# FOSTERING LOYALTY: INVESTIGATING THE COFFEE SHOP WITH SATISFACTION AS AN INTERVENING VARIABLE

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#### **ABSTRACT**

In this research, the primary aim is to thoroughly investigate the influence of service quality, food quality, and price fairness on customer loyalty, with customer satisfaction serving as a pivotal mediating variable. The research population encompasses JJ coffee shop patrons in Jakarta. A total of 243 respondents were selected as samples, with criteria including a minimum age, residency, and prior experience dining at the coffee shop. The research utilized purposive sampling, a non-probability sampling technique, along with a specific sample selection method, namely judgmental sampling, was employed for respondent data collection through online questionnaire distribution via Google Forms. The meticulously collected data underwent further in-depth analysis using Partial Least Square Structural Equation Modeling (PLS- SEM) with SmartPLS4 software. The findings indicate that service quality, food quality and price fairness collectively have a positive and significant impact on customer satisfaction. Moreover, customer satisfaction has been found to play a crucial mediating role between service quality, food quality, and price fairness and customer loyalty in the coffee shop business in Jakarta. In addition to contributing to academic knowledge, this study offers actionable insights for JJ coffee shop by highlighting the significance of improving service quality, price fairness, customer satisfaction, and ultimately customer loyalty.

**Keywords:** Service quality, food quality, price fairness, customer satisfaction, customer loyalty.

#### 1. INTRODUCTION

During the age of globalization, there exists a transformation in the dynamics of life that reshapes societal behaviour to become more modern. The impact of these changes is felt in the high level of business competition, forcing companies to confront critical challenges in offering their products to consumers. One sector that has garnered significant attention is the food and beverage industry, particularly coffee shops. Coffee shops have become a millennial lifestyle choice and represent the largest coffee market in Indonesia (Kumparan, 2019). Data from the coffee shop retail business in Indonesia notes rapid growth in several outlets from 2019 to 2020, including JJ Coffee Shop, which successfully competed against major brands and local competitors in terms of the number of outlets (Statista, 2023a). However, despite the expansion in the number of outlets, JJ coffee shop has not managed to become a leader in the industry and has experienced a decline in sales from 2019 to 2021 (Statista, 2023b). Confronted with these challenges, attention to customer loyalty becomes crucial to facilitate repeat purchases and become an asset for the store's sustainability (Jin et al., 2016). Loyalty is also a crucial aspect of maintaining business continuity (Ruslim et al., 2020).

Loyalty is defined as a positive belief derived from interactions with the values offered by a company, goods, or service provider, leading to continuous interactions and repeated purchases over time (Oracle, 2005). Another definition portrays customer loyalty as a relationship involving repeated purchases or recommending products and services to others (Githiri, 2018). Customer loyalty is also defined as a positive attitude and psychological attachment that prompts customers to express their commitment through repeated purchases (Jin et al., 2016). Therefore, in this

context, customer loyalty (CL) can be interpreted as the positive behaviour and attitude of loyal customers, driving repeated purchases of specific products and services based on interactions and positive beliefs acquired, and feeling comfortable recommending them to others.

In the context of discussing CL, there is a close, substantial, and interdependent connection between customer satisfaction (CS) and loyalty (Etemad-Sajadi & Rizzuto, 2013; Liu et al., 2017; Sunaryo, 2019). By creating CS by meeting their expectations, companies can influence customers to remain loyal and make future purchases (Ruslim et al., 2023). CS can be defined as the result of the convergence of expectations with the actions perceived by the buyer towards a specific product (Biesok & Wyród-Wróbel, 2011). In another research context, CS occurs when sales exceed or customer dissatisfaction occurs when outcomes fail to meet their expectations, whereas satisfaction stems from aligned expectations. (Karyose et al., 2017). Conversely, CS is also defined as the customer's response to what is received, meeting needs, desires, and goals deemed pleasurable (Oliver, 1999). Therefore, CS can be interpreted as the feeling of contentment or happiness experienced by a customer regarding the fulfilment of needs and desires from an offering or solution that aligns with their anticipations.

