DRIVERS OF CUSTOMER SATISFACTION AND ITS IMPACT ON WORD OF MOUTH IN SEAFOOD RESTAURANTS AT KEDONGANAN BEACH, BALI

By

Ni Luh Putu Dewi Agustini[1], Wayan Ardani[2]*, I Gusti Ayu Diah Werdhi Srikandi WS[3], I Dewa Nyoman Usadha[4]

[1,2,3,4] Magister Manajemen Innovation, Faculty of Economics and Business, Mahendradatta University, Bali, Indonesia

Abstract
The aim of this study was to examine direct effect of digital marketing innovation, service quality, location Word of Mouth (WOM) based on customer satisfaction at seafood restaurants at the Kedonganan Beach area, Bali, Indonesia. The research was conducted from August to December 2025. The population consisted of tourists who visited 3 seafood restaurants New Moon Cafe, Tepi Pantai Bali, The Cuisine at the Kedonganan Beach area. Sample selection used purposive sampling technique, with the criterion of having dined at one of those restaurants. Data were collected through structured questionnaires distributed to 105 respondents. Smart PLS was employed to analyze sample responses. Path coefficients corroborated the statistically significant effects of digital marketing innovation, service quality, location, and customer satisfaction and Word of Mouth. In addition, customer satisfaction had statistically significant mediating effect on the influence of digital marketing innovation, service quality and location on word of mouth. This finding emphasizes the importance of digital marketing innovation, excellent service quality, strategic location and customer satisfaction to increase positive WOM which can increase exposure and business sustainability.

Keywords: *Customer Satisfaction, Digital Marketing Innovation, Location Service Quality, Word of Mouth*

INTRODUCTION

Tourism has long been recognized as a strategic pillar of the Indonesian economy, contributing significantly to GDP, foreign exchange earnings, and employment, particularly through the hospitality and tourism services sectors (Putra & Astawa, 2022; Johanes et al., 2024). Nationally, tourism contributes between 3 and 5% of GDP, but in Bali, its role is far more dominant, even exceeding 50% of the regional GRDP, making Bali's economic structure highly dependent on the dynamics of this sector (BPS, 2025). Within this tourism ecosystem, the food and beverage sector has shown consistent and impressive growth. Data from BPS Bali (2025) indicates that the GRDP value of the culinary sector increased from IDR 19.82 trillion in 2022 to IDR 31.45 trillion in 2025, with double-digit growth annually. These findings confirm that the culinary industry has transformed from a mere supporting sector into a relatively independent and resilient economic driver.

At the same time, the literature indicates a paradigm shift from a product-based economy to an experience economy, where consumers are no longer simply seeking food, but emotional and symbolic experiences that can be shared digitally (Pløger, 2020; Supriyono et al., 2024; Shah et al., 2023). Digital transformation reinforces this shift through changes in information search patterns, expectation formation, and post-consumption evaluations based on online reputation (Châlons & Dufft, 2017; Alt, 2021; Alieva & Powell, 2023). In this context, electronic word-of-mouth (e-WOM) has emerged as a crucial social proof mechanism in the consumer decision-making process (Stauss & Seidel, 2019; Osijo et al., 2024; Suhud et al., 2025). Various studies also confirm that customer satisfaction through the expectation confirmation mechanism is the main mediator between marketing attributes and behavioral intentions such as loyalty and WOM (Aimon et al., 2023; Jalilvand et al., 2017).

However, most previous research on restaurants has focused on the context of urban restaurants, fast food restaurants, or generic cafes, with a relatively homogeneous approach to service attributes (Vu et al., 2019; Danthanarayana & Arachchi, 2021; Jung & Jang, 2019). Studies specifically examining seafood restaurant clusters in coastal tourism areas

characterized by high dependence on tourist flows, coastal gastronomic imagery, and spatial hypercompetition are still limited (Hudayanti et al., 2020; Ramos & Pinto, 2024; Rodrigues & Villasante, 2016). Studies of "sun-and-sea" destinations have shown that tourist consumption behavior, gastronomic motivations, and seafood culinary imagery form a distinct market segment that cannot be fully explained by the general urban restaurant model (Santos et al., 2020; Carvache-Franco et al., 2021; Tian et al., 2021; Tian et al., 2022).

