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# Relationship between Service Quality and Customer Satisfaction: Does Business Size Matter?

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**Abstract:** *Studies in the foodservice industry have reported conflicting findings on the strength of relationships between service quality dimensions and customer satisfaction, suggesting that contextual factors condition these relationships. Drawing on the SERVQUAL model and supported by conceptual reasoning and empirical findings, this study examines whether business size moderates the relationship between service quality dimensions, namely service reliability, responsiveness, assurance, empathy, tangibility, and customer satisfaction. The study employed an explanatory, cross-sectional design and convenience sampling technique. The study used a structured questionnaire to collect data from 401 diners in micro and small foodservice enterprises in Kinondoni Municipality, Tanzania. The study analysed usable data from 392 respondents using descriptive statistics and multiple linear regression. Findings show that business size positively moderates the relationships between reliability, assurance, and empathy and customer satisfaction. The moderation effect on the tangibility-customer relationship was negative. The moderating effect of business size on the responsiveness-customer satisfaction relationship was insignificantly positive. Conclusively, the findings suggest that the relative importance of service quality dimensions in influencing customer satisfaction varies across business sizes. This study contributes to the SERVQUAL literature by introducing business size as a moderator between the SERVQUAL dimensions and customer satisfaction, thereby providing additional insight into the contextual conditions under which service quality dimensions' influence customer satisfaction.*

**Keywords:** business size, customer satisfaction, moderation, service quality

## INTRODUCTION

Foodservice enterprises provide prepared food and beverages for immediate consumption, either on-site or delivered to locations outside the area where the food was prepared (Edwards, 2019). This diverse industry comprises restaurants, cafes, bars, clubs, and catering services (Seo et al., 2023). Chowdhury et al. (2020) report the global foodservice industry as one of the fastest-growing industries.

Foodservice growth is expected because food is a necessity (Kalita, 2023) and the trend of dining out continues to rise (Talwar et al., 2020).

The proliferation of foodservice outlets has intensified market competition, compelling enterprises to prioritise customer satisfaction as a business strategy to drive retention, loyalty, and repeat patronage (Opele et al., 2021). Despite extensive efforts to improve service quality, achieving consistently high levels of customer satisfaction remains a challenge across service industries globally. These challenges are reflected in studies reporting poor service delivery, service failures, and customer dissatisfaction (Chuma & Mhache, 2019; Hinson et al., 2024; Lee et al., 2023), all of which suggest difficulty consistently achieving high levels of customer satisfaction. Poor service delivery threatens high levels of customer satisfaction and may lead to disastrous consequences such as bankruptcy (Zanetta, 2024).

Previous studies in the foodservice industry have contributed significantly to evidence that service quality influences customer satisfaction (Amoozegar et al., 2022; Braganza, 2024; Rukuni et al., 2024). However, these studies may not adequately address how to achieve high levels of customer satisfaction in the industry because they report conflicting findings on the strength and/or direction of the influence of service quality dimensions (reliability, responsiveness, assurance, empathy, and tangibility) on customer satisfaction. Conflicting findings on the strength and direction of the relationship between service quality dimensions and customer satisfaction reported by previous studies suggest the presence of a contextual/moderator variable(s) affecting the relationship (Baron and Kenny, 1986). Previous studies have largely focused on the direct relationship between service quality and customer satisfaction. At the same time, comparatively less attention has been devoted to the role of moderating variables, particularly business size, which may affect the service quality-customer satisfaction relationship.

The major objective of this study was to examine the moderating role of business size on the relationship between service quality dimensions and customer satisfaction in less-explored micro and small foodservice enterprises in Tanzania. The specific objectives were to examine the moderating role of business size on the link between service quality dimensions of reliability, responsiveness, assurance, empathy, and tangibility and customer satisfaction.

## LITERATURE REVIEW

Researchers in the foodservice industry have repeatedly reported that service quality is causally antecedent to customer satisfaction (Amoozegar et al., 2025; Arli et al., 2024; Rukuni et al., 2024). Parasuraman et al. (1988) defined service quality as a comparison between what customers expect from similar service firms and their perception of the performance of the firm providing the service. Cronin and Taylor (1992) define service quality as customers' judgement of the performance of the firm providing the service, omitting the expectation component of Parasuraman et al. (1988). Service quality is a multidimensional construct. Grönroos (1984) identified three dimensions of service quality: technical quality, functional quality, and image of the firm. Through their SERVQUAL model, Parasuraman et al. (1988) conceptualised service quality as having five dimensions: reliability, responsiveness, assurance, empathy, and tangibility. This study adapts Parasuraman et al. (1988)'s definition because the SERVQUAL scale has been used as the measurement tool for the study's service quality construct.

**Customer satisfaction**

Oliver (2010) notes that the word satisfaction comes from two Latin words: 'satis', meaning enough, and 'facere', meaning to do or make. Commonly, customer satisfaction is defined as a pleasant feeling that you get when you receive something you wanted, or when you have done something you wanted to do (Cambridge University Press, n.d.). Customer satisfaction is the feeling that clients get when they encounter a benefit that satisfies or outperforms their desire (Khan et al., 2021). Oliver (2010) defined customer satisfaction as a judgment that a product/service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under- or overfulfillment.

This study adopts Oliver's (2010) definition because the customer satisfaction construct is conceptualised through dimensions that determine the consumer's consumption fulfilment level.

**Business size**

Business size is a significant macro variable in organisational behaviour literature (Noone et al., 2024). Typically, business size is defined as a measure of a firm's scale and capacity, using variables such as the number of employees (Alexander et al., 2019), total assets, and total sales (Zahir & Soewarno, 2021). The thresholds used to categorise enterprises as micro, small, medium, or large vary by country. For example, in the United Kingdom, Hutton (2024) reports an enterprise with 0-9 employees as micro, 10-49 as small, 50-249 as medium, and 250 and above as large. The Tanzania Small and Medium Enterprises (SME) Development Policy (2003) uses the number of employees and capital investment in machinery to assess business size in Tanzania, and the thresholds are provided in Table 1.

