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THIS ARTICLE IS AVAILABLE IN:

http://journal.umy.ac.id/index.php/mb

DOI: 10.18196/mb.v15i2.22441

CITATION:

Silalahi, R. V., & Novenson, N. (2024). Unlocking Customer Loyalty in Indonesian Local Coffee Shops: An InDepth Analysis of The Influential Factors. *Jurnal Manajemen Bisnis*, 15(2), 419-446.

ARTICLE HISTORY

Received:

22 May 2024

Revised:

29 Jul 2024 02 Aug 2024

17 Sep 2024

Accepted:

30 Sep 2024



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Unlocking Customer Loyalty in Indonesian Local Coffee Shops: An In-depth Analysis of The Influential Factors

Rudy Vernando Silalahi* and Novenson

Abstract

Research aims: The purpose of this study is to investigate and assess the impact of various factors on customer loyalty within Indonesian local coffee shops. Specifically, the research aims to explore how value co-creation, product quality, store ambiance, and service quality influence consumer satisfaction. Additionally, the study will examine the relationships among switching costs, customer loyalty, and trust, as well as the mechanisms by which switching costs and trust affect loyalty through the mediating role of satisfaction. Through this comprehensive analysis, the study seeks to provide insights into the dynamics of customer loyalty in the coffee shop industry.

Design/Methodology/Approach: In this study, the main quantitative research method was cross-sectional surveys. The hypotheses were assessed using SEM-PLS and Smart PLS.

Research findings: The research findings provide valuable insights related to the factors that influence consumer loyalty in the local coffee shop industry in Indonesia, emphasizing the importance of customer satisfaction, switching costs, trust, and the role of mediating factors in fostering long-term loyalty among customers

Theoretical Contribution/Originality: The theoretical contribution and originality of the study lie in its exploration of value co-creation, mediating factors, empirical analysis techniques, localized context, and practical implications within the context of consumer loyalty in local coffee shops in Indonesia. These aspects contribute to advancing knowledge in the field of consumer behavior and loyalty within the coffee shop industry.

Practitioners/Policy Implications: By implementing these practical implications, practitioners and policymakers in the coffee shop industry can enhance customer satisfaction, build loyalty, and create a competitive advantage in the market. These recommendations aim to improve customer experiences, strengthen relationships, and drive business growth in the local coffee shop sector in Indonesia.

Research Limitations/Implications: The research model may have limitations in capturing the full complexity of customer loyalty dynamics. Including additional variables or exploring different theoretical frameworks could provide a more comprehensive understanding of the factors influencing loyalty.

Keywords: Coffee Shop; Customer Satisfaction; Customer Loyalty; Value Cocreation; IPMA

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Introduction

Coffee shops have become fundamental to urban culture worldwide, serving as both coffee providers and social hubs. In Indonesia, coffee is relished by both the young and adults, contributing to its significance in social gatherings and workspaces (Azzahra & Hidayat, 2023). Statista reports that Indonesian coffee consumption reached 4.8 million 60-kg bags during the 2019/2020 period (Statista, 2023). As the globe's third-largest coffee producer, Indonesia has seen its coffee production increase over the past five years, with a 2022 output of 794.8 thousand tons and a 1.1% year-on-year rise (Portal Informasi Indonesia, 2023). To navigate the evolving coffee market, industry entrepreneurs must understand these shifts to effectively address challenges and seize opportunities within Indonesia's burgeoning coffee sector.

In the coffee shop business, customer loyalty is essential for sustaining and growing the company, as loyal customers are vital to business success (Erlina & Hermawan, 2021). Thus, businesses continually aim to provide top-notch service. Several factors affecting customer loyalty are identified, such as service quality, product quality, store atmosphere, and customer satisfaction (Saputri, 2022). Service quality, defined as how well a service meets or exceeds customer expectations, is particularly crucial and plays a significant role in building and maintaining strong customer relationships, helping businesses stand out in competitive markets (Agyapong, 2011).

According to Kotler and Armstrong (2012), a product encompasses anything offered to the market to satisfy needs or desires, including physical goods like motorcycles, TVs, and books, as well as services such as restaurants and transportation. Products can also extend to people, places, organizations, and ideas (Putro et al., 2014). Additionally, the term "atmosphere" refers to strategies employed to craft a purchasing environment that elicits specific emotional responses in buyers, thereby encouraging purchases. This involves using visual cues like color and lighting, aural elements such as music and noise levels, tactile aspects including cleanliness and comfort, and olfactory factors like scents (Budiman & Dananjoyo, 2021). Kotler and Armstrong (2012) also note that customer satisfaction hinges on the perceived performance of a product compared to customer expectations. If performance falls short, customers may feel disappointed or dissatisfied, whereas matching or exceeding expectations leads to satisfaction or even high satisfaction. Customer loyalty stems from consistently positive experiences with a brand over time, driven by satisfaction and effective complaint handling. Mardikawati and Farida (2013) highlight that customer satisfaction results from a company's ability to address complaints and deliver performance that encourages repeat purchases.

The coffee shop industry is currently experiencing significant challenges in fostering customer loyalty, which is evident from recent studies. For instance, a report by customersDNA reveals that only 41% of Starbucks customers identify as "loyal," while a considerable 53% are categorized as "roamers," frequently visiting other coffee shop chains. Similarly, Dunkin' Donuts shows that only 42% of its customers are loyal, with 53% also roaming to competitors. In contrast, McDonald's stands out with a loyalty rate of 62%, indicating a stronger hold on its customer base compared to traditional coffee shops.

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This high frequency of brand-switching across prominent coffee chains underscores a general lack of customer loyalty within the coffee shop sector. Given these troubling statistics, there is an urgent need to conduct a comprehensive investigation into the underlying factors influencing brand loyalty, particularly within Indonesia's coffee shop chain industry. Supporting this inquiry, a preliminary survey has been conducted with 104 respondent, gathering data to better understand customer perceptions and behaviors that contribute to loyalty. Results from the questionnaire indicate that a significant majority of respondents (78.8%) feel a lack of loyalty toward the coffee shops they frequent. This finding highlights the necessity for further exploration into the motivations and experiences of customers, aiming to identify strategies that coffee shops can implement to enhance loyalty and retain their clientele.

