

Creating Satisfaction and Loyalty with Service Encounter and Servicescape at Balung Hospital Jember Regency

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ABSTRAK

Kualitas layanan yang diberikan rumah sakit akan mempengaruhi kepuasan dan dapat menciptakan loyalitas pelanggan. Salah satu bentuk pelayanan di sebuah rumah sakit adalah service encounter dan servicescape. Pelayanan di Rumah Sakit Balung masih mendapat penilaian yang negatif di mata masyarakat karena pelayanan yang diberikan tidak sesuai harapan konsumen. Tujuan penelitian ini adalah untuk mengetahui bagaimana pengaruh service encounter dan servicescape terhadap kepuasan dan loyalitas baik secara langsung maupun tidak langsung. Jumlah sampel penelitian ini sebesar 105 responden dan teknik analisis data menggunakan SEM (Structural Equation Modeling). Hasil penelitian menunjukkan bahwa pertama, service encounter dapat menciptakan kepuasan. Kedua, servicescape dapat menciptakan kepuasan. Ketiga, service encounter dapat menciptakan loyalitas. Keempat, servicescape tidak dapat menciptakan loyalitas secara langsung, namun secara tidak langsung dengan peran mediasi kepuasan dapat menciptakan loyalitas. Dan kelima, kepuasan dapat menciptakan loyalitas.

ABSTRACT

The quality of service provided by the hospital will affect satisfaction and can create customer loyalty. One form of service in a hospital is service encounter and servicescape. Services at Balung Hospital still receive negative ratings in the eyes of the public because the services provided are not in accordance with consumer expectations. The purpose of this study is to determine how the influence of service encounter and servicescape on satisfaction and loyalty both directly and indirectly. The sample size of this study was 105 respondents and data analysis techniques using SEM (Structural Equation Modeling). The results of the study indicate that first, service encounter can create satisfaction. Second, servicescape can create satisfaction. Third, service encounters can create loyalty. Fourth, servicescape cannot create loyalty directly, but indirectly with the mediating role of satisfaction can create loyalty. And fifth, satisfaction can create loyalty.

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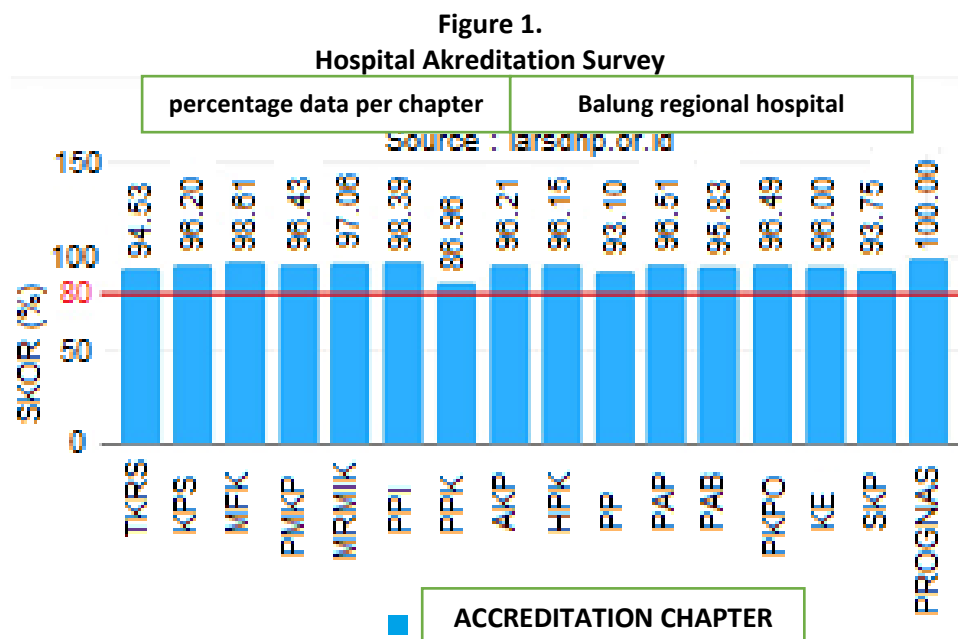
INTRODUCTION

