How do aesthetics drive customer retention in Bali cafes?

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Abstract: In today's competitive food service industry, aesthetics are key to customer retention. The food service landscape is changing as customers want to fulfill more than just their hunger and thirst. Customers now care more about the looks of the place and food to satisfy their hedonistic desire. This research aims to determine the influence of aesthetic attributes on customer retention through customer satisfaction in café businesses in Bali. This research uses the quantitative method, with the data analyzed using the SmartPLS 4 statistical software. Data is collected with Google Forms using a convenience sampling technique. The results show that food aesthetics showed a significant path coefficient of 0.035 with p<0.05 on customer satisfaction. Labor aesthetics showed a significant path coefficient of 0.000 with p<0.05 on customer satisfaction. Customer satisfaction showed a significant path coefficient of 0.000 with p<0.05 on customer retention. Food and labor aesthetics significantly affected customer retention through customer satisfaction with a path coefficient of 0.046<0.05 for food aesthetics and 0.000<0.05 for labor aesthetics. However, the physical environment aesthetics do not significantly influence customer satisfaction with a path coefficient of 0.376>0.05 and do not significantly influence customer retention through customer satisfaction with a path coefficient of 0.374>0.05. Therefore, the management of the café in Bali should not rely solely on the physical environment aesthetics, instead, they should maintain the food and labor aesthetic. They should also enhance customer satisfaction through the three aesthetic attributes as it will lead to customer retention.

Keywords: café businesses, customer satisfaction, customer retention, food aesthetics, labor aesthetics, physical environment aesthetics

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Introduction

Indonesia's food service industry has been growing rapidly, with its expected CAGR (Compound Annual Growth Rate) growth from 2024 to 2029 at 13.43%. The industry is a very popular business venture in Indonesia due to the country's change in increasingly busy lifestyles and high consumption behavior. Furthermore, its market size is also expected to almost double from 2024's USD 55.25 billion to 2029's projected value of USD 103.76 billion (Kertasunjaya et al., 2020). In addition to the growth in market size and CAGR, the fastest-growing foodservice types in the country are cafes and bars (Meiselman, 2020).

Bali, or known as the Island of the Gods, is the benchmark of tourism activities in Indonesia. It is a tourist destination loved by local and foreign tourists. To support tourism activities, the Horeca industry (hotels, restaurants, and cafes) has grown rapidly yearly. It is proven from the cafes and coffee shops found in every corner of the island, such as in Denpasar City (Susetya & Marhaeni, 2023), Kintamani (Handayani et al., 2022), Canggu (Pramono et al., 2024), etc. The culture of café hopping has become a lifestyle for both local people and tourists.

Based on the data from the Bali Provincial Central Statistics Agency, the number of restaurants and cafes in Bali is 3868 in 2021, 3245 in 2022, and 4429 in 2023. These numbers show a growth of 12.7% from 2021 to 2023 and 26.7% from 2022-2023. The highest number of restaurants and cafes is in the regency of Gianyar. The growth of the restaurants and café businesses in Bali reflects the lifestyle of café hopping for both local people and tourists. The Bali café scene has taken off in recent years due to social media, with cafes vying for the most

beautiful, photo-perfect settings. These cafes, range from cool beachside locations with the natural style, which combines artificial and natural light; the industrialist style, which prioritises concrete and metal elements; and the minimalist style with the natural contemporary design (Susanti et al., 2021). The aesthetic highlights of these cafés are certain to satisfy the desire of customers to enshrine their visits to these cafés.

Since Bali is a tourist center in Indonesia, where most local and foreign tourists come from, each cafe must have its uniqueness to attract them. According to data from BPS (2023) the number of international tourist arrivals in Bali reached 6.27 million in 2019, a slight increase from 6.07 million in 2018. However, the pandemic caused a drastic decline in tourism, with foreign tourist visits dropping by 82.96% in 2020, reaching only 1.07 million visitors. The situation worsened in 2021, when Bali received only 51 international tourists, indicating the severe disruption in the hospitality industry. Despite this sharp downturn, the industry began to recover in 2022, with international arrivals increasing to 4.23 million, reflecting a growth rate of 99.99% from the previous year. As of 2023, Bali has continued its recovery, attracting 5.27 million international tourists, representing a 144.61% increase compared to 2022.
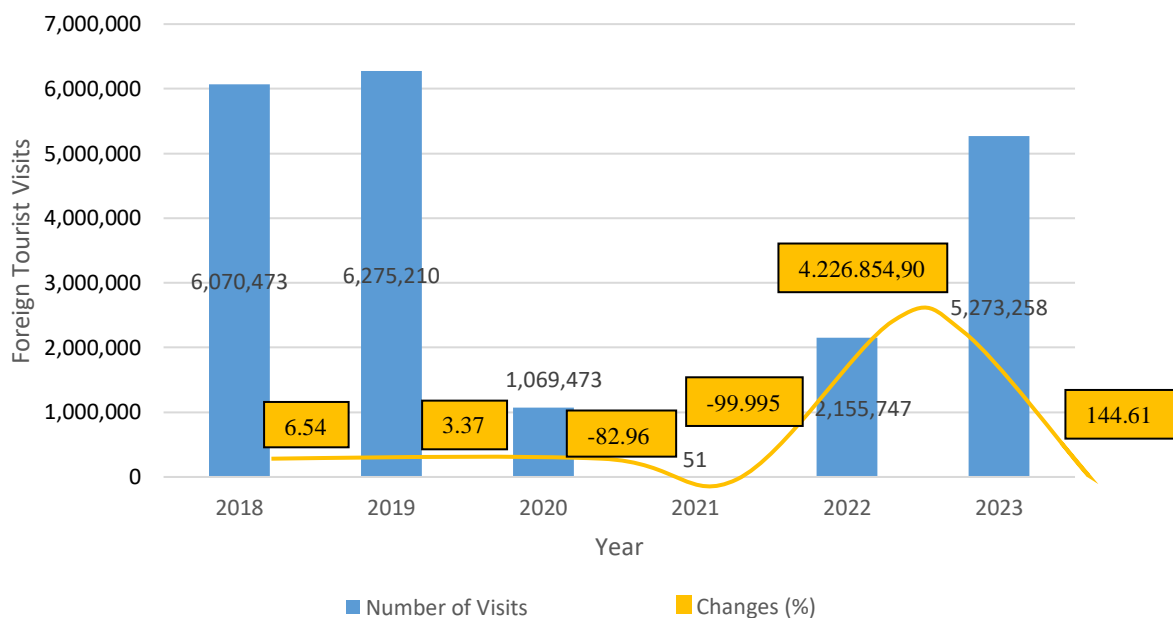
Source: Badan Pusat Statistik Provinsi Bali (2024)
Figure 1. Growth of international tourist arrival to Bali, 2018-2023