According to Chen (2012), satisfaction does not always directly lead to loyalty. The influence of satisfaction on loyalty can vary due to factors like industry structure, competitiveness, customer segments, and mediators or moderators within the relationship (Kumar et al., 2013). This study investigates mediators such as switching costs and trust. While Kim et al. (2016) identify switching costs as significant determinants of customer loyalty, Chuah et al. (2017) highlight the lack of consensus regarding their role in the satisfaction-loyalty link. Trust is emphasized by Saulina and Syah (2018) as crucial for building long-term customer relationships, especially in service industries. This study aims to determine whether the direct effect of satisfaction on loyalty is stronger or weaker compared to the indirect effect mediated by switching costs and trust.

According to Kim et al. (2016), switching costs are key determinants of customer loyalty. However, Chuah et al. (2017) note that the role of switching costs in linking satisfaction to customer loyalty remains inconclusive. Trust is identified by Saulina and Syah (2018) as crucial for establishing and maintaining long-term customer relationships, particularly within the service industry. They emphasize the vital role of trust in the customer-company relationship. This study utilizes mediating variables to assess whether the direct effect of satisfaction on loyalty is stronger or weaker than the indirect effect mediated by switching costs and trust.

Engaging customers in collaborative processes, such as allowing them to customize their drinks, can create shared value and deepen relationships between coffee shop operators and patrons (Riyanti & Lesmana, 2021). Furthermore, satisfied customers are more likely to recommend coffee shops to others, enhancing loyalty through word-of-mouth (Yen et al., 2020). The use of social networking services (SNS) facilitates interactive marketing strategies, enabling engagement through comments and shares, which positions value cocreation as vital for fostering loyalty in the coffee shop sector (Kwon & Namkung, 2022). Despite these potential benefits, preliminary findings indicate that value co-creation practices are not widely adopted in the coffee shop industry, creating an opportunity for further research. This study employs VOSviewer software to analyze and visualize relationships within literature on "loyalty" and "coffee shop," processing 50 articles from Google Scholar (2019-2023). The analysis reveals that research on value co-creation in this context is limited, as indicated by smaller node sizes and greater distances between them, which reflect fewer studies and weaker associations (Tanudjaja & Kow, 2018). This

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highlights a research gap regarding the impact of value co-creation on customer loyalty, providing an opportunity for this study to contribute valuable insights. By including the value co-creation variable and assessing its impact alongside other latent exogenous variables, the research aims to explore how coffee shops can utilize collaborative practices to enhance customer loyalty. This innovative approach may lead to practical applications in improving customer retention strategies within the coffee shop industry.

Literature Review and Hypotheses Development

Loyalty

According to Akdogan et al. (2012), loyalty is the result of a view of product excellence, individual resilience, social connection, trust, emotional bonds, and the synergistic impact of these factors. Customer loyalty involves a strong commitment from consumers to consistently choose their preferred service or product in the future, despite facing various situational constraints and marketing efforts that can potentially influence changes in consumer behavior (Dawi et al., 2020). Based on some of the previous definitions, it can be concluded that loyal consumers are willing to give positive recommendations through mouth. Therefore, consumer loyalty becomes a valuable tool for marketers in directly promoting their offers.

Satisfaction

According to Kim et al. (2021), satisfaction is defined as the assessment that a product or service feature fulfills consumption needs in a way that provides pleasure. It represents a positive response based on past experiences, occurring when a product meets or exceeds consumer expectations. Satisfaction is not merely about the purchasing experience or specific consumption outcomes; it is also a perception that evolves through an evaluative process where consumers compare anticipated outcomes with actual results. This assessment, signaling a change in consumer attitudes due to the consumption experience, helps in understanding and evaluating consumer satisfaction, which Effendy (2019) describes as the result of comparing product performance with consumer expectations.

Value co-creation and satisfaction

Co-creation is a collaborative process in which customers actively engage with companies to adapt and innovate new products and services, acting as value creators by merging resources. This approach enhances value for both customers and companies. Initially viewed as the organization shaping value, co-creation has evolved into an interactive process between customers and companies that jointly create value, as noted by Iglesias et al. (2013). Vargo and Lusch (2016) describe value co-creation as the actions of various parties contributing to each other's well-being, even if they are unaware of one another. Ultimately, co-creation is about active customer participation alongside companies to drive innovation, involving collaboration across all parties to combine resources and enhance collective value.

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Previous research underscores the extensive theoretical framework of value co-creation. with co-production as a key component where customers actively share information, offer suggestions, and engage in decision-making Assiouras et al. (2019); Chan et al. (2010). Ranjan and Read (2014) describe co-production through three elements: knowledge, where customers share ideas and needs; equity, involving a company's openness to share control and the customers' willingness to engage; and interaction, focusing on engagement opportunities to understand and meet needs. Vargo and Lusch (2016) emphasize "Value in Use," indicating that consumers are creators of value, which evolves dynamically and contextually through interaction with a company's value proposition. Dimensions like experience, relationship, and personalization are central to value co-creation, where customer satisfaction stems not only from perceived value but also from sustained interaction with products or services Ranjan and Read (2014); Yang et al. (2017). A well-crafted store ambiance can significantly differentiate businesses, enhance satisfaction, and influence purchasing decisions, making it essential for owners to focus on creating pleasant environments (Effendy, 2019). High customer involvement in co-production processes correlates with increased satisfaction, as highlighted by Buonincontri et al. (2017), while positive perceptions of value co-creation further boost satisfaction (Opata et al., 2021); (Frempong et al., 2018). Consequently, a hypothesis emerges that value co-creation positively influences customer satisfaction.

 H_1 : Value co-creation can significantly and positively influence satisfaction.