The World Bank recommends countries in the East Asia and Pacific region, including Indonesia, to focus on improving the service sector, and combine it with digital technology to strengthen the pace of economic growth. Based on World Bank records, the service sector in the period 2010-2021 has increased the use of labor from 42% to 49%, and even in China the increase is drastic from 35% to 47%. Likewise, its contribution to productivity, although mostly for the retail and transportation sectors that require low skills. The contribution of the service sector in a number of countries to exports and foreign capital inflows is also high. As in Indonesia which reached 4% for exports is much higher than manufacturing exports which were only 3% during 2010-2019, and FDI inflow growth which reached 10% with manufacturing even negative. Meanwhile, the service sector in Indonesia continues to dominate, even from the periods 1991-1996, 2000-2006, and 2011 to 2018. The service sector during that period contributed much

higher to economic productivity growth than the manufacturing, agriculture, and other industrial sectors. (Rachman, 2023).

Balung Regional Hospital is a Class C Hospital owned by the Jember Regency Government, located in Jember Regency in the southern western part. Equipped with representative Outpatient Facilities / Specialist Polyclinics, equipped with representative Inpatient Facilities and supported by Medical Support Facilities to help establish disease diagnosis, also supported by Pharmaceutical Installations that provide the drugs and equipment needed and supported by Central Surgical Installation Facilities / representative Operating Rooms. As a health service institution, RSUD Balung was inaugurated as a Class C Hospital by the Regent of Jember at the beginning of the second millennium on January 2, 2002. The inauguration of PUSKESMAS Balung into RSUD Balung completes the historical journey of Balung health service institution which was established in the Dutch colonial era in 1940 under the name ROEMAH SAKIT BALOENG with Mandagi orderly health workers in 1940-1960, then dr. One and dr. Vigiani in 1965-1966.

On July 15, 17 & 18, 2023, a Hospital Accreditation Survey Using the 2022 Ministry of Health Hospital Accreditation Standards (STARKES) was carried out by the Surveyor Team from LARS DHP (Damar Husada Plenary Hospital Accreditation Institute) with the results of passing the plenary level.



Source: http://rsudbalung.6te.net/bebas2/sejarah_rs.html

Balung Hospital based on the results of surveys and interviews, received negative assessments from the community, especially related to the quality of service for employees and nurses. Therefore, the importance of service companies providing good quality service to consumers. Service quality according to Tjiptono (2011: 331) is an effort to meet customer needs and desires and the accuracy of delivery to keep pace with customer expectations. Product quality (both goods and services) contributes greatly to customer satisfaction, customer retention, word of mouth communication, repeat purchases, customer loyalty, market share and profitability. Therefore, the industry in the service sector must be able to provide good service to its customers, be it in the form of service encounters or servicescapes. Servicescape is likened to a product package that can convey potential usability and quality of service. According to Lovelock

et al. (2011), servicescape refers to the physical environment that is deliberately created or created by humans as support for services provided to consumers. One of the reasons for the importance of the servicescape concept is its relation to satisfying consumer needs. The better the servicescape, the more comfortable and happy consumers will be in consuming the services provided.

Service encounter or interpreted as a service meeting, is one part of the service delivery process from service providers to their customers. This process is very influential on giving the impression of a company in the minds of its customers. Tjiptono (2011) states that service encounter is a form of service provider interaction with its customers in a service atmosphere. Kotler (2004: 61) states that one of the determining factors for the survival of the company is the fulfillment of customer satisfaction, because customers who are satisfied with the services provided by the company will recommend others to use the services of companies that provide satisfaction with their needs. Customer is someone who continuously and repeatedly comes to the same place to satisfy his desire by having a product or getting a service and paying for the product or service (Hasan, 2009: 83).

Researchers are interested in examining Balung Hospital because from the results of the survey interviews with several service users at this hospital experience a lot of dissatisfaction, for example a difficult service system, poor nurse services, inadequate facilities, uncomfortable atmosphere. Based on these reasons, researchers are interested in examining Balung Balung Hospital by using service encounter and servicescape variables to find out how these variables affect the satisfaction and loyalty of service users at the hospital. Based on the background description of the problem, this study attempts to examine the influence of service encounter and servicescapes in influencing customer satisfaction and loyalty, as well as confirming whether customer satisfaction affects customer loyalty in the context of healthcare services.