**Table 1**

*Categorisation of Enterprises in Tanzania*

| Category | Employees | Capital Investment in Machinery (Tshs) |
|---|---|---|
| Micro enterprises | 1 – 4 | Up to 5 million |
| Small enterprises | 5 – 49 | Above 5 million to 200 million |
| Medium enterprises | 50 – 99 | Above 200 million to 800 million |
| Large enterprises | 100+ | Above 800 million |

Source: Tanzania SME Development Policy (2003)

Because most micro and small enterprises are labour-intensive (Government of Tanzania & TRIAS, 2022), this study operationalised business size in terms of the number of employees. Supportively, the International Labour Organisation (ILO) (2019) notes that, for statistical purposes, the number of employees is a practical and generally comparable yardstick for defining business size.

**Moderator variable**

A moderator is a third variable that changes the size and/or sign of the association between two variables (Hayes, 2013). Baron and Kenny (1986) define a moderator variable as a qualitative or quantitative variable that affects the direction and/or strength of the relation between an independent or predictor variable and a dependent or criterion variable. Judd et al. (2001) define a moderator variable as a variable thought to temper or modulate the magnitude of the effect of an independent variable on a dependent one.

Judd et al. (2001) emphasise that moderators may be characteristics of people or characteristics of situations. Empirical studies show that moderators may also include organisational characteristics.

**Theoretical Review**

This study is grounded in the SERVQUAL model (Parasuraman et al., 1988). Business size is introduced as a moderator variable between service quality dimensions and customer satisfaction based on conceptual reasoning and empirical findings.

The SERVQUAL model was developed to assess customers' perceptions of service quality in service and retail organisations. The model conceptualises service quality in five dimensions: reliability, responsiveness, assurance, empathy, and tangibles (Parasuraman et al., 1988). Parasuraman et al. (1988) define service reliability as the firm's ability to perform the promised service dependably and accurately; responsiveness as the willingness of the firm's employees to help customers and provide prompt service; and assurance as employees' knowledge and courtesy and their ability to inspire trust and confidence. Service empathy is the caring, individualised attention the firm provides its customers, and tangibles involve physical facilities, equipment, and the appearance of personnel (Parasuraman et al., 1988).

The SERVQUAL model assumes that the customer's perceived service quality can be measured by computing the difference between the customers' perceived quality and expected quality scores across the five dimensions. In this study, the model was adapted and applied as a measurement framework for the five service quality dimensions.

In this study, business size is operationalised using the number of employees. Business size is introduced as a moderator variable, based on the conceptual reasoning that changes in the number of employees may change the strength of the influence of service quality dimensions on customer satisfaction by shaping the organisational conditions through which customers experience the dimension and evaluate its quality. For example, changes in the number of employees may influence the strength of reliability on customer satisfaction by shaping the accuracy and consistency (organisational conditions) that customers experience and use to evaluate service reliability.

**Empirical Review and Hypothesis Development**

The literature includes many studies examining the relationship between service quality dimensions and customer satisfaction in the foodservice industry using the SERVQUAL model. However, previous studies provide conflicting findings on the strength and direction of the SERVQUAL dimensions' influence on customer satisfaction.

Some studies found a positive relationship between service reliability and customer satisfaction (Arli et al., 2024; Hammanjoda et al., 2023), whereas others found a significantly negative relationship (Abdullah et al., 2022). Eresia-Eke et al. (2020). Some studies found a positive influence of responsiveness on customer satisfaction (Amoozegar et al., 2022; Braganza, 2024; Rukuni et al., 2024), while others found it insignificantly positive (Al-Kumaim et al., 2023). Monther and Mahadevan (2019) found a significantly negative relationship between responsiveness and customer satisfaction. Some studies claim that increased assurance translates into increased customer satisfaction (Habib et al., 2025; Maaz et al., 2019; Meshack & Prusty, 2021; Wu et al., 2024), whereas Riva (2025) found the relationship to be insignificantly positive. Some studies show that empathy positively influences customer satisfaction (Putta, 2023; Saad et al., 2020), whereas Abdullah et al. (2022) found a significantly negative relationship between empathy and customer satisfaction. Empirical evidence supports the positive influence of tangibility on customer satisfaction (Hamid & Hidayana, 2024; Habib et al., 2025; Rukuni et al., 2024), but Saad et al. (2020) found an insignificant positive relationship.

Conflicting findings on the strength or direction of the relationship between two variables suggest a contextual variable may affect that relationship (Baron and Kenny, 1986). Lee et al. (2018) investigated the moderating effect of green (environmental) practices on the relationship between service quality and customer satisfaction in a Chinese hotel context. They found that environmental practices do not affect the relationship between service quality and customer satisfaction. Gender positively moderates the relationship between service quality and customer satisfaction (Omar et al., 2016). Nunkoo et al. (2019) examined the moderating effect of star rating on the relationship between service quality and customer satisfaction and found that star rating moderates the relationship. Pan and Ha (2021) applied restaurant image and customer orientation as moderator variables in investigating the relationship between service quality and customer satisfaction in the Covid-19 pandemic era in China.

The studies so far reviewed in this section have contributed significantly to the literature on moderator variables in the service quality-customer satisfaction relationship in the foodservice industry. However, other contextual factors may also moderate the relationship between service quality and customer satisfaction. Business size is one such factor, but its moderating effect on the relationship between service quality and customer satisfaction remains insufficiently understood.

In this study, employees serve as a proxy for business size, and the argument is that employees do not directly influence customer satisfaction; rather, they may change the strength of service quality's influence on customer satisfaction. As a moderator variable, employees shape organisational conditions in ways that either strengthen or weaken the service dimension's influence on customer satisfaction. For example, when the number of employees increases, division of labour and specialisation become possible (Slack et al., 2022). Through repeated performance of specific service tasks, employees improve efficiency and consistency and reduce transaction errors, thereby enhancing organisational conditions such as transaction accuracy and service consistency. Because customers evaluate reliability based on the accuracy and consistency of service performance (Parasuraman et al., 1988), improvements in these organisational conditions are expected to strengthen reliability's

influence on customer satisfaction. Based on conceptual reasoning, the following hypothesis was developed for the study:

*$H_{1:}$ The larger the business size, the stronger is the relationship between service reliability and customer satisfaction*

Responsiveness is assessed by the ability to keep customers informed about when services will be performed, the length of time customers wait for assistance, willingness to help customers, and readiness to respond to customers' queries. Business size may influence the relationship between responsiveness and customer satisfaction because organisational growth changes how quickly and flexibly customer requests are handled. More employees increase division of labour and specialisation, leading to departmentalisation and more hierarchical layers in an organisation (Slack et al., 2022). Although specialisation improves operational efficiency, greater coordination and communication across departments may slow service responses to customers' requests, particularly in service encounters requiring immediate attention. Hence, the following hypothesis was tested.