In the past, restaurants and places providing food with service were places to meet the needs of wealthy families. The modern restaurant concept began in France in the 18th century. The restaurants served mostly the wealthy elite since only they could afford expensive meals cooked by talented chefs. The cuisine and dining experiences were designed for individuals who could afford fine dining and service. Restaurants started to become more varied over time, particularly in the 19th and 20th centuries. More informal dining alternatives arose as a result of growing urbanization and industrialization, opening restaurants to a wider range of socioeconomic groups (Symons, 2013).

However, it is now obvious that restaurants no longer only provide rudimentary service and food to satisfy the need to eat and drink. Nowadays, customers not only want to meet their eating needs but also want to enjoy a nice atmosphere, have a great time, and feel comfortable (Serçeoğlu & Çetinkaya, 2020). Customers have higher expectations for traditional restaurants and are searching for new experiences. This is where experiential dining comes into play. According to Gusain & Khan (2020), the trend of experiential dining is growing due to restaurateurs' desire to set their restaurants apart from traditional dining establishments.

Experiential dining is now a feature of their businesses' unique selling proposition. The main goal of experiential dining is to surpass the conventional criteria for what constitutes a great restaurant.

This increases people's standards as customer satisfaction is no longer limited to only fulfilling the basic need to eat and drink. According to Sabir et al. (2014), the food and service aspects of restaurants have an impact on customer satisfaction. Regarding the food variable, it includes cost, value, and quality. Regarding the service variable, it includes the quality, conduct, and attitude of the employees. In addition, factors such as the atmosphere and décor of the eateries play an important role. As aesthetics constitute the atmosphere, this emphasizes the role of aesthetic aspects in satisfying the restaurants' customers.

To attract visitors and make them feel satisfied, restaurants must now take into account aesthetics. Nowadays, the taste and price of food are no longer the main priorities. Instead, consumers are looking for new dining experiences that they love to share on their social media accounts, such as the food and the ambiance (Putra et al., 2020).

Customer satisfaction and repurchase intentions are strongly and favorably correlated according to a substantial body of research (Mittal & Kamakura, 2001 in Williams & Naumann, 2011). Repurchase intentions will lead to sales growth and therefore, increased revenue. Since customers support companies that meet their demands, some people also view customer satisfaction as the benchmark for profitable business performance (Jordaan & Badenhorst, 2022).

According to Hult et al. (2004), business performance is related to allocating resources to meet the objectives of profitability, market share, and sales growth to gain a competitive edge. The satisfaction-profit chain model supports Porter's model by describing the anticipated relationship between financial success and customer satisfaction, with the idea that higher customer satisfaction should eventually translate into higher profitability (Anderson & Mittal, 2000). Additionally, Gruca & Rego (2005) discovered that higher customer satisfaction results in higher cash flows and lower risk related to those cash flows.

According to Salama Alketbi et al. (2020), companies that focus strongly on their customer satisfaction will not only build a positive image of their company but also improve loyalty or customer retention. The findings from Christie & Shu (2024) also show that customer satisfaction influences customer revisit intention, which will lead to customer retention. Customer satisfaction also mediates between servicescape and customer revisit intention.

There has been significant research on each of the aesthetic attributes in restaurants and coffee shops. The research on food aesthetics was conducted by Campo et al. (2017), Costales et al. (2022), Putra et al. (2020), etc. The research on the physical environment was conducted by Christie and Shu (2024), Serçeoğlu & Çetinkaya (2020), etc. The research on aesthetic labor was conducted by Genc & Akoglan Kozak (2020), Lee and Choi (2020), Warhurst et al. 2000), etc. There is a rare study on all three aesthetic attributes in the food and beverage businesses. Therefore, this study covers all three aesthetic attributes and their influences on customer retention in the café business in Bali.

Literature Review

According to Horng & Hsu (2020), aesthetics is what gives an object its beauty and the emotions that people experience when they see something beautiful. The physical environment's aspects were categorized as elements including design, social, and atmosphere. Aesthetics are taken into consideration by a design component (Baker, 1987 in Serçeoğlu & Çetinkaya, 2020). The physical environment determines the eating behavior, where, upon entering the restaurant, customers perceive the restaurant as a whole (table, chair, decorations, sound, light, smell), and it creates emotional responses toward their hedonistic satisfaction (Serçeoğlu & Çetinkaya, 2020). Therefore, the physical environment aesthetics can be concluded as the element of design of the physical environment that creates emotional responses that lead to hedonistic satisfaction.