Literature Review

The Effect of Service Encounter on Satisfaction

Research conducted by Ahmedi et al. (2016; Susanto & Setyanto, 2018) states that customer satisfaction has become a determining factor for success and brings important aspects in business processes. Customers shape their perception regarding the quality of service especially during service meetings because the features inherent in the service as intangible and inseparable (McLean & Osei-Frimpong, 2017). Today, it is critical for service companies to consciously adapt the new philosophy of service excellence, while still maintaining fundamental benchmarks of service excellence (Söderlund, 2020). Especially for intangible services and high contacts, Ahmedi et al. (2016) emphasized that good employee-customer interaction is key, and a better understanding of how to adapt service delivery behavior to the values of key cultural groups is beneficial for service companies.

H1: Service encounter positively influences customer satisfaction

The Effect of Service Encounter on Loyalty

Rashid (2021) states that there is a positive relationship between service encounters, experience value, and customer loyalty. Positive cognition from service encounters positively affects the value of customer experience and loyalty (Tjiptono, 2011; Hart et al., 1990). In addition, the value of experience also has a positive effect on customer loyalty. Finally, experience value partially mediates the relationship between service encounters and customer loyalty. Jobs & Boerner (2015) reveal that factors related to

perceived key services are the most influential on customer satisfaction (specifically, perceived artistic quality, followed by visitors' emotional and cognitive responses to the show). In contrast, factors related to perceptions of the service landscape (i.e. seating and scenery; behavior of other customers) have little relevance to customer satisfaction (Susanto & Setyanto, 2018; Rashid, 2021). In addition, the influence of perceived primary service quality and perceived service quality on customer satisfaction is influenced by individual factors.

H2: Service encounter positively influences customer loyalty

The Effect of Servicescape on Satisfaction

Servicescape refers to the physical environment in which a service is delivered, including the tangible elements such as the facility's design, layout, ambient conditions, and other physical cues (Situmorang, 2017; Ahmedi et al., 2023). The servicescape plays a crucial role in influencing customer satisfaction (Gani et al., 2022). A well-designed and pleasant atmosphere can positively contribute to build customer emotions and perception. This can create a comfortable and enjoyable experience for customers through its ambiance. In addition, a clean and well-maintained environment suggests a high level of professionalism and care which can contribute to positive customer perceptions and build their satisfaction (Rivai et al., 2020; Ahmedi et al., 2023). A carefully designed and well-maintained servicescape can contribute significantly to customer satisfaction through the existence of a positive and comfortable environment, convenience, as well as alignment of brand image and customer expectations.

H3: Servicescape positively influences customer satisfaction

The Effect of Servicescape on Loyalty

Sharifa (2023) states that customer experience affects customer loyalty. Servicescape affects customer loyalty. Customer experience affects customer satisfaction. Servicescape affects customer satisfaction. Customer satisfaction affects customer loyalty. Customer experience influences customer loyalty through customer satisfaction as an intervening variable. Servicescape influences customer loyalty through customer satisfaction as an intervening variable. However, Dani (2022) in the results of his research stated that the servicescape does not have a significant effect on customer loyalty through customer satisfaction.

H4: Servicescape positively influences customer loyalty

The Effect of Satisfaction on Loyalty

Morkunas & Rudiene (2020) states that there is a relationship between customer satisfaction and repurchase intent, although at a lower level than can be anticipated from the literature review. Ahmedi, et al (2023) also stated that maintaining clean, comfortable, and functional services, as well as effective employee interaction, is essential for customer satisfaction. By understanding and addressing these key factors, cinema operators can optimize the overall customer experience, increasing satisfaction, loyalty, and repeat business, ultimately contributing to their company's success and growth.

This study has differences with previous research, namely the service encounter variable indicator is a combination of Zeithaml, Bitner and Gremler (2006) theory which states that there are four dimensions of service encounter, namely recovery, adaptability, spontaneity, and

coping. And the theory Tjiptono (2011) which states that there are 3 dimensions of service encounters, namely remote encounters, phone encounters, face to face encounters.