*$H_{2:}$ The larger the business size, the weaker is the relationship between service responsiveness and customer satisfaction*

Assurance is demonstrated when employees are trustworthy, make customers feel safe in their transactions, are consistently courteous, and are knowledgeable about the products/services they provide (Parasuraman et al., 1988). These organisational conditions help customers experience service assurance and evaluate its quality. Business size may strengthen the positive relationship between assurance and customer satisfaction because organisational growth fundamentally changes how employees are developed. When the number of employees increases, the need for formal training may also increase. Kotey and Folker (2007) provide evidence that larger firms adopt more formal, structured, and development-oriented training. Such training enhances employees' knowledge, skills, and competencies (Rowold, 2007). Because customers evaluate assurance based on employees' knowledge, courtesy, and ability to inspire trust and confidence (Parasuraman et al., 1988), improvements in these organisational conditions are expected to strengthen assurance's influence on customer satisfaction. Hence, the following hypothesis was tested,

*$H_{3:}$ The larger the business size, the stronger is the relationship between service assurance and customer satisfaction.*

Empathy is the caring, individualised attention that the firm provides to its customers (Parasuraman et al., 1988). The organisational conditions that customers experience service empathy and use to evaluate its quality include individual attention to customers, understanding of customer needs, and having customers' interests at heart. Customers experience these conditions through interactions with the firm. Business size may weaken the positive relationship between empathy and customer satisfaction because organisational growth reduces relational opportunities between employees and customers. As the number of employees increases, so does the number of employees interacting with customers. However, as the number of employees increase, customer interactions are distributed among more employees. Such dispersion may reduce opportunities for employees to accumulate personal knowledge about particular customers. Gwinner et al. (2005) show that accumulated personal knowledge about a customer enhances adaptive interpersonal behaviour and service customisation. Less accumulated personal knowledge limits employees' ability to understand customers' unique

preferences, reducing the likelihood of providing individualised attention. Hence, the following hypothesis was tested:

*$H_{4:}$ The larger the business size, the weaker is the relationship between service empathy and customer satisfaction.*

Tangibility refers to the appearance of physical facilities, equipment, personnel, and communication material (Parasuraman et al., 1991). Customers experience and evaluate tangibility based on neat, attractive surroundings; professional-looking employees; and appealing physical facilities. Business size may strengthen the positive relationship between tangibility and customer satisfaction. Services are intangible; hence, employees play a central role in delivering them. Because services are intangible, customers in the service industry face the challenge of forming the firm's image; they therefore use tangible elements associated with the service delivery process, such as employees and the service scape (Bitner, 1992). Hence, an increase in the number of employees increases the tangible cues customers may experience and use to judge the enterprise's quality. The following hypothesis was therefore tested:

*$H_{5:}$ The larger the business size, the stronger is the relationship between service tangibility and customer satisfaction.*

**Conceptual Framework**

This study investigates the moderating effect of business size on the relationship between the service quality dimensions and customer satisfaction in the foodservice industry. Figure 1 illustrates the model. The relationships between the service quality dimensions and customer satisfaction are represented by horizontal arrows running from the independent variables (service quality dimensions) labelled $H_1$ through $H_5$ to the dependent variable (customer satisfaction). Although not the focus of this study, the direct effects of the relationship between the service quality dimensions and customer satisfaction are briefly hypothesized, analyzed and discussed to highlight changes in the strength of the service quality dimensions' influence on customer satisfaction as business size increases. Drawing on the Expectancy Disconfirmation Paradigm (EDP), when customers perceive service quality more favourably relative to their expectations, disconfirmation is expected to enhance customer satisfaction (Oliver, 1980). Based on EDP all direct relationships between service quality dimensions and customer satisfaction were hypothesized to be positive.

The hypothesised effect of business size on the relationship between each service quality dimension and customer satisfaction is represented by the downward arrows labelled $H_{1m}$-$H_{5m}$ in Figure 1. The Figure suggests that business size moderates the relationship between each service quality dimension and customer satisfaction. That is, an increase in business size affects the strength of the relationship between reliability and customer satisfaction, responsiveness and customer satisfaction, assurance and customer satisfaction, empathy and customer satisfaction, and tangibility and customer satisfaction in micro and small foodservice enterprises.

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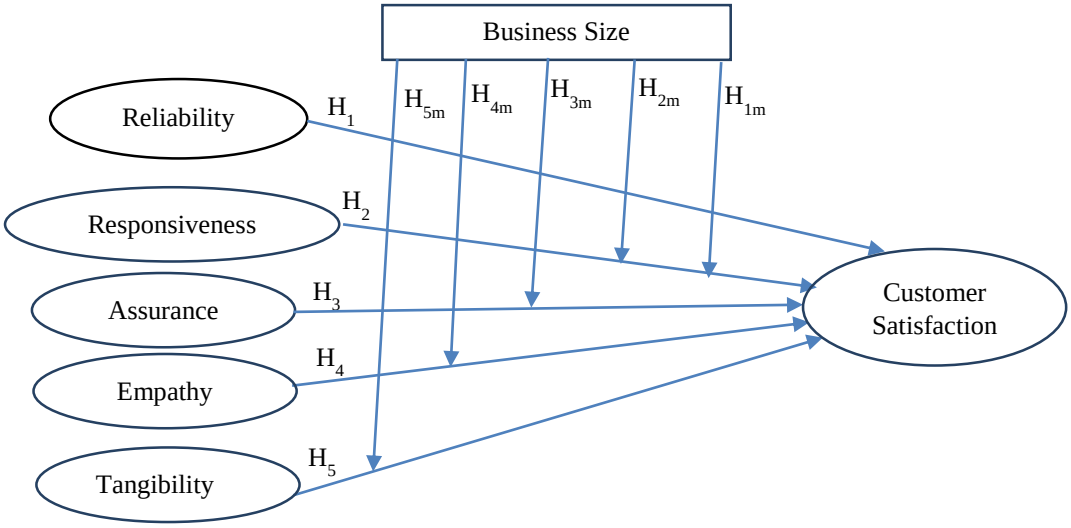



**Figure 1: Conceptual Framework**
*Source: Author's compilation from literature review*

## METHODOLOGY

This quantitative study used an explanatory, cross-sectional research design. The study used convenience sampling to collect data and multiple linear regression for analysis. Data were collected over about four months, from 10/10/2024 to 7/02/2025, in 20 sub-wards of Kinondoni Municipality, Dar es Salaam, Tanzania.