Based on the research from Marković et al. (2021), typically, before deciding on which restaurant to visit, guests will first encounter its physical appearance, starting from the exterior, interior, staff appearance, and finally the food's appearance. This leads to there being 3 main

attributes affecting guests' aesthetic experience: physical environment aesthetics, food aesthetics, and labor aesthetics. These are the measurement dimensions used by Markovic et al. (2021) in their study. Therefore, this study incorporates these dimensions to measure the aesthetic cafe experience.

The precise definition of "physical environment aesthetics" has yet to be created formally because many allude to its meaning as the physical environment being aesthetically pleasing. Through Çetinkaya & Çetinkaya (2020), it is surmised that physical environment aesthetics is the relationship between eating behavior and physical environment where upon entering the restaurant, customers perceive the restaurant as a whole (table, chair, decorations, sound, light, smell) and it creates emotional responses toward their hedonistic satisfaction.

Putra et al. (2020) refer to food presentation or food display, also as food aesthetics, which they define as "the visualization is the art of processing, arranging, and decorating food dishes on a plate to be able to increase the attractiveness". It's been said that the eyes feed before the mouth. Campo et al. (2017) describe food aesthetics as the interplay between taste and appearance influencing consumers' meal choices. Therefore, food aesthetics are the combination of visualization and taste that attract customers to consume the meal. The idea behind food aesthetics is to please and appeal to the senses. Being able to present enticing and mouth-watering cuisine affects the quality of the food being provided because it is rated based on the way it looks (Costales et al., 2022).

Genc & Akoglan Kozak (2020) mentions that "aesthetic labor relates to such employee characteristics as stylishness, sympathy, attractiveness, being cultured, speaking well, showing imagination, using expressive body language and good personal hygiene". According to Warhurst et al. (2000), aesthetic labor is an environmental stimulation where workers demonstrate the abilities and qualities necessary to represent an organization. Therefore, aesthetic labor reflects the employees' good attitude, appearance, and capabilities as the ambassadors of the organization.

Customer satisfaction is "the degree to which service performance meets or exceeds the customer's expectations" (Alketbi et al., 2020). When a customer's assessment of their interaction with a business or brand surpasses their pre-purchase expectations, they are said to be satisfied (Jordaan & Badenhorst, 2022). According to Nazari et al. (2014), the dimensions of customer satisfaction are the expectancy-disconfirmation theory; affective response; perceived value; fulfilling important needs; fulfilling changing and new needs; and overall customer satisfaction. The expectations-disconfirmation technique is most frequently used when defining customer satisfaction. The foundation of this strategy is a comparison between the customer's expectations and actual experiences. This typically indicates that the performance of the product or service is either below or above what the customer expects when making a purchase choice, which can have an impact on the experience.

Customer retention consists of emotional-cognitive retention and behavioral intention constructs. The emotional-cognitive retention constructs include "the customer's liking, identification, commitment, and trust." The behavioral intention constructs include "the willingness to recommend and repurchase intentions" (Stauss et al., 2001 in Alketbi et al., 2020).

Hypotheses Development

The Relationship between Physical Environment Aesthetics and Customer Satisfaction

Serçeoğlu & Çetinkaya (2020) states that physical environment factors of a restaurant, such as its aesthetics, aim to increase their eating experience by satisfying their consumption-related feelings. Additionally, the aesthetic value of a restaurant also affects customer satisfaction (Costales et al., 2022). Therefore, this forms the first hypothesis.
H1: Physical environment aesthetics significantly influence customer satisfaction at aesthetic café in Bali.

The Relationship between Food Aesthetics and Customer Satisfaction

The "art" in food is important in food presentation because it increases appetite and customers' perception of their food meaning that plating and garnishing a meal influences customer satisfaction (Costales et al., 2022). Research findings from Putra et al. (2020) also support that the appearance of food increases customer satisfaction positively. Therefore, this forms the second hypothesis.

H2: Food aesthetics significantly influence customer satisfaction at aesthetic café in Bali.

The Relationship between Labour Aesthetics and Customer Satisfaction

With the prevalence and growth of the food and beverage industry, many businesses are looking to improve their hiring strategies to improve customer satisfaction. One such way they have done so is to hire attractive staff and design attractive uniforms to thrive in this increasingly competitive environment. Having employees with attractive-looking faces can change customer perception by affecting their perception of service quality which then affects their customer satisfaction too. Such as when an attractive employee apologizes for a mistake they made, customers then view the service experience as less negative compared to when a less attractive staff apologizes for their mistake (Lee & Choi, 2020). Therefore, this forms the third hypothesis.

H3: Labor aesthetics significantly influences customer satisfaction at aesthetic café in Bali.

The Relationship between Customer Satisfaction and Customer Retention

Customer satisfaction's main goal is to keep customers loyal to the product or company because customer retention will ultimately lead to achieving their business objectives, as it not only increases business value but also lowers the cost of acquiring customers (Parawansa & Anggraece, 2018). Furthermore, companies and businesses that place a strong concern on maintaining and improving their customer satisfaction can improve loyalty along with building a positive image of their companies (Alketbi et al., 2020). Therefore, this forms the fourth hypothesis.

H4: Customer satisfaction significantly influences customer retention at aesthetic café in Bali.

The Influence of Physical Environment Aesthetics on Customer Retention through Customer Satisfaction

By adding the physical aesthetic value of a restaurant, it will offer a more unique and memorable experience to customers which then satisfies their hedonistic value, and improves customer retention by boosting their satisfaction (Costales et al., 2022). Therefore, this forms the fifth hypothesis.

H5: Physical environment aesthetics significantly influence customer retention through customer satisfaction at aesthetics café in Bali.