H5: Customer satisfaction positively influences customer loyalty

RESEARCH METHODS

Types of Research

This research includes the type of survey research (survey research) which is a quantitative research method used to obtain data that occurred in the past or present, about beliefs, opinions, characteristics, behavior, variable relationships and to test some hypotheses about sociological and psychological variables from samples taken from certain populations, data collection techniques with observations (interviews or questionnaires) that are not in-depth, and research results tend to be generalized (Sugiyono, 2013: 81).

Population and Sampling Techniques

The population of this study is people who have used the services of Balung Hospital. The sampling technique used is accidental sampling is a sampling technique based on chance, that is, anyone who happens to meet the researcher can be used as a sample if the person who happens to meet is suitable as a data source (Sugiyono, 2016: 156). Based on the opinions of Roscoe (1975) and Ferdinand (2014: 173) in SEM analysis requires a sample of at least 5 times the number of indicator variables (parameters) to be analyzed, because in Chi-Square testing SEM models that are sensitive to the number of samples, good samples ranging from 100-200 samples are needed. Based on the opinion of Roscoe and Ferdinand, the number of samples in this study was set at 105 respondents obtained from the number of all indicator variables (21 indicators) used in the study multiplied by 5, namely $21 \times 5 = 105$ samples.

Data Collection Techniques

Data collection techniques are by using questionnaires or lists of questions given to respondents, either directly or with the help of program managers. For the distribution of questionnaires as research material, they are given to people who have used services at Balung Hospital. The measurement technique used in this study is the Likert scale. The likert scale is used to measure the attitudes, opinions and perceptions of a person or group of people about social phenomena (Sugiyono, 2019: 152).

Data Analysis Techniques

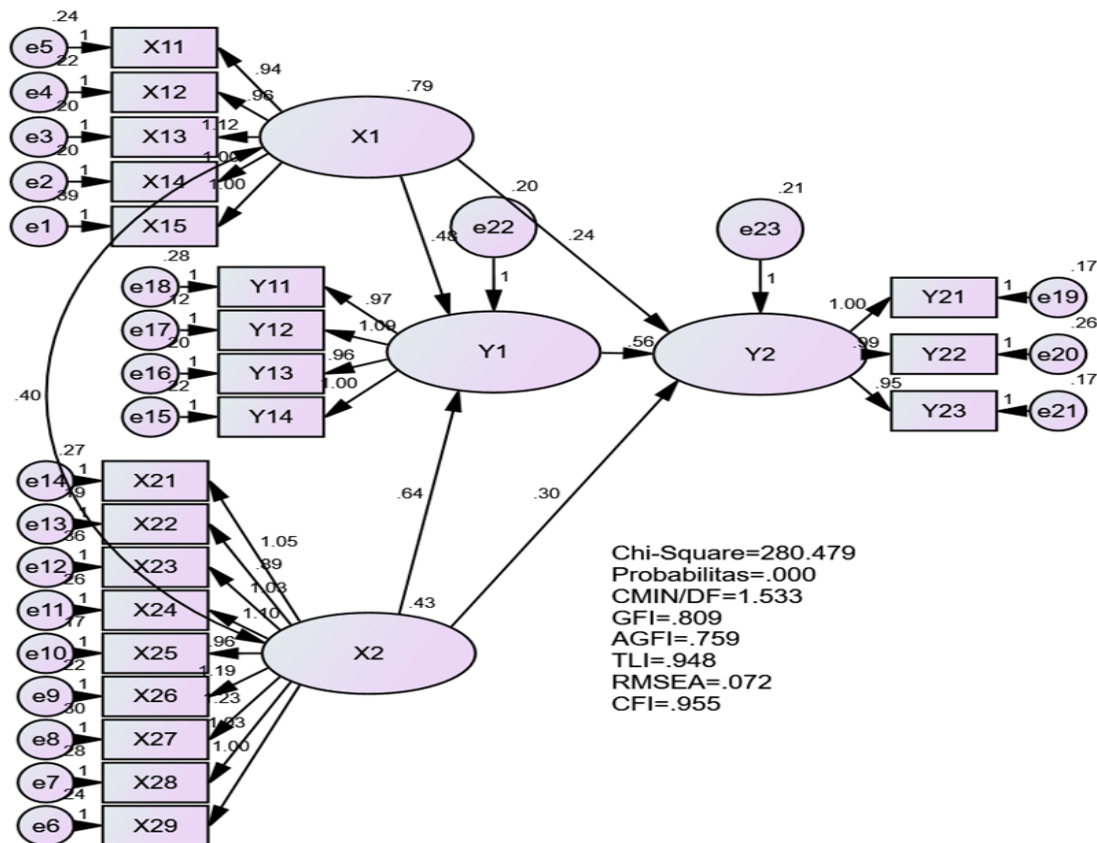
In accordance with the research model designed in this study, namely designing variables into two forms, namely latent / construct variables (unobserved variables) and manifest variables (observed variables). Latent/construct variables (unobserved variables) are variables that cannot be measured directly, so they require several indicators to measure them. While manifest variables (observed variables) are variables that can be measured or are indicators of latent variables (Ghozali, 2004: 14). Therefore, the analysis technique used in this study is Structural Equation Modeling (SEM) using the AMOS program version 23.0.