### Data Collection and Screening

Data were collected from 401 respondents; after screening, 392 remained usable. The respondents were conveniently selected from 104 micro and 48 small foodservice enterprises across all 20 wards of Kinondoni Municipality in the Dar es Salaam Region, Tanzania. A questionnaire with SERVQUAL-structured statements was used to collect responses on customers' service quality expectations and perceptions across the five SERVQUAL dimensions. The questionnaire included five measurement statements to capture customer satisfaction scores. All responses were assessed on a five-point Likert-type scale. The person in charge of the foodservice site provided the number of employees in the foodservice industry in response to the questionnaire. Before administering the questionnaire, the researcher sought verbal consent from both the person in charge of the foodservice enterprise visited and the diner.

The researcher screened the data to detect out-of-range and missing values. Out-of-range values were tracked through descriptive analysis in IBM SPSS Statistics 23, whereas missing values were tracked using the COUNTIF formula in Microsoft Excel.

### Sampling techniques

The lack of a database of individuals dining in micro and small foodservice enterprises in Kinondoni led the researcher to use convenience sampling, a non-probabilistic technique, instead of probabilistic

sampling suitable for quantitative studies. Nonetheless, studies examining the effect of service quality and customer satisfaction in foodservice enterprises have used non-probabilistic sampling (Abdulla et al., 2022; Hammanjoda et al., 2023; Monther and Mahadevan, 2019).

**Sample size**

The sample size was determined using Cochran's (1977) formula for an infinite population, which is $n = \frac{Z^2.p.q}{e^2}$

Where: n = Sample size needed for the desired level of confidence and margin of error; Z = z-score corresponding to the desired level of confidence, which is 95% (z-score is 1.96); p = estimated proportion of the population that possesses the characteristic of interest, which is estimated at 50%; q = 1- p; and e = desired margin of error when the sample estimate is compared to the true population parameter, which is 5%.

**Computations**

$n = \frac{Z^2.p.q}{e^2}$

$= \frac{(1.96)^2(0.5)(0.5)}{(0.05)^2}$

= 384.16, which is approximately 384 respondents

Although the sample size was 384, the non-response rate for face-to-face surveys was estimated at 30% (Hox and De Leeuw, 1994), so the figure had to be increased. Accounting for the non-response rate, the calculated figure was 499; however, the researcher reduced it to 401 because the researcher administered the questionnaire. Thus, 401 questionnaires were administered. Screening for questionnaire completeness removed seven questionnaires with missing values on key independent and dependent variables. Further data cleaning detected two outliers, which were removed (see section 4.7.2 for statistical justification). The total sample size used for further analysis was 392. The sample size of 392 is well above the planned figure of 384 respondents.

Based on Tabachnick and Fidell's (2013) formula for testing sample-size adequacy, the planned sample size is adequate. Tabachnick and Fidell's (2013) formula for verifying sample adequacy is: $N \geq 50 + 8m$ (N = required sample size; m = number of independent variables). This study has five service quality dimensions, business size, and five interaction terms between SERVQUAL dimensions and business size, for a total of 11 independent variables. The sample size should be greater than 138, which this study meets.

**Data collection methods**

This study used a structured questionnaire to collect data. A questionnaire was deemed appropriate for the survey strategy adopted in this study. Data collection through a questionnaire is more economical because it enables the collection of standardised data from a large number of respondents (Saunders et al., 2023).

Because the service quality dimensions (independent variables) were adapted from the SERVQUAL model, the questionnaire statements were structured to reflect the measurement items for those dimensions as provided by the SERVQUAL model. Questionnaire statements for both the independent and dependent variables were structured on a Likert-type scale.

**Measurement of Items for the Study Constructs**

Table 1 presents the measurement items for the study constructs. The Table shows that customer satisfaction (dependent variable) was measured using five scale items. Independent variables (IVs) were measured using the following number of scale items: reliability (4 items), responsiveness (3 items), assurance (4 items), empathy (5 items), and tangibility (3 items). Business size, as a moderator variable, was measured by the number of employees engaged in a foodservice enterprise. The study categorised foodservice enterprises as micro or small based on the Tanzania SME Development Policy (2003), which categorises businesses by the number of employees and capital investment in machinery.

Micro and small businesses are labour intensive; therefore, this study used the number of employees to categorise the two business sizes. Foodservice enterprises employing one to four employees were termed micro, and those employing 5 to 49 employees were termed small (Tanzania SME Development Policy, 2003).

**Computation of Gap Scores for Service Quality Dimensions**

The SERVQUAL model conceptualises the customer's perceived service quality (CPSQ) as the gap between what customers expect from similar firms and their perceptions of the firm providing the service (Parasuraman et al., 1988). Parasuraman et al. (1988) identified five dimensions of service quality: reliability, responsiveness, assurance, empathy, and tangibility. Therefore, determining CPSQ required computing gap scores for each dimension.

We applied the approach proposed by Parasuraman et al. (1988) to compute gap scores. For each SERVQUAL dimension, the items used in the gap score computation were those that remained after the scale reliability test. To compute the gap scores, we first calculated the mean expectation score for each service quality dimension by averaging the expectation scores of the items measuring that dimension. Second, we computed the mean perception score for each service quality dimension by averaging the perception scores of items measuring that dimension. Third, we computed the gap score for each dimension as the difference between the mean perception score and the mean expectation score. For example, we computed the mean expectation score for the reliability dimension in IBM SPSS 23 and named it MErel, and the mean perception score MPrel. We then computed the reliability gap score (Grel) as the difference between MPrel and MErel (i.e., Grel = MPrel – MErel). We did the same for the remaining service quality dimensions. The computed gap scores represent customers' perceived service quality for each dimension.