The Influence of Food Aesthetics on Customer Retention through Customer Satisfaction

Aesthetically pleasing food allows restaurants to give their customers a unique and memorable experience, encouraging them to return and building loyalty. Moreover, their dining satisfaction will influence their loyalty (Costales et al., 2022). Therefore, this forms the sixth hypothesis.
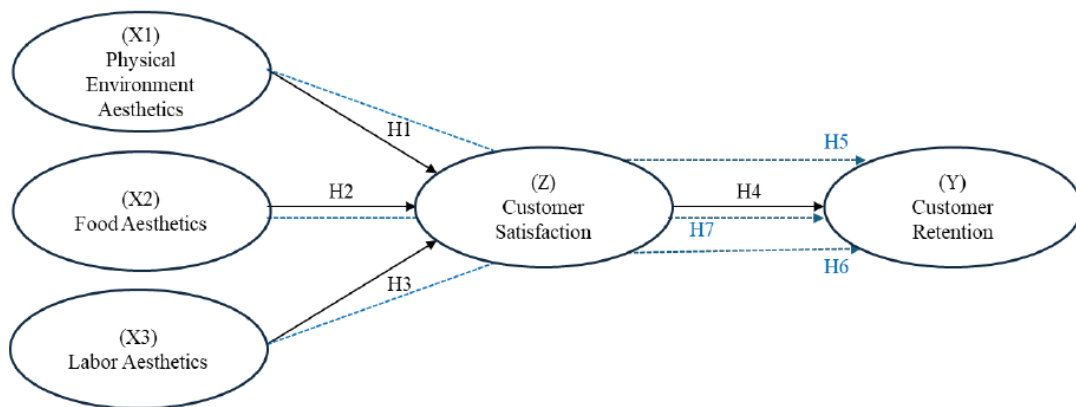
H6: Food aesthetics significantly influence customer retention through customer satisfaction at aesthetic café in Bali.

The Influence of Labor Aesthetics on Customer Retention through Customer Satisfaction

Employees interact daily with consumers on various occasions, and the factor of labor aesthetics becomes crucial to business operations because it influences customer satisfaction (Lee & Choi, 2020). Additionally, Maxham (2000) mentions that customer satisfaction is an important determinant of customer retention. Therefore, this forms the seventh hypothesis.

H7: Labor aesthetics significantly influence customer retention through customer satisfaction at aesthetic café in Bali.

The research model is presented as follows:

Figure 2. The research model

Methodology

This study employs the quantitative method. The data collected from the questionnaire distribution is converted into numerical codes. The codes are then analyzed with PLS-SEM statistical software to produce numerical results. Using this method, the writer seeks to establish a connection between the physical environment, food, and labor aesthetics on customer retention through the mediating variable of customer satisfaction.

The population of this study is the people who have visited the aesthetic café in Bali, whether residents or non-residents. Therefore, the population is unknown since there is no accurate way to track the number of customers of the café. The writers will be using non-probability sampling, specifically convenience sampling. Some drawbacks of this sampling method are the possibility of over-representation of particular demographics, a significant risk of sampling bias, and the difficulty in generalizing results to a larger group. However, on the positive side, this sampling method is usually used due to the geographic closeness of the respondents, availability of the respondents at a specific time, or their readiness to participate in the study. Therefore, convenience sampling is the most accessible form of sampling for participants and researchers (Majid, 2018). The profiles of the samples are male or female, the age more than 50 years old, and residents or non-residents who have visited the aesthetic café in Bali for the past year at least once.

The sample size is calculated using the Lemeshow formula. This formula is suggested by Lemeshow et al. (1990) to establish a study's minimum sample size when working with a large population. Since the population size of customers of the aesthetic café in Bali is hard to know or unknown, it is categorized as a large population. Therefore, the Lemeshow formula is used. According to the formula, the minimum sample size for a large population is 97 respondents. The questionnaire distribution was conducted for a month. From the questionnaire distribution,

the authors received 99 responses (2 responses more than the minimum sample required). Therefore, these will be used as the study sample. Primary data collection is conducted through the distribution of Google forms to the respondents with the above sample profile. Secondary data collection is conducted through a literature review of journal articles relevant to this research topic.

The physical environment aesthetics are measured using 12 items. Food aesthetics are measured using 5 items and labour aesthetics are measured using 7 items. All the measurement items for the aesthetic attributes are taken from Marković et al. (2021). Customer satisfaction is measured with 5 measurement items and customer retention is measured with 8 measurement items. Both measurement items for customer satisfaction and retention are taken from Parawansa & Anggraece (2018). The measurement items used are adapted to the research object of a café to ensure relevance to this research. The results of the questionnaire are then measured with a 5-point Likert scale. The measurement items of each variable are presented in Table 1.

Table 1. The operational variables measurement

No.	Variables	Indicators	Scale
1	Physical Environment Aesthetics (X1) (Marković et al., 2021)	The café architecture has an attractive character.	Likert Scale
		The café exterior is visually appealing.	
		The landscape surrounding the café is special and attractive.	
		The café interior décor is attractive.	
		The colors used in interior design create a pleasant atmosphere.	
		The furniture (tables and chairs) are of high quality.	
		The number of tables does not make the café environment difficult to navigate.	
		It is easy to move around the café and find what you are looking for.	
		The overall lighting level in the café is appropriate.	
		The temperature in the café is comfortable.	
		The smell in the café is pleasant.	
		Background music makes the café a more pleasant place.	
2	Food Aesthetics (X2) (Marković et al., 2021)	The food served by the café is delicious.	
		The food in the café is unique.	
		The food in the café is made from fresh ingredients.	
		The food presentation is visually appealing.	
		Portion size is appropriate.	
3	Labor Aesthetics (X3) (Marković et al., 2021)	The Café staff has an attractive appearance.	
		The appearance of the café staff matches the corporate image of the café.	
		Café employees have a refined style of conversation.	
		The café considers the physical appearance of its employees (uniform, hairstyle, makeup).	
		Employees are friendly to guests.	
		Employees treat guests well.	
		The behavior of café staff towards guests is pleasant.	
4	Customer Satisfaction (Z) (Parawansa & Anggraece, 2018)	I am satisfied with the hospitality and courtesy of the employees.	
		I am satisfied with the honesty of the employees.	
		I am satisfied as a customer of the café.	
		I am satisfied with the services of the café so far.	
		I am satisfied with the performance of the café.	
5	Customer Retention (Y) (Parawansa & Anggraece, 2018)	I will continue to use the services of the café because it is favorable.	
		I will continue to use the services of the café for benefits.	