RESULTS AND DISCUSSIONS

Result

The results of the Structural Equation Modeling (SEM) Analysis of Satisfaction Testing as a moderator of the influence of Service Encounter and Servicescape on Loyalty with SEM analysis can be seen in the following figure.

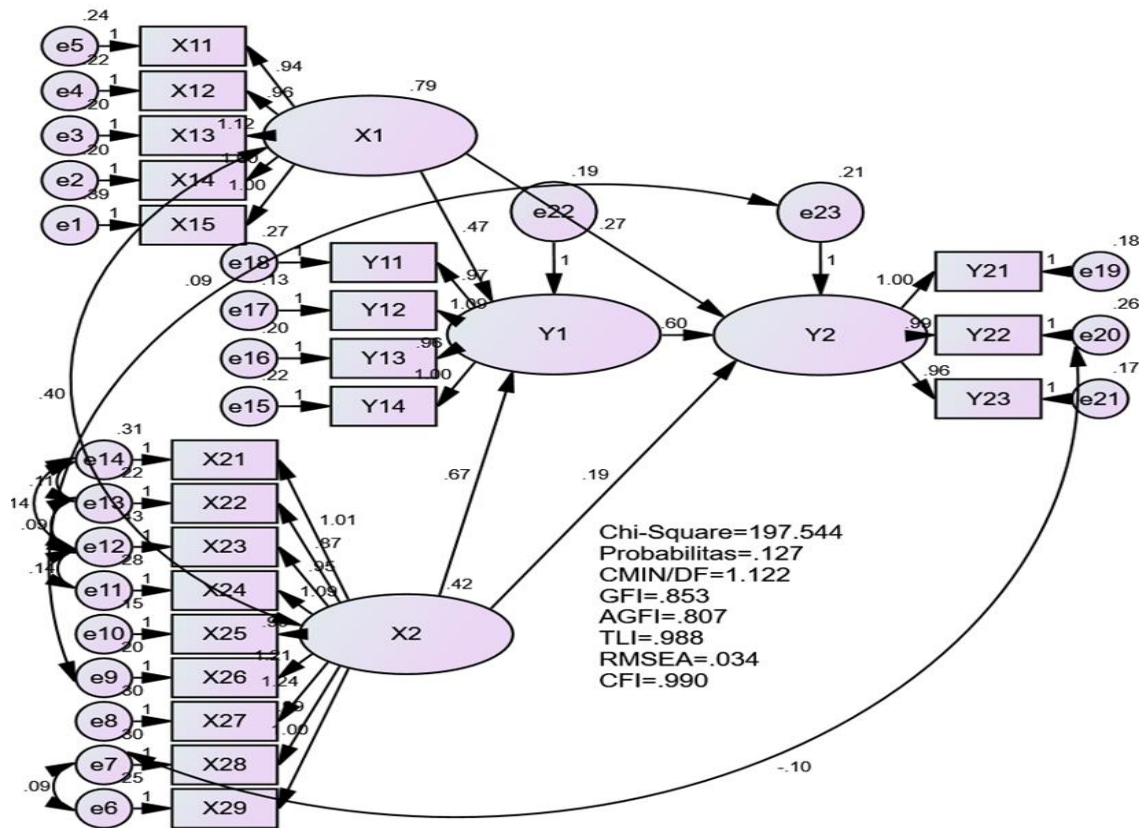
Figure 2.
SEM Analysys Result (Initial Model)



Source: processed data (2023)

The test results of the SEM model, it can be seen that the results of the Model Conformity Test (Goodness of Fit Test) of the initial SEM model from eight criteria there are criteria that fall into the poor fit category, namely Chi Square and Probability, while GFI and AGFI are in the marginal fit category. It can be stated that the model has not been declared fit, so a modified model is needed. The results of the modification of the SEM model can be presented in the following figure.

