KMO(Kaiser-Meyer-Olkin)= .912, chi-square= 3,076.800, df= 91, p= .000					

<Table 4> The result of reliability and validity of the ability to provide service.

Factor	Type of questions	Factor loading value	Cronbach's α	Eigen value	Distributed Power Explain
The ability to provide service	Constantly provided service	.828	.889	4.236	60.520
	Promptness	.806	.889	4.236	60.520
	Effort to standardise service	.806	.889	4.236	60.520
	Complaint resolution	.774	.889	4.236	60.520
	Customer satisfaction regarding service	.753	.889	4.236	60.520
	Provided service following service sequence	.737	.889	4.236	60.520
	Friendly voice	.736	.889	4.236	60.520
KMO(Kaiser-Meyer-Olkin)= .887, chi-square= 1,410.552, df= 21, p= .000					

<Table 5> The result of reliability and validity of a franchise coffee shop's customer satisfaction and loyalty.

Factor	Type of questions	Factor loading value	Cronbach's α	Eigen value	Distributed Power Explain
Customer satisfaction	Satisfied overall	.867	.878	2.932	73.308
	Satisfied with service	.861	.878	2.932	73.308
	Satisfied with atmosphere	.860	.878	2.932	73.308
	Satisfied with taste	.836	.878	2.932	73.308
KMO(Kaiser-Meyer-Olkin)= .809, chi-square= 829.923, df= 5, p= .000					
Customer loyalty	Continuous purchase after price increased	.893	.861	2.829	70.724
	Continuous purchase even though price is higher than competitors	.881	.861	2.829	70.724
	Recommend to others	.818	.861	2.829	70.724
	Continuously comeback	.765	.861	2.829	70.724
KMO(Kaiser-Meyer-Olkin)= .657, chi-square= 1,252.463, df= 6, p= .000					

According to <Table 5>, a franchise coffee shop's customer satisfaction is extracted as one with the distributed power explain of 73.308%. The value of KMO is positive, higher than 0.8, and from Bartlett's test, everything is related to conduct factor analysis. Reliability and validity of variables in this research are proved with the value of chi-square (829.923) and p (.000).

Moreover, a franchise coffee shop's customer loyalty is extracted as one with the distributed power explain of 70.724%. The value of KMO is normal, higher than 0.6, and

from Bartlett's test, everything is related to conduct factor analysis. Reliability and validity of variables in this research are proved with the value of chi-square (1,252.463) and p (.000).

4.3. Analysis of correlation

The result of correlation analysis of extracted factors is shown in <Table 6>.

<Table 6> The result of the correlation analysis.

Factor	Average	Standard deviation	(1)	(2)	(3)	(4)	(5)	(6)
Interior (1)	3.67	.71	1					
Cleanliness (2)	3.68	.71	.528**	1				
Coziness (3)	3.75	.69	.615**	.624**	1			
Ability to provide service (4)	3.88	.67	.396**	.601**	.501**	1		
Customer satisfaction(5)	3.86	.70	.548**	.620**	.602**	.609**	1	
Customer retention (6)	3.47	.86	.371**	.487**	.428**	.474**	.607**	1

**p<0.01

From the result of <Table 6>, since most of exponents of correlations are less than 0.7, it is possible to say that there is no correlation among factors. These factors are independent to each other and able to be distinguished. This proves discriminant validity. According to the result of factor analysis, each factor has a higher correlation with its own components. This proves convergent validity. Therefore, concept validity has been proved through discriminant and convergent validity.

4.4. Evaluating Hypothesis

4.4.1. Evaluating <Hypothesis 1>

A franchise coffee shop's servicescape (interior, cleanliness and coziness) factors' which impact on customer satisfaction has been analyzed through multiple regression analysis. Independent variables in this analysis are interior, cleanliness and coziness, and a dependent variable is customer satisfaction.

7>, since the biggest VIF value is 2.010, there is no issue about multicollinearity.

Enter method was used to put all variables, and because of the significance level of t value, interior, cleanliness and coziness are affecting customer satisfaction.

4.4.2. Evaluating <Hypothesis 2>

The impact of a franchise coffee shop's ability to provide service on customer satisfaction has been analyzed through simple regression analysis. An independent variable in this analysis is the ability to provide service, and a dependent variable is customer satisfaction.

According to the result of <Table 8>, R square is 0.371 and F, which checks statistical relativeness about regression, is 233.674. Therefore, significance level is reasonable with p-value of .000.

