Service Quality and Customer Retention in Milky Way Restaurant

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Abstract—**This study examined the relationship between service quality and customer retention at Milky Way Restaurant using the SERVQUAL model. The primary objective was to assess how dimensions of service quality—tangibility, reliability, responsiveness, assurance, and empathy—influence customer retention factors such as frequency of visits, loyalty programs, and feedback and complaints. A descriptive-correlational research design with impact analysis was employed. Data were collected from 150 loyal customers using a structured questionnaire and analyzed through weighted mean, Pearson correlation, and regression analysis. Findings revealed that all five dimensions of service quality received a "Very Satisfied" rating, with reliability scoring the highest. Similarly, customer retention showed strong indicators, particularly in the areas of loyalty and feedback response. The study established a statistically significant relationship between perceived service quality and customer retention. Furthermore, regression analysis confirmed that service quality had a significant positive impact on customer retention. The study concludes that high service quality leads to increased customer retention in the restaurant industry. It recommends continuous training for staff, improvement in physical ambiance, and the implementation of well-structured loyalty programs. These enhancements can boost customer satisfaction and ensure long-term business growth. The findings serve as a basis for a proposed action plan to sustain and improve both service quality and customer loyalty.**

Index Terms—**Service quality, customer retention, SERVQUAL, restaurant management, customer loyalty.**

1. Introduction

Serving customers well requires consistent awareness of their expectations. In today's highly competitive business environment, service quality has emerged as a key differentiator in attracting and retaining customers. Retaining consumers—keeping them from switching to competitors—plays a vital role in the long-term success of any business. According to Abdul-Qadir et al. (2021), customer retention is closely linked to customer satisfaction and is an indicator of business performance. Ibojo, as cited by Abdul-Qadir et al., emphasized that service quality and customer retention are critical to achieving sustained success in any market.

In the restaurant industry, while food quality is essential, service quality significantly influences a customer's first impression and overall experience. This is further complemented by the physical environment or ambiance, which contributes to a pleasurable dining atmosphere. Rajput and Gahfoor (2020) identified several factors affecting customers' intention to return, including food quality, service level, ambiance, and satisfaction. Gulam et al. (2023) highlighted that customer loyalty is built on service quality and perceived value, both of which directly impact retention.

A. Importance of Service Quality in Restaurants

Restaurants rely not only on the food they serve but also on how services are delivered. According to Cordova et al. (2024), the success of a restaurant significantly depends on service quality and the intention of customers to return. Key dimensions such as responsiveness, assurance, empathy, reliability, and tangibility all play a role in shaping the customer experience. These dimensions help gauge customer perceptions and allow restaurants to identify areas needing improvement.

B. Customer Retention as a Business Strategy

Customer retention is more cost-effective than customer acquisition. Loyal customers not only bring in repeat business but also serve as brand ambassadors. Baladi et al. (2021) noted that loyal patrons help increase revenue and reduce operational risks. According to Regalla (2024), a company's ability to retain customers over time is a strong indicator of its operational excellence and strategic direction.

C. Local Research Context and Rationale

While various international studies have explored the relationship between service quality and customer satisfaction, few have examined the direct link between service quality and customer retention in the local Philippine restaurant industry. This gap motivated the researcher to explore the service quality practices of Milky Way Restaurant and assess their impact on customer retention. This study aims to provide actionable insights for enhancing service delivery and promoting customer loyalty in local dining establishments.

2. Literature Review

A. Service Quality and its Five Dimensions

Service quality is a key determinant of customer satisfaction and retention in the service industry. The SERVQUAL model, developed by Parasuraman, Zeithaml, and Berry, identifies five core dimensions that customers use to evaluate service quality:

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tangibility, reliability, responsiveness, assurance, and empathy. Arlen (2023) and Bhasin (2023) emphasized that these dimensions reflect customers' expectations and perceptions, forming the foundation for improving service delivery.

B. Tangibility

Tangibles refer to the physical evidence of the service, including the appearance of facilities, equipment, personnel, and communication materials. Setiono et al. (2022) noted that tangible elements such as cleanliness, staff uniforms, menus, and interior design significantly influence customer perception. Murphy (2024) categorized tangibles as assets with physical presence that affect how customers evaluate service quality.

C. Reliability

Reliability is defined as the ability to perform the promised service dependably and accurately. It is considered one of the most critical dimensions of service quality. According to Setiono et al. (2022), reliability encompasses consistent performance, error-free transactions, and the ability to meet customer expectations every time.