**Computation of mean-centred gap scores and interaction terms (predictors)**

To reduce multicollinearity between the original predictors and the interaction terms, we mean-centred the gap scores and the moderator variable. The mean-centred gap scores included mean-centred reliability scores (CGrel), mean-centred responsiveness scores (CGres), mean-centred assurance scores (CGasu), mean-centred empathy scores (CGemp), and mean-centred tangibility scores (CGtan) as independent variables. Other predictors included the mean-centred number of employees

(Cemployees) as the moderator variable, along with interaction terms between the independent variables and the moderator.

The interaction terms included interaction between service reliability and business size (Int_CGrel.Cemployees), interaction between service responsiveness and business size (Int_CGres.Cemployees), interaction between service assurance and business size (Int_CGasu.Cemployees), interaction between service empathy and business size (Int_CGemp.Cemployees), and interaction between service tangibility and business size (Int_CGtan.Cemployees).

Customer satisfaction (Mcust) was the dependent variable. All predictors and the dependent variable were entered simultaneously in IBM SPSS 23 using the regression menu.

**Data analysis**

We used multiple linear regression analysis (MLRA) to analyse the data in IBM SPSS 23. We used MLRA instead of SEM and other advanced analytical methods because gap scores pose challenges for structural modelling with latent variables. Although not the focus of this study, the direct effects of the relationship between the service quality dimensions and customer satisfaction are analyzed and briefly discussed to highlight changes in the strength of the service quality dimensions' influence on customer satisfaction as business size increases.

**Reliability and Validity Testing**

We assessed reliability using a scale test in IBM SPSS Statistics 23. We used a Cronbach's Alpha of 0.7 as the accepted cut-off value (Nunnally, 1978). For the independent variables (i.e., the service quality dimensions), we tested internal consistency reliability for customers' expected service quality scores; the results are provided in Table 2. The items removed include: reliability dimension item 5, which read “The food service enterprise maintains accurate records of what and how much has been eaten”; responsiveness item 1, which read "The food service tells customers when the services will be provided"; and tangibility item 4, which read "The food service has visually appealing physical facilities". We removed tangibility item 4, although Cronbach's alpha was 0.901, exceeding the 0.7 threshold. We removed the item based on item-level diagnostics, which showed item 4 as less consistent with the remaining items. Its corrected item-total correlation of .559 was low compared to the other tangibility items, which ranged from 0.838 to 0.880. Moreover, the removal of item 4 increased Cronbach's alpha from 0.901 to 0.941. Cronbach's Alpha values for the items measuring the dependent variables were above 0.7.

**Table 2**
*Scale reliability test for items measuring expected service quality*

| Variable no | Variable | Initial No. of items | Cronbach Alpha | Removed items | Remaining No. of items | Resultant Cronbach Alpha |
|---|---|---|---|---|---|---|
| 1 | Reliability(Erel) | 5 | 0.689 | Erel5 | 4 | 0.763 |
| 2 | Responsiveness (Eres) | 4 | 0.657 | Eres1 | 3 | 0.706 |
| 3 | Assurance (Easu) | 4 | 0.766 | None | 4 | 0.766 |
| 4 | Empathy (Eemp) | 5 | 0.826 | None | 5 | 0.826 |
| 5 | Tangibility (Etan) | 4 | 00.713 | Etan4 | 3 | 0.793 |
| | Total | 22 | | | 19 | |

Source: Field data (2025)

The study established content validity by adapting the SERVQUAL instrument, which has been widely used and validated in previous studies. The study supervisors reviewed the questionnaire and assessed the relevance, clarity, and adequacy of the items measuring the service quality dimensions.

**Testing Linear Regression Assumptions**
Before conducting the moderation analysis, we tested the linear regression assumptions. The assumptions included linearity between the independent and dependent variables, the absence of multicollinearity among the independent variables, the absence of outliers, and normality of the residuals.

**Testing the linearity assumption**
The linearity assumption was satisfied, as shown by the scatterplot of standardised residuals against standardised predicted values in Figure 2. Although the scatter plots display a slight downward dispersion, no curvilinear pattern is observed, proving that the linearity assumption is satisfied (Pallant, 2020).

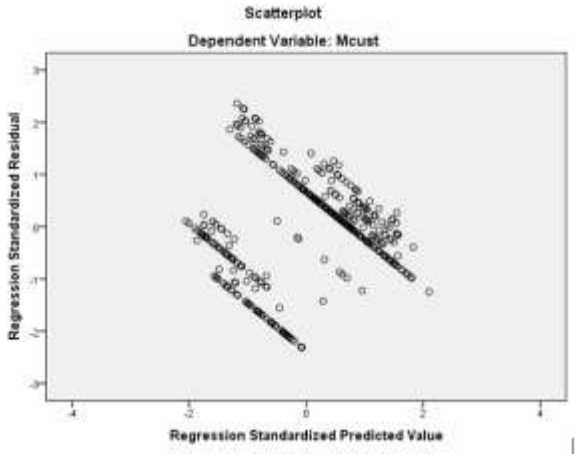


Figure 2 Scatterplot of standardised residuals against standardised predicted values

**Testing multicollinearity among the independent variables**

A multicollinearity test using Pearson correlation coefficients was carried out to assess correlations among the study variables. The results are provided in Table 3, and they show that all service quality dimensions were positively and significantly associated with customer satisfaction ($p < .01$). Tangibility ($r = .641$) and reliability ($r = .639$) exhibited the strongest associations with customer satisfaction, followed by responsiveness ($r = .608$), assurance ($r = .565$), and empathy ($r = .564$). The correlations among the service quality dimensions were relatively high, suggesting overlap among the dimensions. However, multicollinearity was not severe, as variance inflation factor (VIF) values (Table 4) were within acceptable limits of less than 10 (Gujarati, 2012).