I am faithful to the café.
The café has a personal meaning for me.
I would recommend the café to others.
I will be using the services of the café in the long term.
I agree to continue to use the services of the café.
I will use the café for food service.

Before the questionnaire is distributed, a pre-test of 30 samples outside the main samples is conducted to ensure the validity and reliability of the questionnaire statements so that they are ready to use. The pre-test is conducted using SPSS statistical software. The results show that all the statements of the variables pass the criteria of validity and reliability tests except the third statement of Physical Environment Aesthetics (PEA3). With the degree of freedom being 28 and a significance level of 5%, the value of the R-table is therefore 0.361. The result of the R-count for PEA3 is 0.348 and it is smaller than the R-table (0.361). Therefore the statement is invalid and deleted and the rest of the statements are used for data collection.

The data obtained is then analyzed using the PLS-SEM (Partial Least Square Structure Equation Modelling) statistical software version 4.0. The reason for using this statistical software is that it is helpful when investigating new ideas, and handling smaller sample sizes where prediction is the main goal. The samples obtained in this study are quite small, that is 99 samples for an unknown population, therefore, it is appropriate to use the PLS SEM. Furthermore, this statistical software can manage data that is not regularly distributed, strengthening the reason for using it. In the steps of data analysis, the outer model test is first conducted to test the relationships between the observable indicators with the variables. Secondly, the inner-model test is conducted to measure the structural model or the relationship among the variables.

Results and Discussions
Results

The characteristics of the respondents collected are 67.6% female and 32.4% male with the majority (66.7%) in the range of age from 21-30 years old. Most of the respondents are students (44.1%) and the second most (35.3%) are private employees. Most of the respondents (44.1%) have visited the aesthetic café for 2-4 times, and the second most (41.2%) have visited the café for once.

Outer Model Tests

The results show that all data has passed the outer model tests. First, the convergent validity test is conducted through the outer loading and construct validity tests. Figure 1 is the measurement model analysis that depicts the 5 variables and each of their measurements.
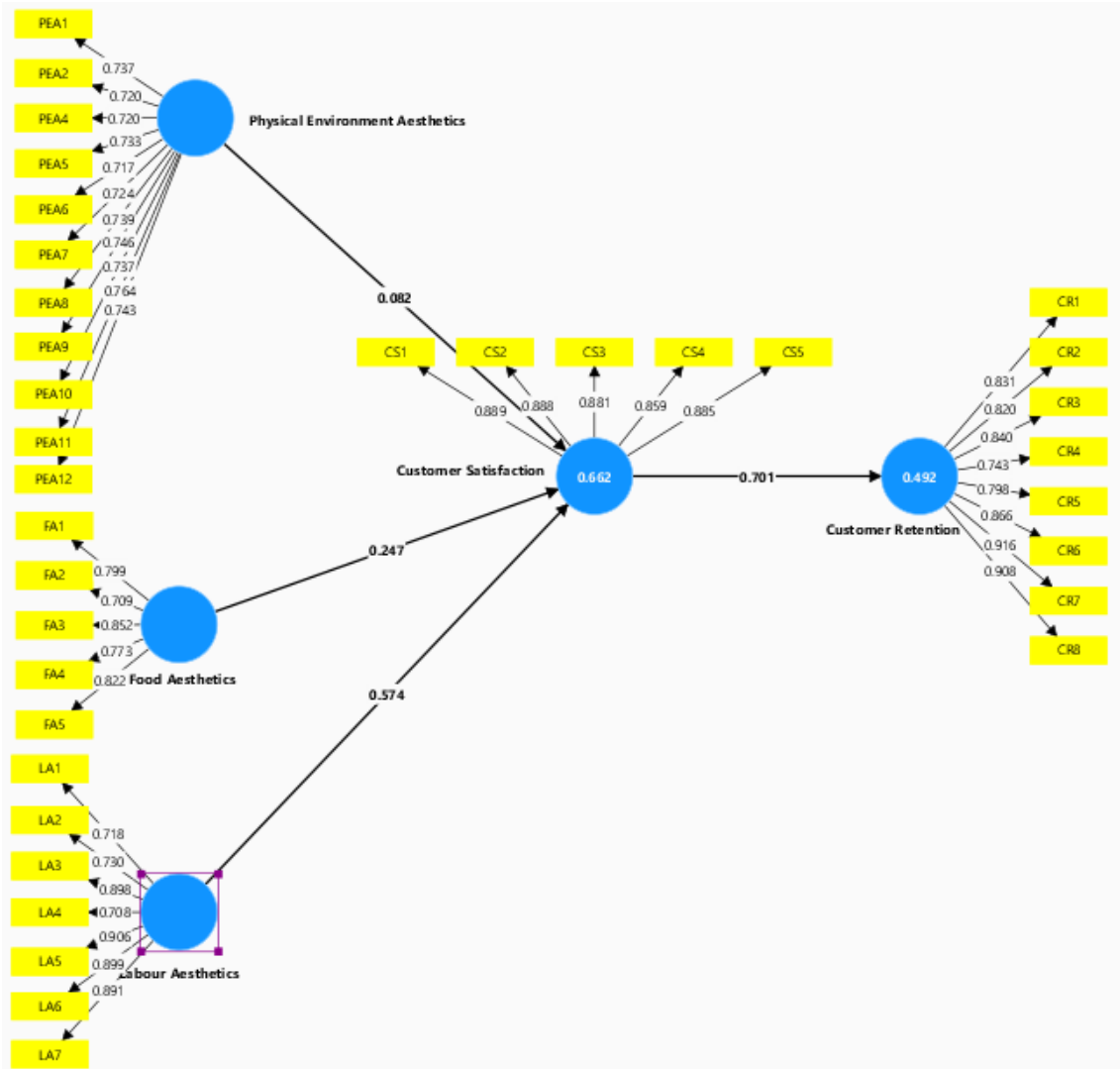
(Source: Prepared by the writers using SmartPLS 4 (2024)
Figure 1. The measurement model analysis