D. Responsiveness

Responsiveness refers to the willingness and ability of employees to provide prompt service and respond to customer needs. Setiono et al. (2022) emphasized that responsiveness is reflected in timely service, prompt feedback, and the capacity to resolve issues efficiently. High responsiveness enhances customer satisfaction and fosters trust.

E. Assurance

Assurance involves the knowledge and courtesy of employees and their ability to inspire trust and confidence. It includes employee competence, behavior, and the ability to make customers feel secure during service interactions. According to Setapa et al. (2024), assurance is particularly crucial in-service environments where customers rely on staff expertise and credibility.

F. Empathy

Empathy is the provision of caring and individualized attention to customers. It includes understanding customer needs, showing genuine concern, and providing flexible service. Setiono et al. (2022) stressed that empathetic service contributes to positive emotional connections, leading to greater customer satisfaction and loyalty.

G. SERVQUAL And Customer Satisfaction

Numerous studies have validated the SERVQUAL model as a reliable measure of service quality. Zygiaris et al. (2022) found strong positive correlations between all five SERVQUAL dimensions and customer satisfaction in the auto care industry. Similarly, Salamah et al. (2023) and Gawron and Strzelecki (2020) confirmed that high service quality leads to improved customer experiences and satisfaction.

H. Customer Retention

Customer retention refers to a company's ability to keep its existing customers engaged over time. Regalla (2024) explained that it is an essential aspect of sustainable business growth. According to Hashemi-Pour et al. (2024), customer retention is driven by emotional attachment, perceived value, and satisfaction. Harvard Business School data cited by Regalla shows that a 5% increase in retention can lead to a 25–95% increase in profits.

I. Frequency of Visits

The frequency with which customers return is a tangible measure of loyalty. Leogrande (2020) reported that consistency in service quality encourages regular visits. Dining experiences, ambiance, and familiarity contribute to customers choosing the same restaurant repeatedly.

J. Loyalty Programs

Loyalty programs are strategic tools for encouraging repeat purchases and building long-term relationships. Black (2024) and Hein (2023) highlighted that offering rewards and incentives fosters customer commitment and reduces churn. These programs capitalize on psychological principles like loss aversion and habitual behavior.

K. Feedback and Complaints

Customer feedback and complaints provide businesses with critical insights for service improvement. Delucci and King (2024) stated that prompt and professional handling of complaints enhances customer trust and retention. According to Chevy (2024), unresolved complaints are one of the primary reasons customers discontinue using a service.

L. The Effect of Service Quality on Customer Retention

There is a growing consensus among researchers that high service quality directly influences customer retention. Alshamsi et al. (2020) and Dephene & Mashenene (2023) found that all SERVQUAL dimensions positively correlate with retention. Kopilevych (2023) emphasized that service quality not only satisfies customers but also fosters long-term loyalty, which is crucial in highly competitive markets.

3. Methodology

A. Research Design

This study utilized a descriptive-correlational research design with impact analysis. This approach enhances the study's reliability and credibility by using statistical techniques to examine relationships between variables. It involves collecting information without manipulating the environment or altering conditions, ensuring an objective assessment of existing factors. The descriptive aspect aims to define 'what exists' in terms of specific conditions, while the correlational component examines associations among two or more variables within a single group, which may occur at different levels (Devi et al., 2022).

B. Research Locale

This study focused on the service quality and customer retention of Milky Way Restaurant where the researcher serves as the Accounting Manager. Milky Way offers an international menu typical of hotel, without the 5-star prices. There is a wide

selection of Filipino dishes that Milky Way is famous for, prepared by the original cooks from the 1960s. Favorites include Crispy Hito with Bagoong and Mustasa, Baby Crispy Pata, the Award Winning Milky Way Kare Kare, US Bistek Tagalog, Tokwa't Baboy, Pancit Luglug, Dinuguan at Puto and not to be missed are the Milky Way Halo Halo and Homemade Ice Cream. Private function rooms for 10 to 200 Persons, alfresco seating, free basement parking and elevator access are available.