One of the key weapons to increase value and ensure CS is service quality. Companies can achieve resilience in the competitive landscape by focusing on the quality of their services (Ali et al., 2015). This not only enhances understanding of customer needs but also minimizes potential errors (Ing et al., 2020). Service quality (SQ) is described as a comparison between the expected perception of service and what is provided by the service provider (Parasuraman et al., 1985). It is an assessment by customers of the service provided in obtaining a product that distinguishes the company (Oscar & Keni, 2019). In another study, SQ is interpreted as customers' perception of the received service quality, which will be compared to their expectations when receiving the service (Peri, 2006). From this definition, it can be inferred that SQ is an evaluation of the service quality provided to customers compared to their expectations and can be part of the competitive advantage of the company.

Another aspect that can influence satisfaction, purchase intention, and the desire to recommend a dining place is food quality (Namkung & Jang, 2007). The quality of food can be characterized as its appropriateness for consumption, with its standards reflecting the necessary criteria to meet the desires and expectations of customers (Peri, 2006). Additionally, food quality (FQ) is perceived as a form of excellence, incorporating aspects like taste, appearance, and nutritional value (Potter. N & Hotchkiss, 1995). Another study defines FQ by considering multiple factors, including appearance, taste, diversity of options, health attributes, freshness, and temperature (Hanaysha, 2016). As the primary offering in any dining establishment (Namin, 2017), the concept of FQ constitutes a crucial element that encompasses taste, variety of options, temperature, and food appearance, ultimately influencing customer satisfaction and meeting their specific needs.

Additionally, paying attention to price fairness (PF) can be an advantage for businesses, as fair pricing can foster customer happiness and loyalty (Ahmed et al., 2023). PF is the customer perception of the acknowledged social difference in prices compared to standards, acceptability, and justifiability (Matzler et al., 2007). When evaluating products, customers tend to consider the relationship between price and quality based on available price information. The overall consumer assessment of the price is considered fair when the received value is greater than the cost incurred (Jin et al., 2016). The concept of PF also encompasses comparing prices with standards, references, and norms (Martín-Consuegra et al., 2007). In this context, PF can be interpreted as a customer evaluation involving a comparison between the price and the quality of the product, where the

standards are deemed reasonable, acceptable, and commensurate with the received value compared to the cost incurred.

However, in this research, an empirical gap or inconsistency in results was identified, where the impact of CS is not always significant on customer loyalty (CL) (Pradana, 2018). Furthermore, other research findings indicate that the influence of SQ and how they perceive PF isn't mediated by CS regarding CL (Sutanto & Keni, 2021). With several observed phenomena, this study will explore the factors that play a role in shaping and influencing customer loyalty.

From the explanation above, the research inquiry in this study is articulated as follows:

- 1. Does SQ influence CS at JJ Coffee Shop in Jakarta?
- 2. Does FQ influence CS at JJ Coffee Shop in Jakarta?
- 3. Does PF influence CS at JJ Coffee Shop in Jakarta?
- 4. Does CS influence CL at JJ Coffee Shop in Jakarta?
- 5. Does SQ have an influence on CL at JJ Coffee Shop in Jakarta, mediated by CS?
- 6. Does FQ have an influence on CL at JJ Coffee Shop in Jakarta, mediated by CS?
- 7. Does PF have an influence on CL at JJ Coffee Shop in Jakarta, mediated by CS?

In the analysis of the connection between SQ and CS, this research indicates a positive and significant influence (Ali et al., 2021). High-quality service is recognized as a crucial element in significantly enhancing CS. Other findings reveal that as the level of SQ increases, so does the level of CS, with a positive and significant impact (Debora, 2018). These results align with findings from other studies, which also demonstrate that high levels of SQ play a role in improving CS (Febrianti & Keni, 2021). From the information provided earlier, the initial hypothesis of this study can be expressed as:

H<sub>1</sub>: SQ has a positive and significant influence on CS at JJ coffee shop in Jakarta.

According to (Setiadi & Ruslim, 2023); Abdullah et al., 2018) the research results on FQ impact on CS aim to assess the influence of FQ on CS. The findings suggest a notable and meaningful association among FQ and CS. Other studies support these results, emphasizing that improving FQ can be a crucial marketing strategy to shape CS and retain them by providing a pleasant shopping experience (Zhong & Moon, 2020). From the information provided earlier, the second hypothesis of this study can be expressed as:

H<sub>2</sub>: FQ has a positive and significant influence on CS at JJ coffee shop in Jakarta.