The Kedonganan Beach area in Badung represents this unique context. As a leading seafood restaurant cluster in Bali, this area faces a red ocean situation due to product homogeneity and geographic proximity among businesses. Significant performance disparities between restaurants, despite offering similar products, indicate that differentiation factors lie in non-product aspects, specifically digital marketing innovation, service quality, and location perception, which operate through customer satisfaction and ultimately lead to word of mouth (WOM). However, the integration of these three determinants into a single empirical model within the context of a coastal seafood restaurant cluster remains rarely explored.

Based on these theoretical and contextual gaps, this study aims to analyze the influence of digital marketing innovation, service quality, and location on customer satisfaction and its consequences for word-of-mouth (WOM) in seafood restaurants in the Kedonganan Beach area, Badung. Theoretically, this study extends the application of Expectation-Confirmation Theory in the context of cluster-based coastal culinary destinations. Empirically, this study provides contextual evidence regarding the mechanism of WOM formation in the highly digitalized coastal seafood restaurant industry. Practically, the research findings are expected to form the basis for formulating differentiation strategies based on digital experience and reputation to strengthen the competitiveness of Bali's coastal culinary destinations.

Research Methodology

This study used a quantitative explanatory approach with a cross-sectional survey design to investigate the influence of digital marketing innovation, service quality, and location on customer satisfaction and word of mouth (WOM). Customer satisfaction was examined as a mediating variable. Data were collected through a structured questionnaire distributed to tourists visiting seafood restaurants in the Kedonganan Beach area, Badung, Bali, Indonesia, from August to December 2025.

The research framework consists of one endogenous variable: Word of Mouth (WOM), measured through four indicators: customer loyalty, frequency and nature of WOM, participation in referral programs, and brand perception based on WOM (Gara, 2023; Klouj, 2016; Barrientos-Báez, 2022; Rahman, 2015). Three exogenous variables are analyzed. First, digital marketing innovation, measured by four indicators: digital technology adoption, innovative marketing strategies, customer engagement and interaction, and integration with

business processes (Saad, 2022; Khan, 2025; Low, 2020; Wu, 2024). Second, service quality, measured by five SERVQUAL dimensions: tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1988; Nanda, 2019; Peng, 2021). Third, location, assessed through four indicators: distance to tourist attractions, parking availability, access to public transportation, and clarity of directions (signage) (Benhlima, 2024; Koo, 2023). The mediating variable, customer satisfaction, is measured by four indicators: food taste, menu variety, restaurant environment, and price fairness (Masuda, 2020; Wahab, 2018; Stranjancevic, 2015; Ing, 2020).

The target population consisted of tourists who had dined at selected seafood restaurants (New Moon Cafe, Tepi Pantai Bali, The Cuisine) in the Kedonganan Beach area at least once. Sampling was conducted using purposive sampling, with inclusion criteria being tourists aged 17 years and above who had visited one of the restaurants. The minimum sample size was determined based on the criteria of Hair et al. (2021), which was five times the maximum number of indicators, resulting in 105 respondents.

Primary data were collected using an offline questionnaire with a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Instrument validity was confirmed through a pilot test on 30 respondents, with all item-total correlation coefficients above 0.30. Reliability was determined by Cronbach's alpha values above 0.70 for all constructs. Data analysis was performed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0 to test direct and indirect relationships between variables.

Results and Discussion

Table 1

No	Characteristics	Amount	Percentage
1	Nationality		
	Indonesian	16	15,2
	Foreign Visitors	89	84,8
	Total	105	100
2	Frequency of visits		
	2-3 Times	93	88,6
	> 3 times	12	11,4
	Total	105	100

3	Visiting partners		
	Alone	8	7,6
	Paired	34	32,4
	group	63	60,0
	Total	105	100

Table 1 showed that Respondents were predominantly foreign tourist (84.8%), indicating that the restaurant operates in a destination-based consumption space (tourism-based consumption). The majority of respondents visited the restaurant 2–3 times (88.6%), indicating confirmation of expectations (expectation confirmation) which encourages repeat visits. In addition, the majority of visitors come in groups (60.0%), which reflects the social and collective nature of consumption, where the evaluation of the experience is also shaped by group dynamics.