C. Respondent of the Study

The sample size of 150 loyal customers was considered valid and appropriate for this study based on current methodological standards. In quantitative research using a descriptive-correlational design, a sample size of 100–200 respondents is generally acceptable for detecting significant relationships among variables (Taherdoost, 2020). The use of quota sampling—a non-probability technique that selects participants based on specific traits in proportion to their presence in the population—ensured that only qualified respondents, such as loyal customers of at least six months, were included (Simkus, 2023). This method provided a focused and representative sample of the target population, which is essential for studies investigating behavioral patterns such as customer retention. Additionally, the chosen sample size was adequate for conducting statistical tests like Pearson correlation and regression analysis, which require moderate sample sizes to produce reliable results (Saunders, Lewis, & Thornhill, 2021). Therefore, the methodological choices and sample size collectively enhanced the credibility and relevance of the study findings.

D. Instrumentation and Validation

The primary tool used for data collection in this study was a structured survey questionnaire. This instrument was organized and evaluated their perceptions of service quality and customer retention. The service quality indicators were derived from the widely recognized SERVQUAL model, which includes five dimensions: tangibles, reliability, responsiveness, assurance, and empathy.

To collect the necessary primary data, the researcher employed a self-made and modified structured questionnaire as the main data collection instrument. The questionnaire was designed based on relevant and recent literature, incorporating established frameworks such as the SERVQUAL model, which continues to be widely used to evaluate service quality across industries. Specifically, the questionnaire addressed the five key dimensions of service quality—tangibles, reliability, responsiveness, assurance, and empathy—as discussed in recent studies (Alzu'bi & Shamsuddin, 2021; Aryani & Rosinta, 2020). These dimensions were refined and contextualized to reflect the unique service environment of Milky Way Restaurant.

1. The first section of the questionnaire used the standardized SERVQUAL instrument, a well-established tool for assessing service quality across five key dimensions: tangibles, reliability, responsiveness, assurance, and empathy. This instrument has been widely validated in previous studies and was used to measure gaps between customer expectations and perceptions of service quality.

For this study, the SERVQUAL questionnaire was administered through online surveys, ensuring accessibility for all respondents. While the original SERVQUAL scale consists of 22 paired items, slight modifications may be made to tailor the wording to the specific context of Milky Way. Any adaptations were carefully reviewed to maintain the validity and reliability of the instrument;Tangibility (physical facilities, equipment, and appearance of personnel)Reliability (ability to perform the promised service dependably and accurately)Responsiveness (willingness to help customers and provide prompt service)Assurance (knowledge and courtesy of employees and their ability to convey trust and confidence)Empathy (providing individualized attention to customers).

2. The second section of the questionnaire is a researcher-developed instrument designed to evaluate customer retention by examining key factors that influence long-term customer loyalty. The variables assessed in this section are directly aligned with the study's research questions and include: Customer Satisfaction Levels – Measures overall satisfaction with the service experience. Likelihood of Repeat Patronage – Evaluates the probability of customers returning for future transactions. Willingness to Recommend the Service – Assesses customer advocacy and the likelihood of referrals, a key indicator of loyalty. Perceived Value of the Service Received – Examines the customer's perception of whether the service meets or exceeds expectations in relation to cost. Correlation Between Service Quality and Retention – Statistical techniques, such as correlation and regression analysis, were applied to determine which dimensions of service quality (as measured in the SERVQUAL section) have the most significant impact on customer retention. The questionnaire, which includes both the service quality and customer retention instruments, was validated by experts in management, statistics, and research before conducting the pilot test.

To ensure the questionnaire's relevance and appropriateness, it underwent expert evaluation by professionals in marketing, customer service, and academic research. Their feedback was used to refine the content, improve clarity, and confirm alignment with the study's objectives. In addition, a pilot test was conducted among 15 individuals who fit the sampling criteria but were not part of the actual study.

The internal consistency and reliability of the instrument were assessed using Cronbach's alpha coefficient, with values indicating a high level of reliability ($\alpha \geq 0.80$). These steps ensured that the instrument was both valid and reliable for measuring the variables under investigation.

The customer retention section is a researcher-developed instrument, designed based on relevant literature and industry best practices. To ensure its clarity, relevance, and appropriateness, it underwent content validation by experts. Reliability test, such as Cronbach's alpha, was also conducted during the pilot test to assess internal consistency.

After validation, a pilot test was conducted with fifteen (15) respondents who were not included in the actual study. The feedback from the pilot test was analyzed, and necessary adjustments were made to enhance the questionnaire's effectiveness. The validators and research advisers reviewed the pilot test results and provided recommendations for finalizing the instrument.

