EFFECT OF EMPLOYEE SATISFACTION ON CUSTOMER SATISFACTION AND SERVICE QUALITY: THE CASE OF COFFEE CHAIN

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Abstract - Coffee market is one of the fast-growing business around world. There has little attention to research about the relationship among employee satisfaction and the service quality as well as customer satisfaction. This study investigates the relationship between employee satisfaction and its influence on the service quality as well as customer satisfaction. By thoroughly investigating the satisfaction of internal customer, it will provide several implications that can be implemented; not only having internal customers considered as the employees but a strategic value. Survey questions were made for both internal and external customers with preceding research as a basis, all of the selected participants were restricted to either the providing group or as the offered group. The analysis was done by using the SmartPLS2.0 system. The analysis results show that employee satisfaction has a positive influence on service quality and customer satisfaction. Though it was also noticeable that the certain types of service quality and assurance did not have significant effect on forming consumer satisfaction. Considering how most coffee specialty shops are large franchise businesses and with many employees as part-time workers; it was evident that customers did not consider the professionalism of the employees nor the physical scale of the business. These results show that when companies start to invest more to enhance the satisfaction levels of internal customers as well as maintaining their traditions of business strategy will offer a better service quality to all external customers. To conclude, this means the company must start seeking for improvements in order to create a better source of profit in the future.

Key Words - Internal Customer Satisfaction, External Customer Satisfaction, Service Quality