All loading results in this research are higher than 0.7 and therefore, pass the outer loading test (Hair et. al., 2010 in Kamis et al., 2020). All variables and their respective statements pass the cross-loading test as their values exceed 0.7 (Tinungki & Herdiani, 2022). All the AVE values and composite reliability values used to examine convergent validity produced results higher than 0.5 and 0.6 respectively, and therefore, passed the convergent validity test (Tentama & Dyah Anindita, 2020).

The results for the outer loading, cross-loading, Average Variance Extracted (AVE), and Composite Reliability (CR) are presented in Table 3.

Table 3. Outer loading, cross-loading, composite reliability, and average variance extracted

Construct / Item	Loading	Cross loading	CR	AVE
Physical Environment Aesthetics (PEA)			0.928	0.540
PEA1	0.737	0.737		
PEA2	0.720	0.720		
PEA4	0.720	0.720		
PEA5	0.733	0.733		

PEA6	0.717	0.717
PEA7	0.724	0.724
PEA8	0.739	0.739
PEA9	0.746	0.746
PEA10	0.737	0.737
PEA11	0.764	0.764
PEA12	0.743	0.743
Food Aesthetics (FA)			0.894	0.628
FA1	0.799	0.799
FA2	0.709	0.709
FA3	0.852	0.852
FA4	0.773	0.773
FA5	0.822	0.822
Labor Aesthetics (LA)			0.937	0.683
LA1	0.718	0.718
LA2	0.730	0.730
LA3	0.898	0.898
LA4	0.708	0.708
LA5	0.906	0.906
LA6	0.899	0.899
LA7	0.891	0.891
Customer Satisfaction (CS)			0.945	0.775
CS1	0.889	0.889
CS2	0.888	0.888
CS3	0.881	0.881
CS4	0.859	0.859
CS5	0.885	0.885
Customer Retention (CR)			0.951	0.709
CR1	0.831	0.831
CR2	0.820	0.820
CR3	0.840	0.840
CR4	0.743	0.743
CR5	0.798	0.798
CR6	0.866	0.866
CR7	0.916	0.916
CR8	0.908	0.908

(Source: Prepared by the writers using SmartPLS 4 (2024)

Besides the cross-loading test, the discriminant validity test comprises the Heterotrait-Monotrait ratio of correlations (HTMT), and the Fornell Larcker Criterion tests. Table 4 below shows that the HTMT (Heterotrait-Monotrait ratio) values are below 0.85 which indicates there is indeed discriminant validity, proving it is reliable and valid (Rasoolimanesh, 2022).

Table 4. Heterotrait-Monotrait ratio results

Variables	HTMT
CS <-> CR	0.732
FA <-> CS	0.756

LA <-> CS	0.840
PEA <-> CS	0.567

Source: Prepared by writer, SmartPLS 4 output (2024)

The Fornell-Larcker criterion evaluates the square root AVE (average variance extracted) and compares it to the highest correlation value with any other construct variable (Hair et al., 2016 in Kamis et al., 2020). As shown in Table 5, each of the bolded values is higher than the values in the same row and column. Therefore, all of the variables have passed the Fornell-Larcker Criterion test.

Table 5. Fornell-Larcker criterion

Variables	CR	CS	FA	LA	PEA
CR	0.842				
CS	0.701	0.881			
FA	0.715	0.680	0.792		
LA	0.608	0.785	0.673	0.826	
PEA	0.448	0.540	0.573	0.551	0.735

Source: Prepared by writer, SmartPLS 4 output (2024)

All variables have also passed the construct reliability test as both Cronbach's Alpha and composite reliability values exceed 0.7 (Hinkin et al., 1997 in Tentama & Dyah Anindita, 2020). It can be seen in Table 6.

Table 6. Construct reliability results

Construct	Cronbach's Alpha	Composite reliability (rho_a)
CR	0.941	0.949
CS	0.928	0.928
FA	0.851	0.860
LA	0.921	0.936
PEA	0.915	0.924

Source: Prepared by writer, SmartPLS 4 output (2024)

Inner Model Tests

Based on the results of the inner model tests, all the variables have significant relationships with each other except the relationships among the variables of the Physical Environment Aesthetics (PEA), Customer Satisfaction (CS), and Customer Retention (CR). The inner model test comprises the R-square, Q-square, the F-square (Effect Size), and the Path Coefficient (Signification). The results of the R-square and Q-square are presented in Table 7.

Table 7. R-square and Q-square results

Construct	R^2	R^2 adjusted	Q^2
Customer Satisfaction (CS)	0.662	0.652	0.501
Customer Retention (CR)	0.492	0.486	0.317

Source: Prepared by writer, SmartPLS 4 output (2024)

The results of the table above show that PEA, FA, and LA have a 65.2% influence on CS, while CS has a 48.6% influence on CR. To demonstrate how well the structural model predicts the construct, the Q^2 values for each endogenous variable should ideally be greater than zero. Q^2 values larger than 0, 0.25, and 0.5 for the PLS-path model generally denote small, medium, and high predictive relevance (Hair et al., 2019). The study shows that the Q^2 value for CS is 0.501 indicating a high predictive relevance by the exogenous variables (PEA, FA, and LA). The Q^2 value for CR is 0.317 indicating a medium predictive relevance by CS. The results of the F-square (Effect Size) are presented in Table 8.