**Table 3**

*Correlation Matrix*

**Correlations**

| | Grel | Gres | Gasu | Gemp | Gtan |
|---|---|---|---|---|---|
| Gres | .871** | | | | |
| | .000 | | | | |
| Gasu | .888** | .867** | | | |
| | .000 | .000 | | | |
| Gemp | .894** | .847** | .892** | | |
| | .000 | .000 | .000 | | |
| Gtan | .865** | .834** | .869** | .860** | |
| | .000 | .000 | .000 | .000 | |
| Mcust | .639** | .608** | .565** | .564** | .641** |
| | .000 | .000 | .000 | .000 | .000 |

**. Correlation is significant at the 0.01 level (2-tailed).

Mcust=Mean of the dimensions of customer satisfaction (Dependent variable)
Grel= Gap score of reliability
Gres= Gap score of responsiveness
Gasu= Gap score of assurance
Gemp= Gap score of empathy

**Table 4**

*Multicollinearity Test-Collinearity Diagnostics*

| | Collinearity Statistics | |
|---|---|---|
| Variables | Tolerance | VIF |
| CGrel | .096 | 10.451 |
| CGres | .171 | 5.848 |
| CGasu | .123 | 8.135 |
| CGemp | .138 | 7.243 |
| CGtan | .176 | 5.674 |
| Cemployees | .371 | 2.692 |
| Int_CGrel.Cemployees | .401 | 2.491 |

| | | |
|---|---|---|
| Int_CGres.Cemployees | .284 | 3.518 |
| Int_CGasu.Cemployees | .520 | 1.923 |
| Int_CGemp.Cemployees | .363 | 2.758 |
| Int_CGtan.Cemployees | .452 | 2.211 |

a. Predictors mean-centred: CGrel = mean-centred gap score of reliability, CGres = mean-centred gap score of responsiveness, CGasu = mean-centred gap score of assurance, CGemp = mean-centred gap score of empathy, CGtan = mean-centred gap score of tangibility, Cemployees = mean-centred score of customer satisfaction.
b. Predictors interaction items: Int_CGrel.Cemployees = interaction item of reliability and business size; Int_CGres.Cemployees = interaction item of responsiveness and business size; Int_CGasu.Cemployees = interaction item of assurance and business size; Int_CGemp.Cemployees = interaction item of empathy and business size; Int_CGrel—cemployees = interaction item of tangibility and business size.

**Testing outliers**

Outliers were detected using the Mahalanobis distance provided in the residual statistics generated as output of the linear regression analysis (Pallant, 2020). Two cases had Mahalanobis distances above the critical chi-square value of 20.52 established for this study. The critical Mahalanobis distance value of 20.52 was obtained from the chi-square distribution table in Sogunle and Sogunle (2020), using the number of independent variables as the degrees of freedom. With five independent variables, the degrees of freedom are 5; at $p < .001$, the Chi-square value is 20.52. The outlier test was violated, and it was corrected by excluding the two outliers.

**Testing normality of residuals**

The normality assumption was satisfied, as evidenced by the almost bell-shaped histogram displayed in the Histogram for Normality test in Figure 3 and the almost straight diagonal line in the Normal PP plots for Normality test presented in Figure 4 (Pallant, 2020).

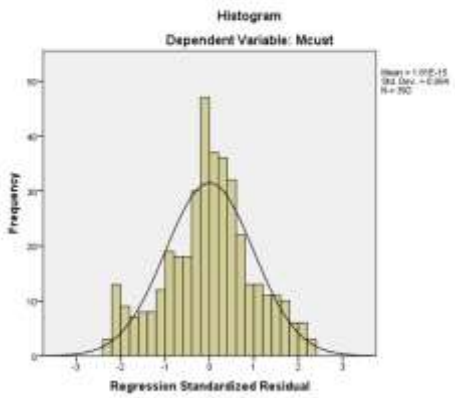



Figure 3 Histogram for Normality test

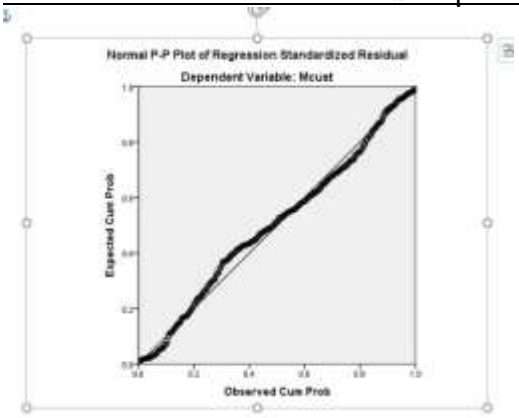



Figure 4 Normal PP plots for Normality test

**Computation of the interaction items**

We mean-centred the gap scores, obtained by subtracting the mean expected scores from the mean perceived scores for each service quality dimension. We also mean-centred the moderator variable (business size, measured as the number of employees). We computed the interaction terms by multiplying the mean-centred gap scores for each service quality dimension by the mean-centred number of employees (the moderator variable). Mean-centering the independent and moderator variables reduces multicollinearity between the interaction terms and the independent and moderator variables that generate them.

**Model specification**

This study employs a multiple linear regression model to examine the moderating effect of business size (measured by the number of employees) on the relationship between service quality dimensions and customer satisfaction. The dependent, independent, and interaction items were also entered as independent variables in IBM SPSS Statistics 23 to determine the effect of business size on the relationship between service quality and customer satisfaction. The resultant regression model is expected to be as follows:

$$Mcust = \beta_0 + \beta_1 CGrel + \beta_2 CGres + \beta_3 CGasu + \beta_4 CGemp + \beta_5 CGtan + \beta_6 Cemployees + \beta_7 CGrel*Cemployees + \beta_8 CGres*Cemployees + \beta_9 CGasu*Cemployees + \beta_{10} CGemp*Cemployees + \beta_{11} CGtan*Cemployees + \varepsilon$$

Where:

CGrel = mean-centered gap scores of reliability
CGres = mean-centered gap scores of responsiveness
CGasu = mean-centred gap scores of assurance
CGemp = mean-centered gap scores of empathy
CGtan = mean-centred gap scores of tangibility
CGrel*Cemployees = interaction term of reliability and business size
CGres*Cemployees = interaction term of responsiveness and business size
CGasu*Cemployees = Interaction term of assurance and business size
CGemp*Cemployees = Interaction term of empathy and business size
CGtan*Cemployees = Interaction term of tangibility and business size
$\beta_0$ through $\beta_{11}$ = Regression coefficients.
$\varepsilon$ is = error term.

## FINDINGS

### Descriptive Analysis

Table 5 presents the demographic characteristics of the diners.