To ensure the reliability of the questionnaire, Cronbach's Alpha was computed to measure internal consistency. Indicators under Reliability got a Cronbach Alpha score of 0.75; Responsiveness got 0.76; Assurance got 0.74; Empathy got 0.76; and Tangible got 0.75; meanwhile, under customer retention, Frequency of Visits got 0.76; Loyalty programs and Feedback and Complaints both got 0.77, thus, all Cronback Alpha results indicate an acceptable level of reliability.

E. Evaluation and Scoring

To determine the respondents' perceived level of service quality at Milky Way Restaurant, an adapted numerical rating system and verbal interpretation were used. The rating system provided a structured method for assessing service quality based on predefined criteria.

Table 1

Numerical Rating	Numerical Range	Verbal Interpretation
4	3.25 - 4.00	Very Satisfied
3	2.50 - 3.24	Satisfied
2	1.75 - 2.49	Moderately Satisfied
1	1.00 - 1.74	Not Satisfied

To determine the level of customer retention, the following adapted numerical rating system was used. Each variable had a corresponding numerical range, and specific verbal interpretation.

Table 2

Numerical Rating	Numerical Range	Verbal Interpretation
4	3.25 - 4.00	Always
3	2.50 - 3.24	Sometimes
2	1.75 - 2.49	Rarely
1	1.00 - 1.74	Never

To determine the correlation between service quality and customer retention, this numerical rating scale was employed to quantify respondents' perceptions and behaviors. The scale, ranging from 1 (Never) to 4 (Always), enables the conversion of qualitative responses into measurable data, facilitating statistical analysis such as Pearson correlation or Spear-man rank correlation. By analyzing the relationship between the numerical ratings of service quality indicators and levels of customer retention, the study aims to uncover whether higher perceived service quality is associated with stronger customer loyalty and retention.

F. Data Gathering Procedures

The researcher employed a survey questionnaire as the primary data collection tool to obtain relevant information for the study. The process began with identifying the target respondents, which was facilitated with the assistance of service crews, waiters, and security guards who have direct interaction with customers and are familiar with the restaurant's regular or loyal patrons.

Before the survey was administered, participants were presented with a consent form to ensure adherence to ethical research principles. The form outlined the purpose of the study, emphasized that participation was entirely voluntary, assured respondents of the confidentiality of their responses, and clarified their right to withdraw from the study at any point without facing any adverse consequences. This consent form was embedded in the Google Form survey, requiring participants to provide their informed consent before accessing and completing the questionnaire.

Once the responses were collected, the researcher exported the data into an Excel format for organization and initial review. The data set was submitted to a statistician for proper statistical treatment and analysis, which included descriptive and inferential statistical methods, depending on the study's objectives. This process helped derive meaningful insights and determined the relationship between service quality and customer retention.

G. Statistical Treatment

The study utilized several statistical techniques to analyze the collected data:

Weighted Mean, Percentage, and Ranking: These descriptive tools were used to summarize and interpret respondents' perceptions regarding the levels of service quality and customer retention.

Pearson Product-Moment Correlation Coefficient: This statistical method was applied to determine the strength and direction of the relationship between service quality and customer retention.

Regression Analysis: This technique was employed to assess the extent to which service quality influences customer retention. It also provided insights into how each dimension of service quality contributes to predicting customer loyalty.

H. Ethical Considerations

This study complied with the provisions of the Data Privacy Act of 2012, ensuring that all collected data were processed in accordance with lawful, fair, and transparent principles. Personal information was safeguarded against unauthorized access, disclosure, or misuse, and respondents may request access to or deletion of their data in line with data protection rights.

4. Results

A. Perceived Level of Service Quality

The respondents rated their level of satisfaction with Milky Way Restaurant's service across the five SERVQUAL dimensions: reliability, responsiveness, assurance, empathy,

Table 3
Perceived level of service quality in terms of reliability

Indicators	Weighted Mean	Verbal Interpretation
Serves in the time promised	3.38	Very Satisfied
Quickly corrects anything that is wrong	3.33	Very Satisfied
Is dependable and consistent	3.31	Very Satisfied
Provides accurate guest check	3.27	Very Satisfied
Serves food exactly as ordered	3.35	Very Satisfied
General Assessment	**3.33**	**Very Satisfied**

Table 4
Perceived level of service quality in terms of responsiveness

Indicators	Weighted Mean	Verbal Interpretation
Employees shift to maintain speed and quality of service	3.32	Very Satisfied
Provides prompt and quick service	3.37	Very Satisfied
Provides extra effort for special requests	3.33	Very Satisfied
Acknowledges and addresses complaints quickly	3.36	Very Satisfied
Communicates estimated wait times effectively	3.32	Very Satisfied
General Assessment	**3.34**	**Very Satisfied**