Product quality and satisfaction

The quality of a product or service is fundamentally determined by its capacity to satisfy explicit or implicit consumer needs (Anam et al., 2020). Febrianto (2019) further elaborates that high-quality products are those that meet or surpass customer expectations. These expectations are often defined through various quality attributes or dimensions, which serve as benchmarks for assessing whether a product or service delivers the anticipated performance and satisfaction levels. Understanding and aligning with these quality attributes is crucial for businesses aiming to ensure their offerings resonate with consumer demands, thereby fostering satisfaction and loyalty.

According to Kotler and Armstrong (2012), product quality is the aggregate of a product's characteristics that determine its ability to satisfy consumer needs. Product quality serves as a vital criterion for consumers when selecting products, enabling companies with high-quality offerings to effectively compete for market share (Situmeang et al., 2020). Research has consistently shown that product quality positively impacts customer satisfaction (Jahanshahi et al., 2011). This is supported by Waluya et al. (2019), whose study demonstrates a significant positive relationship between product quality and customer satisfaction, and by Situmeang et al. (2020), who also confirm this effect. Therefore, the hypothesis suggests that product quality positively influences customer satisfaction.

H₂: Product Quality can significantly and positively influence satisfaction.

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Store atmosphere and satisfaction

Atmosphere, as initially defined by Kotler, refers to the strategic design of a purchasing environment that elicits specific emotions in consumers. It encompasses elements such as exterior, general interior, store layout, and appearance, all tailored to attract and satisfy the target market. A well-planned store atmosphere not only enhances food quality perceptions but also contributes to positive emotions, consumer intent, satisfaction, and loyalty. This unique environment can differentiate a store from others and significantly influence consumer decisions to make purchases (Purwadi et al., 2020). Business owners need to recognize the crucial role of store atmosphere in enhancing the shopping experience to ensure consumer satisfaction. As emphasized by Effendy (2019), consumers are unlikely to recommend a restaurant unless it offers an appealing atmosphere that aligns with their preferences.

According to Berman and Evans (2004), atmosphere refers to the physical characteristics of a store that are designed to create an image and attract customers. In cafés, atmosphere is crucial for shaping customer impressions and attracting patrons. Research by Santika et al. (2017) shows that the store atmosphere significantly influences customer satisfaction, suggesting that a well-crafted atmosphere can enhance satisfaction. Effendy (2019) also found that a positive store atmosphere significantly affects customer satisfaction, reflecting general customer approval of the ambiance. Rayuwati et al., (2022) support these findings, demonstrating a positive and significant relationship between store atmosphere and customer satisfaction. Consequently, it is hypothesized that the store atmosphere positively impacts customer satisfaction.

H₃: Store Atmosphere can significantly and positively influence satisfaction.

Service quality and satisfaction

According to Udayana et al. (2022), service quality refers to the performance provided by a person to another person. This performance can be interpreted as a form of service provided by the company to consumers, including in the process of selecting products and transactions. According to Effendy (2019), the service quality indicator consists of tangibles, reliablity, responsiveness, assurance, and emphaty. According to Zeithaml (1988), service quality is defined as the customer's assessment of the overall excellence or superiority of the service product.

Previous research indicates that service quality positively influences brand image, customer satisfaction, and customer loyalty (Dam & Dam, 2021). Research conducted by Uzir et al. (2021) also states that service quality has a positive and significant impact on customer satisfaction. A study by Li et al. (2021) also shows similar results, where service quality has a positive and significant effect on customer satisfaction. Based on these arguments, the hypothesis can be concluded as follows.

*H*₄: Service Quality can significantly and positively influence satisfaction.

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Satisfaction and switching cost

According to Hadi et al. (2019), switching costs are expenses incurred by customers when they switch to a different product or service provider—costs which do not exist if they remain loyal to their current provider. Kadarusman (2019) further defines these as "one-time costs" customers face during such transitions. Thus, switching costs are the financial or effort-based expenses customers face only when opting to switch providers. Research has shown that customer satisfaction positively influences switching costs. Tamam et al. (2019) and Nauvan et al. (2022) both demonstrate that higher customer satisfaction is associated with increased switching costs. Therefore, the hypothesis suggests that customer satisfaction positively impacts switching cost

 H_5 : Satisfaction can significantly and positively influence switching cost.

Satisfaction and trust

According to Zeren and Kara (2021), trust is a critical factor in a successful relationship between two parties. Trust involves the belief that consumers can rely on the company, and the absence of such a feeling can lead to doubts in conducting transactions with the company. According to Althuwaini (2022), trust in a brand refers to the state where consumers are willing to rely on the brand due to its reliability and integrity in fulfilling the announced functions. Therefore, it can be concluded that trust is a critical factor in the success of a relationship between two parties, encompassing the belief that consumers can depend on the company, and trust also refers to the state where consumers are willing to rely on the brand due to its reliability and integrity in fulfilling the announced functions. Previous research indicates that customer satisfaction has a positive impact on trust Assaker et al. (2020). A study conducted by Ruan et al. (2022) also indicates similar results that customer satisfaction has a positive and significant impact on trust. Based on these arguments, the hypothesis can be concluded as follows.

H₆: Satisfaction can significantly and positively influence trust.

Satisfaction and loyalty

Customer satisfaction plays a crucial role in fostering customer loyalty, enhancing customer engagement with a company. High satisfaction levels lead to sustained customer relationships. Previous research by Ali et al. (2021) indicates that customer satisfaction positively influences loyalty. Kim et al. (2021) further affirm that customer satisfaction significantly and positively affects loyalty. Therefore, the hypothesis posits that customer satisfaction positively impacts customer loyalty.

H₇: Satisfaction can significantly and positively influence loyalty.

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Switching cost and loyalty

Switching costs, as described by Hadi et al. (2019), refer to the expenses incurred by customers when they choose to switch from one product or service provider to another. These costs do not exist if customers remain loyal to their current provider. According to Kadarusman (2019), switching costs are characterized as a "one-time cost" that customers face when changing service providers. Thus, switching costs can be understood as the financial or hassle-related barriers that customers experience only when they decide to transition to a different product or service provider.

