

## **ABSTRACT**

*The development of the food and beverage industry sector in Indonesia is one of the industrial sectors which is concerned. Indonesia itself has a lot of traditional foods and drinks from each region. One of the cities which is famous for its culinary tourism is the city of Bandung. Almost every corner of Bandung City has ethnic and foreign restaurants. A Japanese restaurant is a business which is supported by unique dishes, good service and an atmosphere which is colored with Japanese culture so that it attracts many people. The increasing number of culinary businesses in the city of Bandung makes Japanese restaurants need to think about and pay attention to their competitive advantages so that they will not lose their customers. Therefore, it takes a high quality of service so that it will increase customer satisfaction and have an impact on customer loyalty.*

*The study is conducted to determine the direct effect of service quality on Japanese restaurants on customer satisfaction and customer loyalty. Moreover, this study aims to determine the role of customer satisfaction as mediation between service quality and customer loyalty.*

*This study used quantitative methods. The sampling technique used was non-probability sampling with purposive sampling method. Furthermore, data was collected by distributing online questionnaires to people who live in Bandung as many as 400 respondents. The data analysis technique used Structural Equation Modeling (SEM) that was Partial Least Square (PLS) with SmartPLS v.3.2.9 software.*

*Based on the analysis which is conducted, the result shows that the quality of service which comes from the quality of food, employees, prices and the environment has a significant positive effect on customer satisfaction. Employees, price and environment have a significant positive effect on loyalty, but food quality has no effect on customer loyalty. Customer satisfaction has a significant positive effect on customer loyalty. In addition, it is found that customer satisfaction can mediate service quality from employees, price and environment on customer loyalty. However, the study shows that customer satisfaction cannot mediate food quality with customer loyalty in Japanese restaurants in the city of Bandung.*

*This study recommends that Japanese restaurants continue to improve and maintain service quality in terms of food quality, employees, prices and the environment consistently so that they can continue to improve customer satisfaction. In addition, it is expected that Japanese restaurants in the city of Bandung will continue to maintain customer satisfaction by adding innovations or new breakthroughs; besides, improving service performance so that satisfaction levels increase and trigger the emergence of loyalty.*

**Keywords:** *customer satisfaction, customer loyalty, service quality*