In the study (Setiawan et al., 2020), maintaining PF is asserted to shape the degree of CS. The implementation of prices deemed fair for a product or service can create the fulfillment of value satisfaction and customer happiness (Alzoubi et al., 2020). Findings from research (Bernarto et al., 2021) also state that an increased focus on PF will drive improvements in customer satisfaction, and vice versa. From the information provided earlier, the third hypothesis of this study can be expressed as:

H<sub>3</sub>: PF has a positive and significant influence on CS at JJ coffee shop in Jakarta.

The increase in CS levels proportionally enhances CL to the company (Pambudi et al., 2018). Positive and significant CS is found to have a direct impact on CL (Moorthy et al., 2018). On the other hand, in the context of business strategy, it is crucial to understand how to provide products that meet CS. CS not only forms a deep impression but also creates a sense of loyalty and commitment to the use of products and services in the future (Alam et al., 2022). From the information provided earlier, the fourth hypothesis of this study can be expressed as:

H<sub>4</sub>: CS has a positive and significant influence on CL at JJ coffee shop in Jakarta.

Companies must consistently develop and maintain the standard of services offered to customers because this will influence the level of satisfaction with the product and, consequently, contribute to increased CL (Keni & Sandra, 2021). The focus given by a company on providing excellent services will create satisfaction and build long-term customer loyalty (Slack & Singh, 2020). By offering high-quality services, a company can shape CS, which will then have a positive influence on CL (Ruslim et al., 2023). From the information provided earlier, the fifth hypothesis of this study can be expressed as:

H<sub>5</sub>: SQ has a positive and significant influence on CL at JJ coffee shop in Jakarta, mediated by CS.

CS may arise when experiencing a specific FQ, and customers may begin to recommend the dish to others, indirectly forming CL (Kunadi & Wuisan, 2021). In another study exploring the effect of FQ on CL mediated by CS, it was found that there is a positive and significant impact (Krisnayanti & Sinambela, 2022; Sari & Siregar, 2019), From the information provided earlier, the sixth hypothesis of this study can be expressed as:

H<sub>6</sub>: FQ has a positive and significant influence on CL at JJ coffee shop in Jakarta, mediated by CS.

At a certain price level tailored to customer perceptions, PF can generate customer satisfaction and facilitate the potential enhancement of CL (Adrian & Keni, 2023). PF significantly influences the formation of CL, mediated by CS (Ahmed et al., 2023). Prices deemed fair by customers can lead to satisfaction, ultimately fostering CL (Susanti, 2019). From the information provided earlier, the seventh hypothesis of this study can be expressed as:

H<sub>7</sub>: PF has a positive and significant influence on CL at JJ coffee shop in Jakarta, mediated by CS.

With the explanations provided regarding the interrelation among the variables above, the research model employed can be depicted as follows:

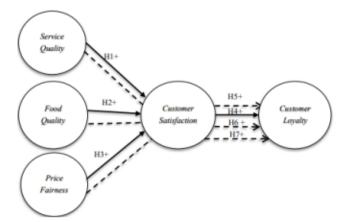


Figure 1.Research Design

#### 2. RESEARCH METHOD

In this study, a descriptive research design with a quantitative approach was employed, where data collection could be measured and analysed statistically. The crosssectional design was chosen as the research data source, considering that information from the sample was collected at a specific

point in time (Malhotra, 2020). The study population focused on customers of JJ Coffee Shop in Jakarta, with the sample criteria being customers aged at least 18 years old, who had previously consumed food and beverages at the coffee shop. Judgmental sampling was utilized as the sample selection technique since this method enables gathering information from specific individuals to address the research questions (Bougie & Sekaran, 2020). Respondents' answers were measured using a Likert scale comprising five points with labels spanning from 1 to 5 (ranging from strongly disagree to strongly agree).