Table 5
Perceived level of service quality in terms of assurance

Indicators	Weighted Mean	Verbal Interpretation
Employees who can answer your queries	3.39	Very Satisfied
Employees who are consistently courteous	3.33	Very Satisfied
Provide information about menu and preparation	3.34	Very Satisfied
Makes customers feel personally safe	3.33	Very Satisfied
Competent and experienced personnel	3.38	Very Satisfied
General Assessment	**3.35**	**Very Satisfied**

Table 6
Perceived level of service quality in terms of empathy

Indicators	Weighted Mean	Verbal Interpretation
Sensitive to individual needs beyond policy	3.29	Very Satisfied
Makes customers feel important	3.33	Very Satisfied
Anticipates customer needs	3.31	Very Satisfied
Sympathetic and reassuring when things go wrong	3.29	Very Satisfied
Has customer's best interest at heart	3.30	Very Satisfied
General Assessment	**3.30**	**Very Satisfied**

Table 7
Perceived level of service quality in terms of tangibility

Indicators	Weighted Mean	Verbal Interpretation
Attractive parking and exteriors	3.25	Very Satisfied
Visually attractive dining and decor	3.27	Very Satisfied
Clean, neat, and appropriately dressed staff	3.31	Very Satisfied
Readable, attractive menu	3.31	Very Satisfied
Comfortable and easy to move around dining area	3.32	Very Satisfied
General Assessment	**3.29**	**Very Satisfied**

and tangibility.

B. Reliability

The reliability dimension received a general assessment mean score of 3.33, interpreted as "Very Satisfied." The highest-rated indicator was "serves in the time promised" (3.38), while the lowest was "provides accurate guest check" (3.27).

C. Responsiveness

Respondents rated responsiveness with a general assessment mean of 3.34. The highest score was for "provides prompt and quick service" (3.37).

D. Assurance

The assurance dimension received a general assessment score of 3.35. The top-rated indicator was "employees who can answer your queries" (3.39).

E. Empathy

Respondents gave a general assessment score of 3.30 for empathy. "Makes customers feel important" received the highest mean (3.33).

F. Tangibility

Tangibility scored a general assessment mean of 3.29. "Comfortable and easy-to-move dining area" was the highest (3.32).

G. Customer Retention

Customer retention was measured based on frequency of visits, loyalty programs, and feedback/complaints.

H. Frequency of Visits

The general assessment score was 3.21, interpreted as "Sometimes."

Table 8
Customer retention in terms of frequency of visits

Indicators	Weighted Mean	Verbal Interpretation
Family gatherings	3.20	Sometimes
Celebrations	3.26	Always
Friends' hangout	3.23	Sometimes
Business meeting	3.19	Sometimes
Lunch hour	3.17	Sometimes
General Assessment	3.21	Sometimes

Table 9
Customer retention in terms of loyalty programs

Indicators	Weighted Mean	Verbal Interpretation
I continue dining at Milky Way	3.27	Always
I recommend Milky Way to others	3.25	Always
I enjoy the menu variety at Milky Way	3.25	Always
Milky Way is my best dining choice	3.23	Sometimes
I feel a personal attachment to Milky Way	3.23	Sometimes
General Assessment	**3.25**	**Always**

Table 10
Customer retention in terms of feedback and complaints

Indicators	Weighted Mean	Verbal Interpretation
Resolves complaints promptly and efficiently	3.39	Always
Welcomes and values suggestions	3.36	Always
Actively accepts customer feedback	3.35	Always
Staff are courteous and professional in addressing complaints	3.34	Always
Employees handle complaints professionally	3.32	Always
General Assessment	**3.35**	**Always**

I. Loyalty Programs

This dimension received a general assessment score of 3.25 ("Always"), with "I continue dining at Milky Way" scoring highest.

J. Feedback and Complaints

This area received the highest retention score, with a general mean of 3.35 ("Always").

5. Discussion

A. Reliability of Service Delivery

The results indicated that reliability received the highest average score (3.33), with customers expressing satisfaction with the restaurant's ability to deliver accurate orders and maintain service commitments. This aligns with Setiono et al. (2022), who noted that service reliability reflects the organization's capacity to perform services dependably. It implies that Milky Way Restaurant has built customer trust through consistency and dependability, contributing positively to customer retention.