To conduct simple regression analysis, there should not be multicollinearity among independent variables. Through multicollinearity, it is possible to identify VIF. If the value of VIF is lower than 10, there is no multicollinearity. In<Table

<Table 7> Result of regression analysis of a franchise coffee shop's servicescape factors and customer satisfaction.

Factors	Non-standardised coefficient		Standardised coefficient	t	P value	Collinearity	
	B	Standard error	Beta			allowance	VIF
(constant)	.840	.160		5.259	.000**		
Interior	.204	.047	.205	4.335	.000**	.587	1.702
Cleanliness	.348	.047	.351	7.372	.000**	.578	1.731
Coziness	.264	.053	.258	5.030	.000**	.497	2.010
R2= .485, F=123.589, df1=3, df2=394, p=.000							

**p<0.01

<Table 8> Result of regression analysis of a franchise coffee shop's ability to provide service and customer satisfaction.

Factors	Non-standardised coefficient		Standardised coefficient	t	P value	Collinearity	
	B	Standard error	Beta			Allowance	VIF
(constant)	1.374	.165		8.337	.000		
Ability to provide service	.640	.042	.609	15.286	.000**	1.000	1.000
R2= .371, F=233.674, df1=1, df2=396, p=.000							

**p<0.01

According to the result of regression analysis, R squared is 0.485 and F, which checks statistical relativeness about regression, is 123.589. Therefore, significance level is reasonable with p-value of .000.

To conduct multiple regression analysis, there should not be multicollinearity among independent variables. Through multicollinearity, it is possible to identify VIF. If the value of VIF is lower than 10, there is no multicollinearity. In <Table

8>, since the biggest VIF value is 1.000, there is no issue about multicollinearity.

Enter method was used to put all variables, and because of the significance level of t value, the ability to provide service has an impact on customer satisfaction.

4.4.3. Evaluating <Hypothesis 3>

A franchise coffee shop's servicescape (interior, cleanliness and coziness) factors' which impact on customer loyalty has been analyzed through multiple regression analysis. Independent variables in this analysis are interior, cleanliness and coziness, and a dependent variable is customer loyalty.

analysis is the ability to provide service, and a dependent variable is customer loyalty.

According to the result of <Table 10>, R square is 0.225 and F, which checks statistical relativeness about regression, is 114.922. Therefore, significance level is reasonable with

<Table 9> Result of regression analysis of a franchise coffee shop's servicescape factors and customer loyalty.

Factors	Non-standardised coefficient		Standardised coefficient	t	P value	Collinearity	
	B	Standard error	Beta			Allowance	VIF
(constant)	.797	.233		3.421	.001		
Interior	.116	.069	.095	1.687	.092	.587	1.702
Cleanliness	.409	.069	.338	5.949	.000**	.578	1.731
Coziness	.199	.077	.159	2.595	.010**	.497	2.010
R ² = .267, F=47.914, df1=3, df2=394, p=.000							

**p<0.01

According to the result of <Table 9>, R square is 0.267 and F, which checks statistical relativeness about regression, is 47.914. Therefore, significance level is reasonable with p-value of .000.

To conduct simple regression analysis, there should not be multicollinearity among independent variables. Through multicollinearity, it is possible to identify VIF. If the value of VIF is lower than 10, there is no multicollinearity. In <Table 9>, since the biggest VIF value is 2.010, there is no issue about multicollinearity.

Enter method was used to put all variables, and because of the significance level of t value, cleanliness and coziness have an impact on customer loyalty.

4.4.4. Evaluating <Hypothesis 4>

The impact of a franchise coffee shop's ability to provide service on customer loyalty has been analyzed through simple regression analysis. An independent variable in this

p-value of .000.

To conduct simple regression analysis, there should not be multicollinearity among independent variables. Through multicollinearity, it is possible to identify VIF. If the value of VIF is lower than 10, there is no multicollinearity. In <Table 10>, since the biggest VIF value is 1.000, there is no issue about multicollinearity.

Enter method was used to put all variables, and because of the significance level of t value, the ability to provide service has an impact on customer loyalty.

4.4.5. Evaluating <Hypothesis 5>

The impact of a franchise coffee shop's customer satisfaction on customer loyalty has been analyzed through simple regression analysis. An independent variable in this analysis is customer satisfaction, and a dependent variable is customer loyalty.

<Table 10> Result of regression analysis of a franchise coffee shop's ability to provide service and customer loyalty.