Measurement Model Assessment

The measurement model (outer model) was assessed for convergent validity, discriminant validity, and composite reliability. All constructs were measured reflectively. Convergent validity was established because all indicator loadings exceeded 0.50 (range: 0.634–0.994) and were statistically significant ($p < 0.001$). Average Variance. The Average AVE (AVE) for each construct was above the threshold of 0.50 (range: 0.496–0.976), confirming adequate convergent validity (see Table 2). Discriminant validity was assessed using the Fornell-Larcker criterion. The square root of the AVE for each construct (diagonal values in Table 3) was greater than its correlation with other constructs (inter-construct correlation range: 0.254–0.826), confirming that each construct is distinct. Composite reliability values ranged from 0.797 to 0.994, exceeding the recommended threshold of 0.70, confirming high internal consistency (see Table 4).

Table 2 Convergent Validity and Indicator Loadings

Construct	Loading	p-value
Satisfaction	0.968–0.992	< 0.001
Digital Marketing Innovation	0.652–0.768	< 0.001
Service Quality	0.634–0.798	< 0.001
Location	0.672–0.745	< 0.001
Word of Mouth	0.981–0.994	< 0.001

Table 3. Composite Reliability

Variables	Innov	Satisfa	Quality	Locati	WOM

Digital	0.704				
Satisfactio	0.701	0.982			
Quality of	0.254	0.581	0.733		
Location	0.394	0.586	0.382	0.708	
Word Of	0.701	0.826	0.618	0.627	0.988

Table 3.

Variables
Digital Marketing Innovation
Satisfaction
Quality of Service
Location
Word Of Mouth

Structural Model Assessment

The structural model (inner model) was evaluated for predictive relevance and hypothesis testing. This model demonstrated strong explanatory power with R^2 values of 0.73 (73%) for customer satisfaction and 0.837 (83.7%) for WOM. A Stone-Geisser Q^2 value of 0.95 (95%) indicated high predictive relevance.

Table 5. Direct Effects (Hypothesis Testing)

Hypot	Path	b	p-	Result
H1	Digital Marketing	0.55	<	Suppo
H2	Service Quality →	0.35	<	Suppo
H3	Location → Satisfaction	0.20	<	Suppo
H4	Digital Marketing	0.46	<	Suppo

H5	Service Quality → WOM	0.33	<	Suppo
H6	Location → WOM	0.21	<	Suppo
H7	Satisfaction → WOM	0.15	0.00	Suppo

Mediating effect Analysis

Analysis bootstrapping was conducted to test the mediating role of customer satisfaction. All indirect effects were statistically significant ($p < 0.05$), confirming partial mediation.

Table 5. Indirect Effects

Path	b	p	Result
Digital Marketing	0.08	0.021	Supporte
Service Quality →	0.04	0.024	Supporte
Location → Satisfaction →	0.05	0.018	Supporte

Model Fit and Predictive Relevance

The model showed excellent fit with $Q^2 = 0.95$ (95%), indicating that 95% of the variance in the endogenous variables can be explained by the model. The high R^2 value further confirms the model's strong explanatory power for customer satisfaction (73%) and WOM (83.7%).

Discussion

This study provides empirical evidence supporting an integrated theoretical framework that digital marketing innovation, service quality, and location significantly influence customer satisfaction and subsequently drive Word of Mouth (WOM) in seafood restaurants in the coastal tourist area of Kedonganan Beach, Bali.

These findings confirm that customer satisfaction serves as a critical mediator in converting operational inputs (digital marketing, service quality, location) into behavioral outcomes (WOM). This aligns with Oliver's (1997) Expectancy Confirmation Theory, where satisfaction arises from positive uncertainty between expected and perceived performance. The strong direct effect of satisfaction on WOM further supports Social Exchange Theory (Cook & Rice, 2020), where satisfied customers reciprocate positive experiences by becoming brand advocates through recommendations (Ardani, 2024).