B. Responsiveness and Promptness

Responsiveness also received a strong rating (3.34), with high marks for prompt service and attention to customer concerns. These findings are supported by Setapa et al. (2024), who emphasized that responsiveness enhances customer experience through swift and effective service. The ability to meet customer needs promptly is likely a critical driver of satisfaction and return visits, reinforcing the importance of timely service in restaurant operations.

C. Assurance and Professionalism

The assurance dimension (3.35) reflected customers' confidence in the staff's knowledge, courtesy, and competence. As noted by Setiono et al. (2022), assurance helps to reduce customer uncertainty and enhances perceived service quality. The high scores suggest that Milky Way employees contribute significantly to building customer trust and comfort, key components in fostering loyalty and satisfaction.

D. Empathy and Customer-Centered Service

Empathy scored 3.30, indicating that while customers generally feel understood and valued, this is one area with room for enhancement. The relatively lower scores in personalized attention highlight the need for further employee development in customer engagement and emotional intelligence. As emphasized by Setiono et al. (2022), empathy promotes deeper connections between service providers and customers, and improving this could further strengthen customer bonds.

E. Tangible Aspects of the Dining Experience

Tangible service quality (3.29) was the lowest among the five SERVQUAL dimensions, though still rated as "Very Satisfied." Elements like physical ambiance, decor, and external appearance received slightly lower marks. According to Murphy (2024), tangibility creates a customer's first impression. While Milky Way's internal setup is positively rated, enhancements to parking and exterior aesthetics may further elevate customer satisfaction.

F. Customer Retention Patterns

The study revealed that customer retention is generally high, especially in terms of loyalty and feedback handling. Loyalty programs received an "Always" rating (3.25), suggesting that customers consistently return and recommend the restaurant.

This affirms Radu's (2024) distinction between retention and loyalty—Milky Way has achieved both. The highest rating was given to feedback and complaints (3.35), demonstrating effective customer service management. As Delucci and King (2024) indicated, professional handling of complaints strengthens customer trust and encourages repeat business.

G. Frequency of Visits as a Retention Indicator

The frequency of visits scored slightly lower (3.21), interpreted as "Sometimes." This suggests that while the restaurant is popular for special occasions, daily or routine visits are less consistent. Leogrande (2020) emphasized that repeat visits indicate long-term customer value. Milky Way may benefit from exploring strategies such as weekday promotions or loyalty incentives for regular diners to enhance visit frequency.

H. Relationship Between Service Quality and Customer Retention

The study's findings confirmed a statistically significant relationship between service quality and customer retention. Each SERVQUAL dimension contributes to the overall retention level, validating the SERVQUAL model's applicability in the restaurant context. This supports Dephene and Mashenene's (2023) findings that improvements in tangibility, reliability, responsiveness, assurance, and empathy lead to better retention outcomes.

6. Conclusion

A. High Levels of Perceived Service Quality

Customers rated all five SERVQUAL dimensions—reliability, responsiveness, assurance, empathy, and tangibility—as "Very Satisfied." This indicates that Milky Way Restaurant delivers consistent, prompt, and courteous service supported by a comfortable physical environment. Reliability and assurance emerged as the strongest dimensions, showing the restaurant's ability to provide accurate, dependable, and trustworthy service.

B. Strong Customer Retention Indicators

Customer retention is positively evident in the restaurant's ability to handle feedback and complaints, maintain loyal patrons, and receive regular repeat business for special occasions. The high scores in loyalty and complaint handling show that the restaurant has effectively built customer trust and satisfaction over time.

C. Significant Relationship Between Service Quality and Customer Retention

Statistical results revealed a significant relationship between the perceived level of service quality and customer retention. Each dimension of service quality plays a crucial role in influencing customer behavior and loyalty. Therefore, improving service quality is directly linked to enhancing customer retention.

D. Areas for Improvement Identified

While results were generally favorable, the tangibility and empathy dimensions received slightly lower scores relative to other aspects. This suggests a need to improve physical elements such as parking and exterior aesthetics and enhance employee attentiveness to individual customer needs.

E. Validated Use of SERVQUAL in Local Restaurant Context

The use of the SERVQUAL model proved effective in assessing the service quality of Milky Way Restaurant and its effect on customer retention. This supports its applicability as a practical tool for evaluating and improving service-based business performance in a Philippine setting.

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