Customers perceive high sacrifices when switching to another service, leading them to remain with their current provider. This perception of switching costs acts as a barrier to changing services, referred to as switching barriers (Dawi et al., 2018); (Kim et al., 2018). Previous research by Widodo and Octaviany (2020) indicates that switching costs have a positive and significant impact on customer loyalty. Masturoh (2020) also found similar results, showing that switching costs significantly influence loyalty. Thus, the hypothesis posits that switching costs positively affect customer loyalty.

H₈: Switching cost can significantly and positively influence loyalty.

Trust and loyalty

Previous research indicates that trust have a significant influence on customer loyalty (Cardoso et al., 2022). A study conducted by Kalhor et al. (2021) states that trust also has a positive and significant impact on loyalty. A customer's perception of trust can lead to stronger emotional connections, increased satisfaction, and ultimately, a greater likelihood of recommending the brand to others. Together, these studies underscore the critical importance of building and maintaining trust as a strategy for businesses aiming to cultivate long-term loyalty among their customers. Based on these arguments, the hypothesis can be concluded as follows.

H₉: Trust can significantly and positively influence loyalty.

Switching cost mediates friction between satisfaction and loyalty

Switching costs can enhance operational profits by fostering customer loyalty through appealing loyalty programs. If consumers prefer a specific loyalty program, they are more likely to remain committed, even if they belong to multiple programs (Koo et al., 2020). Ranaweera and Prabhu (2003) suggest that switching costs can increase customer satisfaction if the perceived time and effort to switch are justified. Companies should enhance service features that increase switching costs without establishing purely inhibitory barriers. Research shows that switching costs positively moderate the relationship between customer satisfaction and loyalty, meaning that higher switching costs strengthen this connection (Nauvan et al., 2022). Additionally, switching costs also serve as significant mediators in forming loyalty Koo et al. (2020). Consequently, the

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hypothesis posits that switching costs positively mediate and moderate the relationship between customer satisfaction and loyalty.

 H_{10} : Satisfaction has a positive and significant influence on loyalty mediated by switching cost.

Trust mediates the relationship between satisfaction and loyalty

A survey of individuals who shop both physically and online found that pleasurable consumer experiences facilitate trust in the seller, with customer satisfaction positively impacting trust and enhancing loyalty Liu et al. (2021). Research by Haron et al. (2020) further supports that satisfaction boosts trust, which in turn positively influences customer loyalty. The findings consistently show that higher customer satisfaction leads to increased trust, and consequently, greater loyalty. Trust is identified as a mediator between customer satisfaction and loyalty. While some studies indicate that a direct relationship between satisfaction and loyalty lacks empirical support, they affirm that trust significantly mediates this relationship (Liu et al., 2021). Thus, the hypothesis posits that the relationship between satisfaction and loyalty is indirect, with trust serving as the mediator.

 H_{11} : Satisfaction has a positive and significant influence on loyalty mediated by trust.

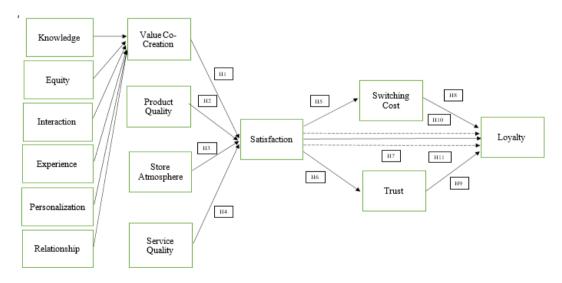


Figure 1 Conceptual Model Sources: Data Processed (2024).

Research Methods

This study uses a quantitative approach to collect primary data via a questionnaire (https://forms.gle/XifiwimiKYqmB4MN6), with purposive and snowball sampling

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techniques. Purposive sampling is selected to ensure respondents meet specific criteria, particularly as visitors to local coffee shops in Indonesia (Setiawan, 2005). Snowball sampling facilitates the spread of the questionnaire through referrals among respondents. The target population includes patrons of establishments like Anak Panah Kopi, Anomali Coffee, and other local coffee shops. The questionnaire uses a Likert scale from 1 (strongly disagree) to 5 (strongly agree) and is distributed through social media platforms such as Instagram and WhatsApp. Using structural equation modeling, a sample size greater than 130 is recommended, following guidelines for constructs with multiple arrows, like value co-creation (Hair et al., 2014). The Partial Least Squares Structural Equation Modeling (PLS-SEM) includes two main stages: the Outer Model, assessing reliability and validity, and the Inner Model, testing structural relationships. Reliability is tested via outer loadings and Cronbach's alpha, while validity involves evaluating convergent validity with Average Variance Extracted (AVE) and discriminant validity using the Heterotrait-Monotrait ratio (HT-MT). Once criteria are met, structural testing examines multicollinearity via Variance Inflation Factor (VIF), analyzes path coefficient significance, and assesses explanatory (R²) and predictive power (PLS-predict). Importance-Performance Map Analysis (IPMA) is then used to gain deeper insights into the model's constructs, prioritizing and assessing performance.

Results and Discussion

Table 1 reveals that a majority of respondents are female (56.7%), aged between 17 and 25 years (45.6%), and primarily students (37.3%). Most respondents frequently visit local coffee shop Kopi Kenangan (19%). After collecting this data, SmartPLS4 software is employed for analysis using Structural Equation Modeling (SEM), which integrates path and factor analysis (Hair et al., 2014). Partial Least Squares Structural Equation Modeling (PLS-SEM) is used for analyzing complex relationships between constructs and indicators, following rules of thumb for interpreting outcomes (Hair et al., 2019).