Digital marketing innovations demonstrated the strongest direct effect on customer satisfaction among the three antecedents. This finding supports the Technology Acceptance Model, where perceived usefulness and ease of use in digital interactions enhance customer evaluations. In a competitive seafood restaurant cluster in Kedonganan, where product offerings are relatively homogeneous, innovative digital strategies including social media engagement, personalized content, and technology integration created significant differentiation in the pre-consumption phase (Shah et al., 2023). This is in line with research by Alwan & Alshurideh

(2022), which found that digital marketing capabilities significantly improve customer satisfaction through increased accessibility and personalization.

Service quality maintains a significant direct effect on satisfaction and WOM, confirming its fundamental role in the hospitality experience. SERVQUAL dimensions, particularly reliability and empathy, proved important in the restaurant context, consistent with Ahman et al.'s (2022) findings in upscale Southeast Asian restaurants. In tourism-based consumption settings, where service encounters are often brief but intense, the interpersonal elements of service quality become crucial in shaping overall satisfaction and likelihood of recommendation.

Location exhibits a significant but relatively smaller effect on satisfaction and WOM, supporting its characterization as a hygiene factor and strategic asset. While essential accessibility features (parking, transportation access) represent minimum requirements, the destination's attractiveness and the scenic value of coastal locations add to the experience. This dual nature aligns with Prospect Theory, where location disadvantages (poor accessibility) create stronger negative perceptions than location advantages, which generate positive ones. These findings corroborate Rasoolimanesh et al.'s (2023) research on location convenience in the tourism context.

For managers, these findings suggest hierarchical investment priorities: (1) developing innovative digital marketing strategies to shape pre-visit expectations and post-visit engagement, (2) ensuring consistent service quality across all customer touchpoints, and (3) optimizing location attributes through increased accessibility and enhanced experiences. The high proportion of group visitors (60.0%) further suggests that WOM strategies should capitalize on social dynamics within groups of travelers.

CONCLUSION

This study successfully demonstrated that three key factors—digital marketing, service quality, and location—all had a strong positive impact on customer satisfaction at seafood restaurants in the Kedonganan Beach tourist area. Furthermore, satisfied customers were much more likely to recommend the restaurant to others (positive word of mouth).

The most influential factor is digital marketing innovation, proving that a strong online presence and engaging digital strategy are crucial to attracting and delighting today's travelers. Service quality remains a fundamental pillar, emphasizing that good food and friendly, reliable service are non-negotiable. While slightly less impactful, a good location, easy to find, with good parking and access, still plays a crucial role in shaping the customer experience.

Most importantly, customer satisfaction acts as a crucial link. Through satisfaction, improvements in digital marketing, service, and location ultimately lead to more positive recommendations and reviews from guests.

Limitations and Research Directions

This study was geographically limited to one coastal tourist area in Bali. Future research could examine whether this relationship holds across different cultural contexts or restaurant types. A longitudinal design could better capture the evolution of customer relationships over multiple visits. Furthermore, incorporating moderating variables such as cultural background or digital literacy could reveal important boundary conditions for this relationship.

The convergence of digital transformation and the principles of the experience economy is creating new imperatives for hospitality businesses in tourism destinations.

By strategically aligning digital innovation, service excellence, and location advantage, restaurants can foster customer satisfaction that naturally translates into strong, organic word-of-mouth promotion.
Conclusion

REFFERENCES

1. Aimon, H., Zulvianti, N., & Abror. (2023). Do Sustainable Tourism Development, Psychological Safety, and Halal Friendly Destination Performance Lead to Tourist Electronic Word of Mouth? The Role of Tourist Satisfaction. International Journal of Sustainable Development and Planning. https://doi.org/10.18280/ijsdp.180421Alieva & Powell, 2023).

2. Alt, R. (2021). Digital Transformation in the Restaurant Industry: Current Developments and Implications. 1(1), 69–74. https://doi.org/10.52255/SMARTTOURISM.2021.1.1.9

3. Alwan, M., & Alshurideh, M. (2022). The effect of digital marketing on value creation and customer satisfaction. International Journal of Data and Network Science. https://doi.org/10.5267/j.ijdns.2022.4.021

4. Ardani, W. (2024). The link of social media and brand image on consumer purchase intention the mediating role E-WOM. Kompartemen: Kumpulan Orientasi Pasar Konsumen. 2.1. https://jurnal.dim-unpas.web.id/index.php/kompartemen/article/view/516