In this study, operational variables have been formulated to measure the key concepts under focus. The following is a list of the operational variables used in this research:

**Table 1. Operational Variables** 

Table 1. Operational variables				
Variable	Item	Code	Source	
SQ	The Understanding	SQ1	— Inc. et al. (2020)	
	Helpful	SQ2	Ing et al. (2020),  Arum et al.	
	Attentive	SQ3	— (2022), Zhong &	
	Knowledgeable	SQ4	— (2022), Zhong & — Moon	
	Prompt	SQ5	— (2020),Uddin	
	Courteous	SQ6	— (2019)	
	Neat Appearance	SQ7	(2017)	
	Tasted	FQ1	Ing et al. (2020),	
	Hygienically	FQ2	Sugianto &	
	Portions	FQ3	Sugianto &	
FQ	Diverse Menu	FQ4	Sugiharto,	
rŲ	Temperature	FQ5	(2013), Hanaysha (2016),Ryu et al. (2012)	
	Affordable Pricing	PF1	Dhisasmito &	
	Reasonable	PF2	Kumar (2020),	
PF	Equal Price	PF3	Jin et al. (2016),	
	Competitive Prices	PF4	Sugianto & Sugiharto (2013)	
	Satisfied	CS1	Dhisasmito &	
	Pleased	CS2	Kumar (2020),	
CC	Wise Decision	CS3	Ing et al. (2020),	
CS	Meeting Expectation	CS4	Sugianto &	
	Overall Satisfied	CS5	Sugiharto	
	Right Decision	CS6	(2013).	
CL	Positive word-of-mouth	CL1	Dhisasmito &	
	Recommendation	CL2	Kumar (2020),	
	Business Support	CL3	Gong & Yi,	
	Intend	CL4	(2018), Namin,	
	Commitment	CL5	(2017), Uddin et al. (2019)	

Data collection was conducted online through a questionnaire distributed via Google Form, and the successfully collected data amounted to 256 respondents. However, after screening respondent answers based on screening questions, the number of respondents meeting the criteria was 243 individuals. In the data analysis process, This study utilized Partial Least Squares Structural Equation Modeling (PLS-SEM) method with the assistance of the SmartPLS 4 software.

#### 3. RESULTS AND DISCUSSIONS

# The Outcomes of the Convergent Validity Assessment

In this research, data analysis is conducted using two measurement models, namely the outer model (OM) and the inner model (IM). The OM section encompasses measurements related to the analysis of validity and reliability. Validity testing is conducted to evaluate the credibility of the research variables and ensure their conceptual alignment. This testing is divided into convergent validity (CV) and discriminant validity (DV). Meanwhile, reliability testing is employed to examine the consistency of concepts within the instruments, aiding in assessing the dependability of the measurements (Bougie & Sekaran, 2020).

**Table 2. Test Result of AVE** 

Variable	AVE
CL	0.695
CS	0.751
SQ	0.569
FQ	0.605
PF	0.682

**Table 3. Test Result of Outer Loading** 

1 4010	J. I CS				
	CL	CS	FQ	PF	SQ
CL 1	0.837				
<b>CL 2</b>	0.821				
CL 3	0.855				
CL 4	0.825				
CL 5	0.830				
CS 2		0.806			
CS 3		0.865			
CS 4		0.883			
CS 5		0.885			
CS 6		0.891			
FQ 1			0.737		
FQ 3			0.834		
FQ 4			0.755		
FQ 5			0.781		
PF 1				0.864	
PF 2				0.831	
PF 3				0.830	
PF 4				0.775	
SQ 1					0.715
SQ 2					0.741
SQ 3					0.763
SQ 5					0.782
SQ 6					0.796
SQ 7					0.727

For each research variable, the AVE test values exceed 0.5, meeting the criteria for CV (Hair et al., 2022). During the examination of outer loadings of research variables, indicators should be above 0.7. After removing some indicators that do not meet the criteria, indicators with values above 0.7 meet the convergent validity requirements.

#### The Outcomes of the Discriminant Validity Assessment

Discriminant validity tests, involving Fornell-Larcker analysis, Cross Loading, and Heterotrait-Monotrait Ratio (HTMT) with a threshold value below 0.9, show that this study meets the requirements. Thus, this research is considered valid, successfully meeting both convergent and discriminant validity analyses.