Figure 3.
SEM Analysys Result (Saturated Model)



Source: processed data (2023)

Furthermore, the results of the Goodness of Fit Test of the modified SEM model can be seen that of the eight criteria there are two criteria included in the marginal category (GFI and AGFI), but the model is still acceptable because most of the indicators have met the good fit criteria. This refers to the opinion of Solimun (2002) which states based on the parsimony rule if most of the model's fit criteria are met, then the model has been declared fit. From the various model suitability indices (goodness of fit), it can be stated that the proposed modified model is fit or has a fairly good fit.

Causality Test

Table 1.
Causality test results

Influence	Estimate	S.E.	C.R.	P	Information
Y1 <--- X1	0,466	0,094	4,979	0,000	Significant
Y1 <--- X2	0,674	0,130	5,177	0,000	Significant
Y2 <--- X1	0,274	0,109	2,524	0,012	Not Significant
Y2 <--- X2	0,195	0,163	1,192	0,233	Significant
Y2 <--- Y1	0,604	0,144	4,186	0,000	Significant

Source: processed data (2023)

The test results of the path coefficient for the effect of Service Encounter (X1) on Satisfaction (Y1) have a positive path of 0.466 with a C.R of 4.979 and a probability (p) of 0.000 which means that the Service Encounter (X1) has a significant effect on Satisfaction (Y1). So it can be stated that service encounters can create satisfaction. The test results of the path coefficient for the effect of Servicescape (X2) on Satisfaction (Y1) have a positive path of 0.674 with a C.R of 5.177 and a probability (p) of 0.000 which means that Servicescape (X2) has a significant effect on Satisfaction (Y1). So it can be stated that servicescape can create satisfaction.

The test results of the path coefficient for the effect of Service Encounter (X1) on Loyalty (Y2) have a positive path of 0.274 with a C.R of 2.524 and a probability (p) of 0.012 which means that the Service Encounter (X1) has no significant effect on Loyalty (Y2). So it can be stated that service encounters can create loyalty.

The test results of the path coefficient for the effect of Servicescape (X2) on Loyalty (Y2) have a positive path of 0.195 with a C.R of 1.192 and a probability (p) of 0.233 which means that Servicescape (X2) has no significant effect on Loyalty (Y2). So it can be stated that servicescape directly cannot create loyalty.

The test results of the path coefficient for the effect of Satisfaction (Y1) on Loyalty (Y2) have a positive path of 0.604 with a C.R of 4.186 and a probability (p) of 0.000 which means that Satisfaction (Y1) has a significant effect on Loyalty (Y2). So it can be stated that satisfaction can create satisfaction.

Indirect Influence Testing with Sobel Test

Examiners at this stage use the Sobel Test which is intended to answer research problems regarding the indirect influence of antecedent exogenous variables consisting of Service Encounter (X1) and Servicescape (X3) on endogenous loyalty variables (Y2) through endogenous intervening variables Satisfaction (Y1). The calculation results for each variable can be detailed as follows.

The results of the Sobel Test Analysis for the effect of Service Encounter on Loyalty through Satisfaction get a calculated t value of 3.202 and a probability value (p) of 0.001. The calculated t value is greater than the table t value for $n = 105$ at $\alpha = 5\%$ of 1.96. Thus, it can be stated that statistically obtained evidence of satisfaction is an intervening variable of the effect of Service Encounter on Loyalty. This can be interpreted that the better the Service Encounter will be followed, the better the Satisfaction and ultimately the higher the Loyalty.