**Table 5**

*Demographic Characteristics of Respondents*

| Characteristic | Number of respondents | Percent |
|---|---|---|
| **Sex** | | |
| Male | 256 | 65 |
| Female | 138 | 35 |
| **Age group** | | |
| Youth (15-35 years) | 145 | 36.8 |
| Young Adults (36-44 years) | 121 | 30.7 |
| Middle-Aged Adults (45-59 years) | 124 | 31.5 |
| Elderly (60+ years) | 4 | 1 |
| **Marital Status** | | |
| Single | 155 | 39.3 |
| Married | 205 | 52 |
| Separated | 12 | 3 |
| Divorced | 15 | 3.8 |
| widow/widower | 7 | 1.8 |
| **Employment Status** | | |
| unemployed | 42 | 10.7 |
| self employed | 282 | 71.6 |
| formal employment | 68 | 17.3 |
| Retired | 2 | 0.5 |
| **Experience dining in current or similar food service enterprises** | | |
| Not exceeding 6 months | 58 | 14.7 |
| More than 6 months | 336 | 85.3 |

Source: Field data (2025)

### Hypothesis testing

We tested the direct relationships between service quality dimensions (as gap scores) and customer satisfaction using multiple linear regression analysis and results are provided in Table 6.

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**Table 6**

*OLS outputs with heteroscedasticity-robust standard errors*

| Service quality dimensions | Unstandardized Coefficients b | Unstandardized Coefficients Std. Error | Standardized Coefficients beta | t | Sig. |
|---|---|---|---|---|---|
| (Constant) | 3.296 | 0.5130 | | 64.1831 | .000 |
| Grel | .298 | 0.0653 | .450 | 4.5645 | .000 |
| Gres | .179 | 0.0678 | .203 | 2.6453 | .009 |
| Gasu | -.181 | 0.0872 | -.224 | -2.0754 | .039 |
| Gemp | -.132 | 0.0620 | -.187 | -2.1292 | .034 |
| Gtan | .335 | 0.0655 | .438 | 5.1180 | .000 |

Predictors: (Constant), Gtan, Gres, Gemp, Grel, Gasu (Gtan=Gap scores for tangibility, Gres= Gap scores for responsiveness, Gemp= Gap scores for empathy, Grel= Gap scores for reliability and Gasu= Gap scores for assurance. Dependent Variable: Mcust= Mean of Customer Satisfaction scores.

The findings on the direct relationship between the service quality dimensions and customer satisfaction show that there were significantly positive relationships between reliability, responsiveness and tangibility dimensions and customer satisfaction. The relationship between assurance and empathy dimensions and customer satisfaction were significantly negative.

We tested the moderation hypotheses against the interaction regression coefficients presented in Table 7.

**Table 7**

*Coefficients of Moderation Analysis*

| | Unstandardised Coefficients B | Unstandardised Coefficients Std. Error | Standardised Coefficients Beta | t | Sig. |
|---|---|---|---|---|---|
| (Constant) | 3.135 | .066 | | 47.195 | .000 |
| CGrel | .161 | .074 | .243 | 2.179 | .030 |
| CGres | .160 | .074 | .181 | 2.169 | .031 |
| CGasu | -.124 | .079 | -.153 | -1.559 | .120 |
| CGemp | -.100 | .066 | -.142 | -1.530 | .127 |
| CGtan | .402 | .063 | .526 | 6.401 | .000 |
| Cemployees | .118 | .027 | .245 | 4.329 | .000 |
| Int_CGrel.Cemployees | .074 | .022 | .180 | 3.314 | .001 |
| Int_CGres.Cemployees | -.046 | .030 | -.100 | -1.544 | .123 |
| Int_CGasu.Cemployees | .079 | .031 | .124 | 2.598 | .010 |
| Int_CGemp.Cemployees | .067 | .028 | .136 | 2.377 | .018 |
| Int_CGtan.Cemployees | -.096 | .019 | -.253 | -4.938 | .000 |

Notes:

c. Dependent Variable: Mcust = mean score of customer satisfaction
d. Predictors mean-centred: CGrel = mean-centred gap score of reliability, CGres = mean-centred gap score of responsiveness, CGasu = mean-centred gap score of assurance, CGemp = mean-centred gap score of empathy, CGtan = mean-centred gap score of tangibility, Cemployees = mean-centred score of customer satisfaction.
e. Predictors interaction items: Int_CGrel.Cemployees = interaction item of reliability and business size; Int_CGres.Cemployees = interaction item of responsiveness and business size; Int_CGasu.Cemployees = interaction item of assurance and business size; Int_CGemp.Cemployees = interaction item of empathy and business size; Int_CGtan.Cemployees = interaction item of tangibility and business size.

**$H_{1m}$: The moderating role of business size on the link between service reliability and customer satisfaction**

This study found that as business size increases, the link between service reliability and customer satisfaction becomes stronger (b = .074, p = .001). These findings support the hypothesis that the larger the business size, the stronger the relationship between reliability and customer satisfaction. These findings indicate that as the number of employees increases, the organisational conditions customers use to assess service reliability (i.e., accuracy and consistency) improve, strengthening reliability's perceived influence on customer satisfaction.

The findings that business size (the number of employees) affects the strength of reliability's influence on customer satisfaction may be explained through the following chain of conceptual reasoning. As the number of employees increases, division of labour and specialisation become possible (Slack et al., 2022), leading employees to perform the same tasks repeatedly. Repeated task performance may improve employees' efficiency, consistency, and accuracy while reducing operational errors as experience accumulates (Argote, 2013). Customers evaluate reliability based on the accuracy and consistency of service performance (Parasuraman et al., 1988); improvements in these organisational conditions strengthen reliability's influence on customer satisfaction.

**$H_{2m}$: The moderating role of business size on the link between service responsiveness and customer satisfaction**

The study found that as business size grew, the link between service responsiveness and customer satisfaction weakened, but the effect was not statistically significant (b =- .046, p = .123). These findings do not support the hypothesis that the larger the business size, the weaker s the relationship between responsiveness and customer satisfaction.

Based on Slack et al. (2022), this study expected that an increase in the number of employees would drive division of labour and specialisation, leading to departmentalisation and more hierarchical layers in foodservice enterprises and, in turn, slower service. However, an increase in the number of employees may also indicate that larger businesses have greater capacity to handle customer requests. The insignificant effect of business size on the relationship between responsiveness and customer satisfaction may suggest that responsiveness remains important to customer satisfaction regardless of business size. That is, a delayed meal or unanswered request is likely to be evaluated negatively regardless of whether the enterprise has one, few, or many employees.