## The Outcomes of Reliability Test

**Table 4. Test Result of Reliability Test** 

Variable	Cronbach's Alpha	Composite Reliability	
CL	0.890	0.919	
CS	0.917	0.938	
SQ	0.848	0.888	
FQ	0.781	0.859	
PF	0.844	0.895	

In the reliability test, two techniques were employed: Cronbach's alpha and composite reliability, to measure and analyze reliability. Both values are deemed dependable if they exceed 0.6 (Hair et al., 2022). Based on the reliability analysis presented in Table 4, Cronbach's alpha and Composite reliability values are depicted variables indicate acceptable figures, i.e., above 0.6. Thus, it can be inferred that each research variable is capable of considered reliable in accordance with the established reliability test criteria. Additionally, the research findings show the absence of multicollinearity among the research variables.

# The Result of Coefficient Determination (R<sup>2</sup>)

Table 5. The Result of R<sup>2</sup>

Variable	Conclusion		
CL	0.644	Moderate	

During data analysis, the coefficient of determination (R<sup>2</sup>) for SQ, FQ, PF, and CS are moderate, explaining 64.4% of the endogenous variable. The remaining 35.6% is accounted for by other variables not explored in this research.

# The Result of Effect Size (F<sup>2</sup>)

Table 6. Test Result of Effect Size (f<sup>2</sup>)

Variable	f <sup>2</sup>		
variable	CL	CS	
CS	1.810	-	
SQ	-	0.073	
FQ	-	0.127	
PF	-	0.282	

In the effect size (f<sup>2</sup>) test results, the PF variable has a moderate effect of 0.282, while FQ and SQ have small effects on CS, 0.127 and 0.073, respectively. The variable CS, as a mediating variable, has the largest effect on CL, amounting to 1.810.

## The Result of Hypothesis Testing Result

Table 7. Test Result of Research Hypothesis Result

Variables		V 1		D 14
Variables		Path Coefficient	P-values	Result
The SQ has a positive and significant influence on CS at JJ coffee shop in Jakarta.	$H_1$	0.207	0.001	Supported
The FQ has a positive and significant influence on CS at JJ coffee shop in Jakarta.	$H_2$	0.301	0.000	Supported
PF has a positive and significant influence on CS at JJ coffee shop in Jakarta	$H_3$	0.434	0.000	Supported
CS has a positive and significant influence on CL at JJ coffee shop in Jakarta.	$H_4$	0.803	0.000	Supported
SQ has a positive and significant influence on CL at JJ coffee shop in Jakarta, mediated by CS.	H <sub>5</sub>	0.166	0.001	Supported
FQ has a positive and significant influence on CL at JJ coffee shop in Jakarta, mediated by CS.	$H_6$	0.241	0.000	Supported
PF has a positive and significant influence on CL at JJ coffee shop in Jakarta, mediated by CS.	$\mathrm{H}_{7}$	0.349	0.000	Supported

According to the outcomes of hypothesis testing in the study, it is explained H<sub>1</sub> implies that SQ has a positive and significant impact on CS, with a p-value (0.001) below 0.05. The outcome of hypothesis testing related to SQ indicate a positive and significant impact on CS, aligning with the support for H<sub>1</sub>. This discovery aligns with earlier studies (Ali et al., 2021; Debora, 2018; Febrianti & Keni, 2021) which assessed SQ from the employees, including their ability to understand customer needs, provide assistance, display attentiveness, deliver prompt and courteous service, and present a neat appearance. Fulfilment of these aspects of SQ contributes to CS with the provided services.

H<sub>2</sub> suggests that FQ has a positive and significant impact on CS, with a p-value (0.000) below 0.05. Hypothesis testing H<sub>2</sub> also received support, in line with findings from previous studies (Abdullah et al., 2018; Setiadi & Ruslim, 2023; Zhong & Moon, 2020)affirming that FQ has a positive and significant influence on CS. This study found that FQ, encompassing aspects of taste, portion size, menu variety, and accuracy of presentation temperature, significantly affects CS. The alignment of these aspects with customer expectations of the food and beverages they receive contributes to CS.

H<sub>3</sub>, testing the impact of PF on CS, also shows a positive and significant effect, with a p-value (0.000) below 0.05. The third hypothesis H<sub>3</sub> was also confirmed received support, consistent with the results of prior research (Alzoubi et al., 2020; Bernarto et al., 2021; Setiawan et al., 2020) indicating that the impact of PF has a positive and significant effect on CS. Pricing considerations, including affordability, fairness, comparison with quality, and offering better prices than elsewhere, can significantly influence CS. CS can be achieved when the prices of food and beverages are deemed affordable by customers.