The results of the Sobel Test Analysis for the effect of Servicescape on Loyalty through Satisfaction obtained a calculated t value of 3.261 and a probability value (p) of 0.001. The calculated t value is greater than the table t value for $n = 105$ at $\alpha = 5\%$ of 1.96. Thus, it can be stated that statistically obtained evidence of Satisfaction is an intervening variable of the influence of Servicescape on Loyalty. This can be interpreted that the better the Servicescape will be followed, the better the Satisfaction and ultimately the higher the Loyalty.

Discussion

The Effect of Service Encounter on Satisfaction

The results of the analysis show that the Service Encounter variable has a positive and significant effect on Satisfaction. It can be explained that the better the Service Encounter, the more satisfied it will be. In this case, Service Encounter can encourage satisfaction at Balung Hospital.

From the customer's perspective, the clearest impression of a service occurs in the service encounter (moment of truth), where the company interacts with the service company. Each service encounter contributes to the customer's overall satisfaction and his or her willingness to do business again with the same company. Service encounters provide an opportunity to prove the company's potential as a quality service provider and increase customer loyalty (Tjiptono, 2011:184). The results of this study are appropriate and support the research findings Susanto & Setyanto (2018); McLean & Osei-Frimpong (2017); Söderlund (2020); (Ahmedi et al., 2016) which states that service encounters can increase customer satisfaction.

The Effect of Servicescape on Satisfaction

The results of the analysis show that the variables of Servicescape have a positive and significant effect on Satisfaction. It can be explained that the better the Servicescape it will increase satisfaction. In this case, Servicescape can encourage satisfaction at Balung Hospital.

One of the characteristics of services is intangibility which means intangible. Here it is explained that services cannot be seen, felt, touched, heard before the service is purchased, meaning that the first impression that will be felt by consumers when it comes to buying services is physical evidence that exists in the environment where the service is delivered. Lovelock, Wirtz and Mussry (2010:4), define a servicescape as the style and physical appearance and other elements of experience encountered by customers at the point of service delivery. Environmental conditions can affect consumer feelings and have a significant role in creating consumer behavior that is in line with producer expectations. Environmental conditions consist of lighting, music, color, temperature, and fragrance. Space and functions include the installation of furniture and equipment into the room. The results of this study are appropriate and support the findings of Situmorang (2017); Rivai, et al., (2020); Ahmedi, et al., (2023), and Gani, et al., (2022) who stated that servicescapes can increase consumer satisfaction.

The Effect of Service Encounter on Loyalty

The results of the analysis show that the Service Encounter variable has a positive and significant effect on Loyalty. It can be explained that the better the Service Encounter, the more loyalty it will increase. In this case, Service Encounter can encourage loyalty at Balung Hospital.

Service encounter or interpreted as a service meeting, is one part of the service delivery process from service providers to their customers. This process is very influential on giving the impression of a company in the minds of its customers. Often these service meetings are considered the heart of any service activity (Hart et al., 1990). One of the characteristics of services is inseparability. So that the production and consumption processes occur simultaneously in the same place (Lovelock & Gummesson, 2004). Consequentially, every service activity results in an interaction between employees and customers. This interaction is referred to as a service encounter (Lovelock & Wright, 2002).

The results of this study also support the theory put forward by Tjiptono (2011: 184) that each service encounter contributes to overall customer satisfaction and willingness to do business again with the same company. When viewed from an organizational point of view, each service encounter provides an opportunity to prove the company's potential as a quality service provider and increase customer loyalty. The results of this study are appropriate and support the research findings of Susanto & Setyanto (2018); Rashid (2021) who stated that service encounters can increase consumer loyalty.

The effect of Servicescape on Loyalty

The results of the analysis showed that the Servicescape variable had a positive but not significant effect on Satisfaction. This can be explained Servicescape directly cannot increase loyalty. Further testing has shown that Servicescape can drive customer loyalty by mediating or intervening satisfaction. In this case, Servicescape can encourage the creation of loyalty at Balung Hospital but with the role of intervening satisfaction. The meaning of this finding is that Balung Hospital consumers will not be loyal before feeling satisfaction first. Consumers must feel the satisfaction of Balung Hospital servicescape such as attractive building exterior and interior, easy and not confusing layout, comfortable and spacious parking lots, many and comfortable waiting rooms, adequate admission offices, good and comfortable patient care rooms, complete medical equipment, clean environment, cool and fresh air.