5. Barrientos-Báez, A., Caldevilla-Domínguez, D. Venezuelan Journal of Management, (2022).https://www.scopus.com/pages/publications/85142542526?origin=scopusAI

6. Benhlima, O., Riane, F., Puchinger, J., Bahi, H.AIP Conference Proceedings, (2024).https://www.scopus.com/pages/publications/85188528498?origin=sco pusAI

7. Carvache-Franco, M., Carvache-Franco, O., Orden-Mejía, M., Zambrano Conforme, D., & Carvache-Franco, W. (2021). Segmentation based on gastronomic motivations in a coastal destination.Anatolia, 32, 404 - 418. https://doi.org/10.1080/13032917.2021.1879183

8. Châlons, C., & Dufft, N. (2017). The Role of IT as an Enabler of Digital Transformation. 13–22. https://doi.org/10.1007/978-3-319-31824-0_2 Cook, K., & Rice, E. (2020). Social Exchange Theory. The Blackwell Encyclopedia of Sociology. https://doi.org/10.1007/0-387-36921-x_3

9. Danthanarayana, C., & Arachchi, R. (2021). Impact of Restaurant Attributes on Customer Perceived Value and Customer Satisfaction: Special Reference to Beach Restaurants in Southern Coastal Area, Sri Lanka. **. https://doi.org/10.17501/23572612.2020.5101

10. Gara, E.H., Gara, E.H., Rahman, F., Wibowo, A.J.I.Journal of Distribution Science,(2023).https://www.scopus.com/pages/publications/85148248670?ori gin=scopusAI

11. Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2021). Multivariate Data Analysis. Pearson Prentice Hall.

12. Hudayanti, C., Setiadi, H., & Rizqihandari, N. (2020). The pattern of visiting restaurants in Glagah Beach, Kulon Progo Regency, Yogyakarta.IOP Conference Series: Earth and Environmental Science, 561. https://doi.org/10.1088/1755-1315/561/1/012009

13. Ing, P.G., Zheng Lin, N., Xu, M., Thurasamy, R.Asia Pacific Journal of Marketing and Logistics, 2020. https://www.scopus.com/pages/publications/85078892036?origin=scopusAI

14. Jalilvand, M. R., Salimipour, S., Elyasi, M., & Mohammadi, M. (2017). Factors influencing Word of Mouth behaviour in the restaurant industry. Marketing Intelligence & Planning, 35(1), 81–110. https://doi.org/10.1108/MIP-02-2016- 0024

15. Johanes, R., Takari, D., & Sabirin, S. (2024). review of the tourist industry's role in Indonesia's GDP growth. Growth, 10(1), 8–17. https://doi.org/10.52300/grow.v10i1.15151

16. Jung, S., & Jang, S. (2019). To cluster or not to cluster?: Understanding geographic clustering by restaurant segment. International Journal of Hospitality Management. https://doi.org/10.1016/j.ijhm.2018.08.008

17. Khan, M., Ahmad, M., Alidjonovich, R.D., (2025), Odilovich, I.J. Cogent Business and Management, 2025. https://www.scopus.com/pages/publications/105002227919?origin=scopusAI

18. Klouj, R., Najjar, F.Proceedings of the 27th International Business Information Management Association Conference - Innovation Management and Education Excellence Vision (2020): From Regional Development Sustainability to Global Economic Growth, IBIMA 2016, 2016.https://www.scopus.com/pages/publications/84984605004?origin=scop usAI

19. Koo, B.W., Hwang, U., Guhathakurta, S.Computers, Environment and Urban Systems, (2023). https://www.scopus.com/pages/publications/851706 45658?origin=scopusAI

20. Low, S., Ullah, F., Shirowzhan, S., (...), Lee, C.L. Sustainability (Switzerland), (2020). https://www.scopus.com/pages/publications/850880 10577?origin=scopus AI

21. Masuda, H.Communications in Computer and Information Science, (2020). https://www.scopus.com/pages/publications/850809 11240?origin=scopusAI Nanda, S., Khandai, S., Bhatia, A.Indian Journal of Economics and Business, (2019).https://www.scopus.com/pages/publications/ 85078922148?origin=sco pusAI