Evaluating the measurement model begins with examining indicator loadings, aiming for values above 0.708 to ensure constructs explain over 50% of indicator variance, signifying acceptable reliability (Hair et al., 2019). Internal consistency reliability is assessed using Jöreskog's composite reliability, with scores between 0.60 and 0.70 deemed acceptable for exploratory research. Convergent validity, measured by average variance extracted (AVE), should be 0.50 or higher, indicating that constructs explain at least half of the variance of their indicators (Hair et al., 2019). Finally, discriminant validity is evaluated using the heterotrait-monotrait (HTMT) ratio, with a threshold value of 0.90 for acceptable distinction between constructs in the model (Henseler et al., 2015).

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Table 1 Characteristics of Respondents

Group	Entire	%
Gender		
Man	114	43.3
Feamale	149	56.7
Age		
17 – 25 years old	120	45.6
26 – 40 years old	101	38.4
41 – 55 years old	39	14.8
56 – 75 years old	3	1.1
Type of work		
Students/Students	98	37.3
Private Employee	96	36.5
Public Employee	38	14.4
Mother/Father of the House	19	7.2
Businessman	1	0.4
Self employed	1	0.4
Lecturer	1	0.4
Unemployment	9	3.4
Frequently Visited Coffee Shops		
Anak Panah Kopi	11	4.2
Anomaly Coffee	20	7.6
Fore	28	10.6
Janji Jiwa	46	17.5
Kopi Dari Hati	18	6.8
Kopi Kenangan	50	19
Kopi Kulo	13	4.9
Kopi Lain Hati	15	5.7
Kopi Soe	15	5.7
Titik Koma	24	9.1
Tuku	10	3.8
Other local coffee shops	13	4.5

Sources: Data Processed (2024)

Table 2 suggests that, according to (Hair et al., 2019), indicators with outer loadings between 0.40 and 0.70 should only be considered for removal if their exclusion improves composite reliability and AVE past the recommended thresholds. However, the impact on content validity must also be factored in when deciding to remove such indicators. Sometimes indicators with lower outer loadings are retained because they contribute significantly to content validity, and when the AVE for the construct is already above 0.50, these indicators can be kept. This study uses an embedded two-stage approach to model the higher-order construct of value co-creation. As noted by Sarstedt et al. (2019), higher-order constructs help reduce the number of path model relationships, contributing to model parsimony.

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Table 2 Convergent validity

Var.	ltem	Outer Loading	AVE
VCC		-	0.706
KNO	The coffee shop service provider is open to my idea of an existing service	0.755	
	Coffee shop service providers are open to my ideas for developing new menus	0.792	
	The coffee shop service provider provided me with enough examples and information about their menu	0.670	
	I would happily put in the time and effort to Sharing ideas with this coffee shop to help improve its services	0.676	
	This coffee shop provides an opportunity for me to share ideas	0.791	
EQU	The processes in this coffee shop are tailored to my needs (according to my wishes)	0.680	
	This coffee shop considers my role as important as its own in this process	0.760	
	I and the coffee shop service provider have the same role in determining the final result of this process.	0.770	
INT	In this coffee shop, I can easily express my specific needs	0.617	
	This coffee shop conveys relevant information to customers related to the menu and ordering process	0.427	
	This coffee shop provides ample opportunities for customers to interact with it	0.700	
	To get the most out of my visit to this coffee shop, I need to actively participate during the interaction	0.765	
EXP	This coffee shop provided a memorable experience for me	0.618	
	Depending on the nature of my own participation, my experience in the service may differ from that of other consumers	0.738	
	I have the opportunity to improve the process by experimenting and trying new things	0.774	
FOR	The benefits, value, or pleasure of the service process depend on the consumer	0.733	
	This Coffee Shop strives to serve the individual needs of each of its consumers	0.483	
	This coffee shop provides an overall good experience, beyond the 'functional' benefits	0.763	
REL	I feel a sense of connection or relationship with this coffee shop.	0.806	
	I feel like there is a group, community, or network of consumers who are fans of Coffee shop	0.618	
	This coffee shop is famous because its customers usually spread positive words about it on their social networks	0.736	
FOR	The products in this Coffee Shop have a good taste	0.625	0.538
	The menu offered at the Coffee Shop varies	0.728	
	The orders served at the Coffee Shop are always in accordance with the customer's order	-	
	The presentation of products at the Coffee Shop is always in accordance with the description in the menu book	-	
	The products in the Coffee Shop still have a good taste, both when served hot and cold	0.780	
	The product display from Coffee Shop is always attractive	-	
	The products served at the Coffee Shop are considered quality by customers	0.680	
STO	The front view of the Coffee Shop has its own characteristics	0.825	0.518
	The room in this Coffee Shop has adequate lighting.	0.732	
	The music played at the Coffee Shop is pleasant to listen to	0.557	
	The distance between the tables at the Coffee Shop makes it easier for customers to walk	0.730	
	This Coffee Shop has a neat layout and equipment arrangement	-	
	This Coffee Shop has clearly visible posters and signs (instructions)	0.711	
	This Coffee Shop has a unique theme	0.701	

Sources: Data Processed (2024)

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Table 2 Convergent validity (cont')