H<sub>4</sub> implies that CS has a positive and significant effect on CL, with a p-value (0.000) below 0.05, supporting H<sub>4</sub>. Hypothesis testing the fourth H<sub>4</sub> indicates that CS has a positive and significant impact on customer loyalty. This hypothesis is supported and aligns with previous research (Alam et al., 2022; Moorthy et al., 2018; Pambudi et al., 2018) This finding also confirms the results of the empirical gap, stating that CS occurs when customers feel that the decision to visit a place is a

wise and appropriate decision in making a purchase. Fulfilment of expectations regarding food and overall service satisfaction makes customers happy, which, in turn, facilitates the formation of CL. Customers will remain committed to making repeat purchases at that location and will not switch to other competitors.

H<sub>5</sub>, H<sub>6</sub>, and H<sub>7</sub> testing the influence of SQ, FQ, and PF on CL mediated by CS suggest significant effects, with p-values below 0.05. Therefore, H<sub>5</sub>, H<sub>6</sub>, and H<sub>7</sub> are supported. The fifth hypothesis H<sub>5</sub> is supported and consistent with previous research (Keni & Sandra, 2021; Ruslim et al., 2023; Slack & Singh, 2020).asserting that the influence of SQ on CL mediated by CS has a positive and significant impact. When SQ is met and attended to, customers feel satisfied and pleased with their purchasing experience, creating a positive impression and fostering CL.

In the outcomes of the sixth hypothesis H<sub>6</sub>, the impact of FQ on CL mediated by CS also shows a positive and significant impact, in line with previous research findings (Krisnayanti & Sinambela, 2022; Kunadi & Wuisan, 2021; Sari & Siregar, 2019). Previous studies affirm that CS can be an effective mediator in positively and significantly influencing the association among FQ and CL. In conclusion, CL to a place can be established via satisfying experience with the quality of food, which is expected to meet customer expectations and create satisfaction.

The seventh hypothesis H<sub>7</sub>, stating that PF has a positive and significant impact on CL mediated by CS, also receives support. This finding aligns with previous research (Adrian & Keni, 2023; Susanti, 2019). Customers feel happy and satisfied when prices are considered fair and in line with what they receive, corresponding to the quality they obtain. This has a positive impact, encouraging customers to remain loyal and committed to that place.

## 4. CONCLUSIONS AND SUGGESTIONS

Drawing from the examination outcomes and discussions, it can be inferred from this study that there is a positive and significant influence of SQ, FQ, and PF on CS in JJ Coffee Shop in Jakarta. Furthermore, there is a positive and significant relationship between CS and CL at JJ Coffee Shop in Jakarta. Additionally, it was also found that there is a positive and significant impact of SQ, FQ, and PF on CL, which is mediated by CS in the JJ coffee shop in Jakarta.

From the discoveries of this study, various recommendations are provided with the hope of benefiting the company and serving as a foundation for future studies. For subsequent research, it is recommended to broaden the geographical scope beyond Jakarta to obtain a more diverse sample. Additionally, future research could incorporate unexplored variables, consider cultural aspects in modelling loyalty, and increase the sample size for greater representativeness.

In the context of this study, it is anticipated that the contributions can also assist JJ Coffee Shop in enhancing customer satisfaction and loyalty. Regarding price fairness, it is suggested that JJ Coffee Shop innovate by offering more competitive pricing options compared to similar competitors. Furthermore, continuous attention to improving the quality of food served to customers is deemed crucial. By providing appropriate portion sizes of food and beverages, it is expected to enhance customer satisfaction, create a sense of delight, and ensure that purchases meet expectations, thereby fostering loyalty. It is also advised to continue paying attention to and enhancing the quality of service by encouraging employees to be more proactive in attending to customers, including providing menu recommendations tailored to their preferences. The proactive and attentive attitude of employees towards customers can create an environment where customers feel

valued and respected in every transaction, with the hope of encouraging them to remain loyal to JJ Coffee Shop.

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