Factors	Non-standardised coefficient		Standardised coefficient	t	P value	Collinearity	
	B	Standard error	Beta			Allowance	VIF
(constant)	1.108	.224		4.951	.000		
Ability to provide service	.609	.057	.474	10.720	.000**	1.000	1.000
R ² = .225, F=114.922, df1=1, df2=396, p=.000							

**p<0.01

<Table 11> Result of regression analysis of a franchise coffee shop's customer satisfaction and customer loyalty.

Factors	Non-standardised coefficient		Standardised coefficient	t	P value	Collinearity	
	B	Standard error	Beta			Allowance	VIF
(constant)	.138	.170		.812	.417		
Ability to provide service	.864	.043	.707	19.879	.000**	1.000	1.000
R ² = .516, F=422.246, df1=1, df2=396, p=.000							

**p<0.01

According to the result of <Table 11>, R square is 0.516 and F, which checks statistical relativeness about regression, is 422.246. Therefore, significance level is reasonable with p-value of .000.

To conduct simple regression analysis, there should not be multicollinearity among independent variables. Through multicollinearity, it is possible to identify VIF. If the value of VIF is lower than 10, there is no multicollinearity. In<Table 11>, since the biggest VIF value is 1.000, there is no issue about multicollinearity.

Enter method was used to put all variables, and because of the significance level of t value, customer satisfaction has an impact on customer loyalty.

5. Conclusion

5.1. Summary of Results of Research and Indications

This report analyzed the impact of a franchise coffee shop's servicescape and the ability to provide service on customer satisfaction and loyalty. To analyze those factors, customers of franchise coffee shops in Seoul were asked about the relationship between servicescape, including employee's ability to deliver service, customer satisfaction and loyalty. Following contents are the summary of analysis.

First, by analyzing the impact of a franchise coffee shop's servicescape factors (interior, cleanliness and coziness) on customer satisfaction through multiple regression analysis, interior, cleanliness and coziness are identified as important. It was identified that cleanliness of floor, corridors, tables, chairs, restrooms and facilities, also freshness, is considered as the most effective on customer satisfaction. Furthermore, there should be more investments on interior and coziness.

Second, through simple regression analysis, a franchise coffee shop's ability to provide service was identified to be influential on customer satisfaction. Constant service, provided service based on service sequence, promptness, effort to standardize service, complaint resolution, customer satisfaction on service and friendly voice are considered to have a substantial impact on customer satisfaction. Therefore, there should be business strategies to improve this part.

Next, by analyzing the impact of a franchise coffee shop's servicescape factors (interior, cleanliness and coziness) on customer loyalty through multiple regression cleanliness and coziness are identified as important. While cleanliness and coziness have an impact on both customer satisfaction and loyalty, interior has an impact on only customer satisfaction. Therefore, it is suggested to invest on making a coffee shop with comfortable atmosphere rather than invest on interior.

Fourth, through simple regression analysis, a franchise coffee shop's ability to provide service was identified to be influential on customer loyalty. Since the ability provide service has an impact on both customer satisfaction and loyalty, it is recommended to put more efforts on making service and marketing strategies to improve the ability to deliver service.

Finally, by analyzing the impact of customer satisfaction on customer loyalty, there was a positive result. It means that customer satisfaction should be achieved to retain more customers. To increase loyalty level, it sounds reasonable to develop marketing strategies which are customer oriented.

Based on the analysis, implications are stated below.

First, there has been intensified bloodshed among domestic coffee shops due to cut-throat competition. This means that coffee market competition, in which supply overruns demand, is getting deepened. Especially, foreign coffee shop's sales are increasing faster compared to that of domestic coffee shop. In the future, domestic coffee shops should establish strategies which provide each coffee shop competitiveness through differentiated brand value, service, and interior atmosphere.

Second, based on the result that customer satisfaction has a direct impact on customer loyalty, it is important to provide not only the ability to provide service, but also provide different servicescape factors, interior, cleanliness and coziness, from competitors to brand the business. This distinctiveness will become the main reason of revisitation which will lead to dramatic increase in profits.

5.2. Limitations and Further Recommendations

There is a limitation of sampling since this study focused on Seoul. Therefore, it was not possible to consider regional limitations and cultural differences. Moreover, respondents of

the survey were mainly those who are aged among 20 – 30, which might have a limitation to reflect all types of customers. For the further research, it is recommended to cover regional limitations and cultural differences. Moreover, it is required to have well-presented sample, regarding demographics.

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