Table 8. F-square results

Relationship	f-square
Physical Environment Aesthetics (PEA) -> Customer Satisfaction (CS)	0.012
Food Aesthetics (FA) -> Customer Satisfaction (CS)	0.088
Labor Aesthetics (LA) -> Customer Satisfaction (CS)	0.493
Customer Satisfaction (CS) -> Customer Retention (CR)	0.967

Source: Prepared by writer, SmartPLS 4 output (2024)

According to Cohen (2013) in Purwanto & Sudargini (2022), values around 0.02, 0.15, and 0.35 respectively represent small, medium, and large f-effect sizes. Therefore, based on the results of the table above, physical environment aesthetics (PEA) has a small effect size towards customer satisfaction (CS). Food aesthetics (FA) has a small effect size on customer satisfaction (CS). Labor aesthetics (LA) has a large effect size on customer satisfaction (CS). Customer satisfaction (CS) has a large effect size on customer retention (CR). The results of the Path Coefficient (Signification) are presented in Table 9.

Table 9. Path coefficient results

	Path	Original Sample	P values
Direct Effect	Physical Environment Aesthetics (PEA) -> Customer Satisfaction (CS)	0.082	0.376
	Food Aesthetics (FA) -> Customer Satisfaction (CS)	0.247	0.035
	Labor Aesthetics (LA) -> Customer Satisfaction (CS)	0.574	0.000
	Customer Satisfaction (CS) -> Customer Retention (CR)	0.701	0.000
Indirect Effect	Physical Environment Aesthetics (PEA) -> Customer Satisfaction (CS) -> Customer Retention (CR)	0.070	0.374
	Food Aesthetics (FA) -> Customer Satisfaction (CS) -> Customer Retention (CR)	0.167	0.046
	Labor Aesthetics (LA) -> Customer Satisfaction (CS) -> Customer Retention (CR)	0.404	0.000

Source: Prepared by writer, SmartPLS 4 output (2024)

Based on the above results, it shows positive relationships among the variables. All the relationships are significant except the influence of PEA on CS; and the influence of PEA on CR through CS.

Discussions

The physical environment aesthetics, food aesthetics, and labor aesthetics have a moderate influence (65.2%) on customer satisfaction. Meanwhile, the remaining 34.8% indicates the influence of other variables not studied in this research, such as service quality, perceived food safety, perceived value, food quality, price, brand image, etc. Customer satisfaction has a moderate influence (48.6%) on customer retention. Meanwhile, the remaining 51.4% indicates the influence of other variables not studied in this research such as customer empowerment, switching cost, corporate reputation, customer value, customer trust, customer engagement, etc.

The insignificant relations between PEA, CS, and CR are in contrast with the study of Serçeoğlu & Çetinkaya (2020) and Costales et al. (2022), since the aesthetic value of the physical environment does not significantly influence customer satisfaction. This might indicate the aesthetic aspect of the cafes does not increase the eating experience and thus, does not satisfy the consumption-related feelings. Furthermore, the findings of Marković et al. (2021) about surveys of guests in fine-dining restaurants showed that they perceived the landscape to be the least valuable element of aesthetics. Food aesthetics were perceived as the most valuable, followed by labor aesthetics. This could explain the insignificant influence of PEA on CS and CR in aesthetic cafes in Bali.

The significant influence between FA and CS is in line with the research by Costales et al., (2022) and Putra et al. (2020) that the appearance of food increases customer satisfaction positively. Marković et al. (2021a) also, strengthen this finding that the guests of fine dining-restaurant perceived food aesthetics to be the most important element among the other elements of aesthetics. This emphasized the significance of food aesthetics on customer satisfaction.

The path coefficient value shows that labor aesthetics have the most direct influence on customer satisfaction and indirect influence on customer retention; compared to the other element of aesthetics. This is in line with the findings of Lee & Choi (2020) that café staff with an attractive appearance and matching the café image, refined conversation style, and treating guests in a friendly and pleasant manner will lead to a more satisfied customer. The indicators of labor aesthetics used in this study consist of the service quality aspects such as "Employees are friendly to guests", "Employees treat guests well", and "The behavior of café staff towards guests is pleasant". These indicators support the influence of labor aesthetics on customer satisfaction. In addition, the findings of Marković et al. (2021) showed that labor aesthetics are perceived as the second most important element after food aesthetics for the guests at fine dining restaurants.

The study investigates the influences of all three aesthetic attributes (physical, food, and labor) on customer satisfaction and retention. However, in the context of aesthetic café in Bali, the labor aesthetic should be the highlight, followed by the food aesthetic. The physical environment aesthetics should not be the focus of the aesthetics café in Bali due to the unsupported hypothesis. Therefore, it could be eliminated from the conceptual framework in the future.

Customer satisfaction also has a quite strong positive influence on customer retention. This is in line with the findings from Parawansa & Anggraece (2018) and Alketbi et al. (2020). Customer satisfaction with employee courtesy and hospitality, employee honesty, café service, and café performance will increase their likelihood of coming back to the café. The findings contribute to the novelty where customer satisfaction acts as the mediator between food aesthetics and customer retention. This is in line with the research by Costales (2022) that stated aesthetically pleasing food allows restaurants to give their customers a unique and memorable experience, encouraging them to return and building loyalty. Moreover, their dining satisfaction will influence their loyalty.