Var.	ltem	Outer	AVE
	This coffee shop is famous because its customers usually spread positive words about it on their	Loading 0.736	
	social networks	0.730	
PRO	The products in this Coffee Shop have a good taste	0.625	0.538
	The menu offered at the Coffee Shop varies	0.728	
	The orders served at the Coffee Shop are always in accordance with the customer's order	0.506	
	The presentation of products at the Coffee Shop is always in accordance with the description in the menu book	0.258	
	The products in the Coffee Shop still have a good taste, both when served hot and cold	0.780	
	The product display from Coffee Shop is always attractive	0.623	
	The products served at the Coffee Shop are considered quality by customers	0.680	
STO	The products in this Coffee Shop have a good taste	0.825	0.518
	The menu offered at the Coffee Shop varies	0.732	
	The orders served at the Coffee Shop are always in accordance with the customer's order	0.557	
	The presentation of products at the Coffee Shop is always in accordance with the description in	0.543	
	the menu book		
	The products in the Coffee Shop still have a good taste, both when served hot and cold	0.711	
SER	Coffee shop employees can be relied on in providing	0.681	0.548
	Service		
	Coffee shop employees serve quickly and immediately	0.500	
	Coffee shop employees are being disrespectful	0.554	
	Employees are caring in dealing with customers	0.678	
	Coffee shop employees record customer complaints and take corrective action	0.705	
SAT	I am satisfied with the taste of the coffee in this coffee shop	0.692	0.579
	I am satisfied with the service of the employees at this coffee shop	0.705	
	I am satisfied with the atmosphere of this coffee shop	0.787	
	I am satisfied with the recommendations I have given to coffee shops to improve my visiting experience	0.803	
	In general, I am satisfied with the service provided by the coffee shop	0.810	
TRU	This coffee shop gave me everything I expected	0.719	0.573
	This coffee shop disappointed me	0.705	
	I rely on this coffee shop	0.842	
	This coffee shop is honest	0.756	
SWI	In general, I am satisfied with the service provided by the coffee shop	0.803	0.552
	In general, it will cost a lot of money to switch to a new coffee shop	0.800	
	In general, it will take a lot of time to switch to a new coffee shop	0.766	
	In general, it will take a lot of effort to switch to a new coffee shop	0.586	
	I will lose the credit and service that has been	0.647	
	accumulated in the current coffee shop if I switch to a new coffee shop		
	I will lose the benefits of being a term customer	0.749	
	long in the current coffee shop if I switch to a new coffee shop		
	It will take a lot of time to evaluate the learning resources and services of the new coffee shop	0.819	
LOY	I will continue to visit this coffee shop in the future	0.796	0.551
	If I need coffee, this coffee shop will be my top choice	0.846	
	I'm willing to pay more to get the product	0.811	
	as well as the services offered at this Coffee Shop		
	I would highly recommend this coffee shop to friends and relatives	0.561	
	I will spread positive information about coffee shop to others	0.658	

Sources: Data Processed (2024)

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Based on Table 3, all constructs have composite reliability values exceeding the 0.7 threshold, indicating sufficient reliability. Although the Cronbach's alpha for the service quality variable falls below this threshold. Hair et al. (2019) suggest that Cronbach's alpha is a less precise reliability measure due to its unweighted nature. Thus, the instrument's reliability is adequately assessed using composite reliability.

Table 3 Measurement of Instrument Reliability

	,	
Variable	Cronbach α	CR
VCC	0.916	0.857
PRO	0.717	0.822
STO	0.812	0.865
SER	0.589	0.784
SAT	0.817	0.873
TRU	0.752	0.842
SWI	0.865	0.895
LOY	0.793	0.857

Source: Data Processed (2024)

Henseler et al. (2015) proposed that the HTMT (heterotrait-monotrait) ratios should not exceed 0.90 to ensure good discriminant validity. Table 4 shows that the HTMT ratios for the constructs are all below this threshold, indicating that the constructs are distinct from one another. This study did not apply a fit test to the research model. Tenenhaus et al., (2005) suggested the GoF (Goodness-of-Fit) Index for PLS as a global validation tool for PLS models. However, (Henseler et al., 2012) questioned the GoF's usefulness, noting its inability to differentiate between valid and invalid models and its inapplicability to formative measurement models. Consequently, Hair et al., (2014) advise against using GoF as a fit measure in PLS-SEM.

Table 4 Measurement of Instrument Discriminant Validity

Variabel	LOY	PRO	SAT	SER	STO	SWI	TRU	VCC
LOY								
PRO	0.437							
SAT	0.517	0.804						
SER	0.764	0.488	0.741					
STO	0.521	0.816	0.862	0.680				
SWI	0.595	0.301	0.388	0.650	0.443			
TRU	0.455	0.501	0.874	0.710	0.531	0.442		
VCC	0.732	0.583	0.593	0.824	0.639	0.703	0.528	

Source: Data Processed (2024)

Based on Table 5 and Table 6, it can be seen that there are 7 initial hypotheses are supported and 2 hypotheses are not supported. Hypothesis 1 proposed that value co-creation positively and significantly influences satisfaction, but the results show a path coefficient of 0.009 and a P-value of 0.453, indicating that the influence is not statistically significant, thus not supporting the hypothesis. This suggests that the expected impact of value co-creation on satisfaction may not be as direct or substantial as theorized in this context. Co-creation value does not significantly influence customer satisfaction in local coffee shops in Indonesia for several reasons. Consumers prefer consistent traditional

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service models that provide familiarity and reliability over interactive experiences. Their primary focus is on the price and quality of coffee; when these are satisfactory, the value of co-creation is perceived as minimal. Additionally, many customers lack interest or understanding of their potential involvement in the coffee-making process, making co-creation seem irrelevant. Operational limitations in local coffee shops, such as inadequate resources, can also make co-creation feel burdensome. Lastly, customers prioritize time and convenience, often preferring quick and simple experiences, which further diminishes the impact of co-creation on satisfaction. This finding contrasts with previous research by (Frempong et al., 2018) which found a significant relationship, and aligns with (Opata et al., 2021) in terms of the positive relationship direction.

The Hypothesis 2, which posits that product quality positively and significantly influences satisfaction, yields a path coefficient of 0.279 and a P-value of 0.001. These results indicate a positive relationship that is statistically significant, thereby supporting the hypothesis. This finding underscores the important role of product quality in enhancing customer satisfaction, as evidenced by the significant linkage observed in the data. Product quality is fundamental in shaping the customer experience in coffee shops, directly influencing patrons' sensory perceptions and satisfaction levels. High-quality coffee, expertly crafted beverages, and fresh ingredients create memorable experiences that encourage customer satisfaction. In a competitive market, superior product quality differentiates coffee shops and appeals to discerning customers willing to pay more for excellence. Additionally, high-quality products positively correlate with perceived value and overall service quality. Customers have established expectations, and meeting or exceeding these enhances satisfaction, while poor quality can lead to disappointment. Hypothesis 2 aligns with findings from prior research, such as (Waluya et al., 2019), which demonstrated that product quality significantly and positively impacts customer satisfaction. Similarly, Situmeang et al. (2020) reported analogous results, confirming that product quality plays a crucial role in influencing customer satisfaction.