**$H_{3m}$: The moderating role of business size on the link between service assurance and customer satisfaction**

Findings from this study reveal that the link between assurance and customer satisfaction became stronger as business size increased. b =.079, p=.010). The findings support the hypothesis that the larger the business size, the stronger the relationship between assurance and customer satisfaction.

The findings support the conceptual reasoning that an increase in business size may strengthen assurance's influence on customer satisfaction. An increase in business size results in greater adoption of formal training (Kotey and Folker, 2007), which enhances employees' knowledge, skills, and competencies (Rowold, 2007). Because customers evaluate assurance based on employees' knowledge (Parasuraman et al., 1988), improvements in these organisational conditions have strengthened assurance's influence on customer satisfaction.

**$H_{4m}$: The moderating role of business size on the link between service empathy and customer satisfaction**

This study found that the link between service empathy and customer satisfaction strengthened as business size increased (b = .067, p = .018), indicating that the relationship grew stronger as business size increased. This finding contradicts the hypothesis developed in this study that the larger the business size, the weaker the relationship between service empathy and customer satisfaction.

The hypothesis was developed on the premise that, as the number of employees increases, customer interactions are distributed among more employees. Such dispersion was expected to reduce opportunities for employees to accumulate personal knowledge about particular customers. Gwinner et al. (2005) show that accumulated personal knowledge about a customer enhances adaptive interpersonal behaviour and service customisation. In such instances, understanding customer needs becomes challenging.

Empirical evidence may explain the positive influence of business size on the relationship between service empathy and customer satisfaction. Bitner (1992) argues that when there are enough employees, customers prefer employee interaction over physical cues. Empathy is extended through employee interaction, and this study reflects business size in terms of the number of employees. Therefore, the larger the business, the more employees it has, and the more employee interactions customers prioritise over tangible cues.

**$H_{5m}$: The moderating role of business size on the link between service tangibility and customer satisfaction**

This study found that the link between tangibility and customer satisfaction weakened as business size increased (b = -.096, p < .001). These findings do not support the hypothesis developed in this study that the larger the business size, the stronger the relationship between tangibility and customer satisfaction.

The negative moderating effect of business size on the relationship between tangibility and customer satisfaction is supported empirically. As Bitner (1992) puts it, in most service settings, physical cues influence customer perceptions when there is limited interaction with employees; with more employees around, customers' perceptions are more influenced by employee interactions than by physical cues. With fewer employees, the reverse holds. This study has used the number of employees

to reflect business size. Extending Bitner's (1992) conceptual highlights, it can be argued that the larger the business, the less important tangibility is in influencing customer satisfaction.

Substituting human resources for tangibility aligns with findings on the positive moderating effect of business size on the relationship between empathy and customer satisfaction.

Findings on the moderating effect of business size on the relationship between tangibility and customer satisfaction provide additional insight: the relative importance of tangibility in influencing customer satisfaction weakens as the number of employees increases because customers' preferences for tangible cues are substituted with human interaction.

## CONCLUSION

The major objective of this study was to examine the moderating role of business size on the relationship between service quality dimensions and customer satisfaction. The study found that business size positively moderates the relationships between service reliability and customer satisfaction, empathy and customer satisfaction, and assurance and customer satisfaction. Furthermore, the study findings showed that business size negatively moderates the influence of tangibility on customer satisfaction, and the moderating effect of business size on the relationship between responsiveness and customer satisfaction was negative but could not be statistically proven in this study. It can, therefore, be concluded that business size moderates the relationship between all SERVQUAL dimensions and customer satisfaction, except for responsiveness and customer satisfaction, which could not be statistically justified.

## RESEARCH IMPLICATIONS

This study's findings have significant theoretical implications for applying the SERVQUAL model to micro and small enterprises. The SERVQUAL model conceptualises service quality through five dimensions: reliability, responsiveness, assurance, empathy, and tangibility. This study's findings extend the application of these dimensions by showing that their relationships with customer satisfaction may vary by business size.

In practice, service quality drives customer satisfaction. However, this study also shows that managers must recognise that service quality requirements change as the business grows. When an organisation is still at the micro stage, with few employees, managers should focus on improving physical facilities. With fewer employees interacting with customers, tangible cues such as the cleanliness of the surroundings, employees' neatness, and available equipment are the first things customers notice when entering micro enterprises. However, as business grows, this study's findings suggest a shift from facility-driven to employee-driven service quality strategies, with managers focusing on employee training, service standardisation, and customer relations skills.

## LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

Based on the study, the following limitations and suggestions for further research are provided.

### Measurement of business size

In this study, business size was operationalised using the number of employees. Business size can be operationalised using other indicators, such as sales volume, sales turnover, profit levels, and capital investment in machinery. These other contextual factors are non-human and may affect the relationship between service quality and customer satisfaction differently. For example, a business with strong financial capabilities may invest more in physical assets, thereby strengthening the influence of tangibility on customer satisfaction.

Future research should investigate the moderating effect of business size on the relationship between service quality and customer satisfaction by using non-human measures of business size. Using non-human measures of business size as moderators will improve understanding of how different business size dimensions moderate the relationship between service quality and customer satisfaction.

### Limited Business Size Categories

The study population comprised micro and small foodservice enterprises. This population is appropriate for this study, as micro and small enterprises are highly labour-intensive, allowing the study to operationalise business size using the number of employees. However, excluding other business size categories, such as medium and large foodservice enterprises, limits the ability to observe broader trends in how business size moderates the relationship between service quality and customer satisfaction.

Future research should include medium- and large-sized enterprises to provide a more comprehensive analysis of how the influence of service quality dimensions on customer satisfaction varies across different business sizes.

### Use of Cross-Sectional Design

This study adopted a cross-sectional research design, which limits the ability to examine changes in the relationship between service quality dimensions and customer satisfaction as an enterprise grows.

Future research should consider longitudinal designs to examine how the relationship between service quality and customer satisfaction changes over time as business size increases. Observing the moderating effect of business size over time as the enterprise grows provides stronger evidence than observing the effect of different firms of different sizes simultaneously.

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