Customer satisfaction also acts as the mediator between labor aesthetics and customer retention. This is in line with the findings from Lee & Choi (2020). Customer satisfaction as a mediator is important as it explains the process of how labor aesthetics influence customer retention. Most studies investigated the mediation of customer satisfaction between service or product quality and customer retention. Others investigate the mediation of customer satisfaction between servicescape and customer revisit intention. Therefore, these findings advance the existing mediator-based theories in service marketing in the hospitality industry.

Since customer satisfaction does not mediate between the physical environment aesthetics and customer retention, other variables might be suggested as the mediator, such as customer empowerment. The findings of (Aldaihani et al., 2020) show that customer empowerment significantly mediated the impact of social customer relationship management on customer retention. Another variable that could mediate customer retention is "positive switching cost". Research from Ngo et al. (2019) finds that customer satisfaction positively affects customer loyalty through the mediating effects of positive switching costs. Switching

costs are the cost of changing service providers and the sacrifices and penalties that customers face when changing to other providers. Customers may stay with the current service provider to avoid the switching costs.

As the implications of the findings, the aesthetic café in Bali should not rely on the café physical environment aesthetics. Instead, the food and labor aesthetics need to be maintained to increase customer satisfaction and retention. The labor aesthetics can be maintained through training on grooming standards according to the theme of the café and ensuring the hygiene of the employees. Besides physical appearance, labor aesthetics also cover the employees' manner of speaking, their friendliness, and genuineness in serving the guests. Regular monitoring of these areas will ensure the consistency of the labor aesthetics.

The food aesthetics can be maintained by the management of the cafes in Bali by ensuring the standard recipe of the food so that the taste remains consistent. Being innovative in the menu creation is important due to the mushrooming of aesthetic cafes in Bali makes the competition very tight. Creating fusion menus by combining the authentic taste of Balinese food with some International touch will attract locals and foreign tourists to the café. Ensuring the freshness of the ingredients, aesthetic food presentation, and appropriate portion size will also enhance the food aesthetics.

Based on the highest loading factors, physical environment aesthetics have the highest loading factor on the 11th statement (0.764), "The smell in the café is pleasant." Therefore, the management needs to enhance the natural aroma of the cafe's signature dishes to increase customers' appetites. Hygiene standards have to be maintained to prevent bad smells that can cause a loss of appetite. With the insignificant effect of physical environment aesthetics on customer satisfaction and customer retention, the management is suggested to look at cultural preferences which might play a more dominant role in Bali's cafes.

Labor aesthetics have the highest loading factor on the 5th statement (0.906) with the statement "Employees are friendly to guests". The management could conduct a refresher training on the service sequence in the café and the five dimensions of service quality (empathy, warmth, caring, responsiveness, and helpfulness) that reflect the Balinese culture of hospitality. The training results are then evaluated through the guests' feedback forms. This will amplify the customer satisfaction.

Food aesthetics have the highest loading factor on the third statement (0.852), "The food in the café is made from fresh ingredients." Management needs to ensure the quality and freshness of the ingredients by sourcing from trusted suppliers. Management should select the suppliers carefully to supply good quality ingredients. The food presentation and plating should display an attractive color combination reflecting the fresh ingredients.

Customer satisfaction has the highest loading factor on the 1st statement (0.889) with the statement "I am satisfied with the hospitality and courtesy of the employees". Again, this emphasizes the importance of labor aesthetics in providing quality service and experience to the guests. Furthermore, customer satisfaction has the highest path coefficient (0.701) on customer retention and has a high predictive relevance by the physical environment, food, and labor aesthetics. This shows the importance of the three aesthetic attributes contributing to customer satisfaction in the café business in Bali.

Furthermore, the cafes' management could leverage authentic cultural aesthetics of Balinese in the designs of the interior and exterior of the cafes, in the menu variations, and in the appearance and courtesy of the employees. This strategy will attract foreign tourists to the café. Introducing visually appealing food inspired by Balinese art could differentiate cafes and attract social media-savvy tourists. Another strategy is implementing fusion designs in the café, the menus, and employees' grooming standards. Employees should be able to converse in some foreign languages to communicate with the guests. This strategy will work well for both locals and foreign tourists. The locals will experience an International feel for a change and it will relate well with the foreign tourists.

Customer retention has the highest loading factor on the 7th statement (0.916) with the statement "I agree to continue to use the services of the café". This shows a good indication of loyalty and the intention to return to the café in the future. The management needs to maintain

this by ensuring customer satisfaction with the hospitality, quality service, good courtesy, aesthetic food, and physical environment of the café.

Conclusions

Labor aesthetics have the biggest influence on customer satisfaction and retention in the café industry in Bali. This study enriches the existing theories about improving customer satisfaction and retention. Previous theories mostly discuss how employee performance and service quality improve customer satisfaction and retention. Labor aesthetics are the combination of service-oriented employee performance and pleasant appearance. In the hospitality industry, excellent performance is not enough without an attractive appearance, and vice versa. Both elements support each other and should not be separated to achieve customer satisfaction and retention. The concept of labor aesthetics is also very relevant to the Balinese culture as they are naturally hospitable.

This gives insight into the cafe's management in Bali to maintain and improve the aesthetic aspect of their employees. However, the term "aesthetics" is subjective as different customers will have different perspectives on what is considered aesthetic. This study only focuses on the island of Bali and the samples used are quite small. Therefore, these are the limitations of the study. Future studies are encouraged to explore the diverse aesthetic preferences across cultures to further enrich this field of study. Future researchers can conduct a qualitative study to get a more in-depth point of view of what customers from different cultures consider to be aesthetically pleasing for the physical environment, food, and labor. Future research could also explore the societal impact of promoting local culture through aesthetic enhancements.

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