Hypothesis 3 posits that store atmosphere positively and significantly influences satisfaction, as evidenced by a path coefficient of 0.428 and a P-value of 0.000, confirming the hypothesis's validity. These results highlight the critical role of store atmosphere in enhancing customer satisfaction. The store atmosphere in local coffee shops in Indonesia significantly influences customer satisfaction through sensory experiences, such as warm lighting, soft music, and the aroma of coffee, which create a comfortable environment. Aesthetically pleasing designs encourage customers to stay longer, promoting positive word-of-mouth. These coffee shops function as social spaces with comfortable seating that enhances interaction and satisfaction. A consistent atmosphere that aligns with the brand's identity fosters emotional connections and loyalty. Additionally, a welcoming ambiance improves perceptions of product and service quality, ultimately contributing to overall customer satisfaction. In summary, a positive store atmosphere is vital for enhancing customer experience and loyalty in local coffee shops. This finding is consistent with previous studies, such as Santika et al. (2017), which demonstrated the significant impact of store atmosphere on customer satisfaction, and research by Effendy (2019), which also confirmed its positive and significant effect.

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The analysis of Hypothesis 4, which posits that service quality positively and significantly influences satisfaction, reveals a path coefficient of 0.216 and a P-value of 0.000. These results demonstrate a positive and statistically significant relationship, thereby supporting the hypothesis. This underscores the important role of service quality in enhancing customer satisfaction, as evidenced by the significant impact identified in the analysis. Service crucial in defining the customer experience in coffee shops, influencing patrons' perceptions through elements such as staff responsiveness, friendliness, and professionalism. A welcoming atmosphere enhances perceived value and satisfaction, while meeting or exceeding expectations leads to higher customer contentment; conversely, poor service can cause disappointment. Additionally, service quality positively interacts with product quality and store atmosphere, while effective conflict resolution enables staff to turn negative experiences into positive outcomes. Quality service also strengthens emotional connections between employees and customers, creating a sense of community that enhances overall satisfaction and encourages repeat visits. Hypothesis 4 aligns with prior research findings, such as those by Uzir et al. (2021), which state that service quality has a positive and significant effect on customer satisfaction. Similarly, Li et al. (2021) reported that service quality positively and significantly influences customer satisfaction, corroborating the current study's conclusion.

Hypothesis 5 proposes that satisfaction positively and significantly influences switching cost, supported by a path coefficient of 0.340 and a P-value of 0.000, indicating a statistically significant relationship. Higher customer satisfaction levels lead to increased switching costs, making customers less likely to change service providers. This occurs through various interconnected factors, as satisfaction enhances the perceived value of products and services. Satisfied customers often form emotional attachments to their coffee shops, fostering loyalty and reluctance to switch due to concerns about losing established relationships. Additionally, the recognition of unique experiences and personalized service raises perceived switching costs, as customers may doubt the availability of comparable quality elsewhere. Social and psychological dynamics contribute to this hesitation; invested customers feel burdened by the thought of leaving, particularly if they have created social networks within the coffee shop. The fear of potential dissatisfaction with a new provider further dissuades switching. Moreover, highly satisfied customers are more likely to address any issues with their current provider rather than consider alternatives, believing the benefits of staying outweigh the risks. Collectively, these factors highlight that increased customer satisfaction enhances loyalty and elevates perceived switching costs, fostering long-term relationships between customers and their preferred coffee shops. The findings align with previous research, such as Tamam et al. (2019), which found that customer satisfaction positively affects switching costs. Similarly, research by Nauvan et al. (2022) corroborates these results, affirming the positive and significant relationship between satisfaction and switching costs

Hypotesis 6 proposes that satisfaction positively and significantly influences trust, supported by a path coefficient of 0.692 and a P-value of 0.000, indicating a strong and statistically significant relationship. This suggests that higher satisfaction levels enhance trust, underscoring the critical role of customer satisfaction in fostering trust within

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customer relationships. Customer satisfaction is crucial for building trust in coffee shops due to several interrelated factors. Consistent experiences with quality products and attentive service enhance customers' perceptions of reliability. Satisfied customers find greater value in the brand, which reinforces their confidence. Emotional connections formed through satisfaction foster security and loyalty. Effective communication and transparency, such as soliciting feedback, make patrons feel valued. Additionally, satisfied customers often share positive experiences through word-of-mouth, enhancing the coffee shop's reputation. A commitment to meeting or exceeding customer expectations further reassures patrons and strengthens their trust in the brand. The findings are consistent with previous research by Assaker et al. (2020), which demonstrated that customer satisfaction positively affects trust. Similarly, Ruan et al. (2022) confirmed that customer satisfaction has a significant positive impact on trust.

Hypothesis 7, which posits that satisfaction positively and significantly influences loyalty, is supported by a path coefficient of 0.276 and a P-value of 0.003, indicating a statistically significant relationship. This suggests that higher customer satisfaction levels lead to increased loyalty, highlighting the critical role of satisfaction in nurturing consumer loyalty. Customer satisfaction is crucial for fostering loyalty in coffee shops through various interconnected elements. Positive experiences with high-quality products, attentive service, and a welcoming atmosphere lead customers to develop strong preferences and perceive greater value. Emotional engagement plays a significant role, as satisfied customers form attachments that encourage them to choose their coffee shop over competitors. Additionally, positive word-of-mouth from pleased patrons attracts new customers and reinforces loyalty. Consistent satisfaction builds trust and reliability, enhancing customer confidence in meeting their needs while reducing perceived risks. Satisfied customers are also more likely to engage in loyalty programs, further deepening their connection to the coffee shop. Overall, these factors illustrate how higher customer satisfaction promotes loyalty and cultivates lasting relationships with preferred coffee shops. The findings are consistent with previous research, such as Ali et al. (2021), which demonstrated that customer satisfaction enhances loyalty. Similarly, Kim et al. (2021) confirmed that customer satisfaction positively and significantly impacts loyalty.