If the servicescape is able to meet the needs and desires of consumers, and according to their expectations, satisfaction will be created. The satisfaction felt by consumers at Balung Hospital will make them make repeat purchases, recommend to others, and not be affected by services at other hospitals. Therefore, it is important for the hospital to always pay attention to physical evidence in the form of servicescape, because these factors will be considered by consumers to choose hospital services.

In service marketing, Zeithaml et al (2009: 313) stated that in general physical evidence of services includes all aspects of the organization's physical facilities (servicescape) and also other forms of physical communication. As part of physical evidence, servicescape is the style and form of the physical environment and other experiential elements found by customers in the place of service conveyed Lovelock, Wirtz and Mussry (2011: 277). "Everything that is physically around the customer during the Service Encounter transaction process is called a servicescape." Hightower. R and Thomas L.B (2009:381). "Servicescape refers to the use of physical evidence to design a service environment".

Building circulation lines for proper activity, preparation of integrated work plans, furniture, equipment and furniture that must be owned and provided. These circulation paths are essential not only for traffic in work and direction for users, but also allow enough space for objects, appliances and furniture to be used efficiently and safely. The use of signs, symbols, and artifacts by service providers to notify customers inside through the service delivery process. Signs, symbols, and artifacts signal to customers how common behavior is and where customers should go. New or seasonal customers may be confused if there are no such symbols. The results of this study are appropriate and support the research findings (Halim et al., 2019); (Absah et al., 2020); (Marso et al., 2020); (Karamatullah Hussainy et al., 2017) which states that servicescape has no significant effect on consumer loyalty.

The Effect of Satisfaction on Loyalty

The results of the analysis show that the Satisfaction variable has a positive and significant effect on Satisfaction. It can be explained that satisfaction can increase loyalty. So that the satisfaction felt in the end can encourage the creation of loyalty at Balung Hospital.

Kotler and Keller (2009: 138) satisfaction is a person's feeling of pleasure or disappointment that arises from comparing the product's perceived performance (or results) against their expectations. If the performance fails to meet expectations, customers will be dissatisfied. If the performance is in line with expectations, customers will be satisfied. If the performance exceeds expectations, customers will be very satisfied or happy.

According to Kotler and Keller (2009: 179) a company is said to be wise if it measures customer satisfaction regularly, because the key to retaining customers is satisfaction. Highly satisfied customers are generally loyal longer, buy more when the company introduces new products and increase existing production, talk pleasant things about the company and its products, pay less attention to competing brands and are less price sensitive, offer product or service ideas to the company, and it costs less to serve these customers than new customers because the transactions are routine. The results of this study are appropriate and support the research findings. The results of this study are appropriate and support the research findings of Situmorang (2017); Rivai, et al (2020); Ahmedi, et al., (2023), and Gani, et al (2022) who stated that satisfaction can increase consumer loyalty.

CONCLUSIONS

Based on data analysis and discussion, the following conclusions can be proposed. This study delves into the dynamics of service encounter and servicescape within the context of Balung Hospital, aiming to understand their respective influences on satisfaction and loyalty. First, the present study underscores that service encounter and servicescape play pivotal roles in directly shaping customer satisfaction within the hospital setting. These two dimensions of service provision are identified as significant contributors to the overall satisfaction of individuals utilizing healthcare services at Balung Hospital. Furthermore, this study unveils a nuanced relationship between service encounter, servicescape, and customer loyalty. While service encounter directly contributes to loyalty, servicescape exhibits an indirect influence on loyalty, mediated by the pivotal factor of customer satisfaction.

Practical implications of these findings are evident. Balung Hospital can enhance customer loyalty by prioritizing and optimizing service encounters and carefully curating the servicescape to align with consumer expectations. This may involve improvements in staff training, spatial layout, and overall service ambiance. The study suggests that a comprehensive approach, addressing that both service encounter and servicescape, is crucial for elevating customer satisfaction and, consequently, fostering loyalty. Moreover, these findings contribute theoretically to the understanding of service management. The identification of servicescape as an indirect influencer on loyalty, mediated by satisfaction, adds nuance to existing theoretical frameworks. Future research in service management can build upon these insights to refine models and theories that encapsulate the complex dynamics of customer satisfaction and loyalty within healthcare settings.

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