Hypothesis 8, which suggests that switching costs positively and significantly influence loyalty, is supported by a path coefficient of 0.408 and a P-value of 0.000, indicating a statistically significant relationship. This implies that higher switching costs contribute to increased customer loyalty, highlighting the importance of switching costs in fostering and sustaining loyalty. Switching costs significantly influence customer loyalty to local coffee shops in Indonesia through emotional and practical factors. Customers develop strong emotional bonds with their favorite shops, creating a sense of loss when considering switching. The time and effort spent finding and familiarizing themselves with their preferred coffee shop add barriers to change. Limited alternatives increase perceived switching costs, as customers may not find comparable quality elsewhere. Loyalty programs incentivize repeat visits by promoting the risk of losing accumulated benefits. Familiarity with the products makes customers reluctant to try new shops, while the trust and reputation built by coffee shops reinforce loyalty. The findings are consistent with previous research, such as that by Widodo and Octaviany (2020), which found that

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switching costs positively affect loyalty. Similarly, Masturoh (2020) reported that switching costs have a positive and significant impact on loyalty.

Hypothesis 9 posits that trust positively and significantly influences loyalty; however, the analysis results, with a path coefficient of 0.043 and a P-value of 0.323, indicate a positive but statistically non-significant relationship, thus not supporting the hypothesis. This implies that trust does not significantly impact customer loyalty in this study's context, suggesting that other factors may play a more substantial role in influencing loyalty. While trust is generally considered crucial in customer relationships, its impact on loyalty may vary depending on the context or industry. Trust for customer loyalty but its impact varies by industry, a phenomenon known as contextual variability. In coffee shops, factors like product quality, service efficiency, and overall customer experience often take precedence over trust. Customers tend to prioritize immediate experiences, which allows loyalty to persist even if trust is compromised, as long as they receive consistent highquality service. Emotional loyalty complicates this dynamic, with satisfied customers forming strong attachments, choosing their preferred coffee shops regardless of trust levels. Brand differentiation, such as unique products and personalized service, can also influence loyalty more than trust itself. Additionally, the gap between expectations and actual experiences may lead customers to focus on recent positive interactions rather than prior trust. Loyalty programs offering rewards can further reduce the emphasis on trust, as tangible incentives become more appealing. Situational factors, including peer recommendations, can also affect trust and loyalty. Despite these findings, previous research such as Kalhor et al. (2021) and Cardoso et al. (2022) found that trust significantly and positively influences loyalty, highlighting its importance in other settings.

Hypothesis 10 posits that satisfaction positively and significantly influences loyalty when mediated by switching cost, supported by a path coefficient of 0.139 and a P-value of 0.001, indicating a statistically significant mediated relationship. Switching costs are crucial in mediating the relationship between customer satisfaction and loyalty in local coffee shops in Indonesia. Positive customer experiences lead to satisfaction, and the time and effort invested in finding and adapting to a particular coffee shop make customers hesitant to switch. The potential loss of valued experiences reinforces the connection between satisfaction and loyalty, as customers want to maintain established relationships. Emotional costs also play a role; satisfied customers develop strong emotional bonds, making the thought of losing familiar connections and a comfortable environment a significant barrier to switching. Loyalty programs further increase switching costs by making customers aware of the benefits they would lose if they switched, thereby enhancing the satisfaction-loyalty relationship. Additionally, satisfied customers build trust in their coffee shop, and the risks associated with switching to an unknown brand discourage them from leaving. Ultimately, these switching costs lead customers to reconsider their decisions to switch, increasing their likelihood of remaining loyal to their favorite coffee shops. The findings align with previous research by Koo et al. (2020), which highlights the significant mediating role of switching costs in loyalty formation.

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The analysis of Hypothesis 11, indicating that satisfaction positively and significantly influences loyalty mediated by trust, found a path coefficient of 0.030 and a P-value of 0.323, demonstrating a positive but statistically non-significant relationship. Trust is a crucial mediator between customer satisfaction and loyalty in local coffee shops in Indonesia. Positive experiences with products and services enhance customer satisfaction, which builds trust in the brand. Consistent quality service reinforces customer confidence, forming a strong basis for loyalty. Trust mitigates uncertainty and perceived risks, making customers more likely to remain loyal. Additionally, satisfied customers develop emotional connections, further promoting loyalty despite competing offers. Trust also drives word-of-mouth recommendations, attracting new customers and reinforcing existing loyalty. It enhances perceptions of quality and value, fostering satisfaction. Coffee shops that effectively build trust can implement successful loyalty programs, ensuring continued patronage. Overall, trust plays a significant role in linking satisfaction to loyalty, emphasizing its importance in cultivating customer loyalty through consistent positive experiences. This finding contrasts with previous research, such as Liu et al. (2021), which identified trust as a key mediator in the satisfaction-loyalty relationship. In switching cost acts as a partial mediator in the relationship between satisfaction and loyalty, as evidenced by the greater path coefficient of the direct effect (0.276) compared to the indirect effect mediated by switching cost. Conversely, the trust variable does not serve as an effective mediator in this context, as Hypothesis 11 is not supported. Therefore, the direct pathway from satisfaction to loyalty is identified as the most influential in enhancing loyalty outcomes.

Table 5 Structural Model Estimation Result

Hypotesis	Description	Path Coeficient	P-value	Decision
H1	Value Co-creation Affect	0.009	0.453	Not
H2	Satistfaction positively and significantly Product Quality Affect Satisfaction positively	0.279	0.001	Supported Supported
112	and significantly	0.420	0.000	Commandad
Н3	Shop Atmosphere Affect Satisfaction positively and significantly	0.428	0.000	Supported
H4	Service Quality affects Satisfaction positively and significantly	0.216	0.000	Supported
H5	Satisfaction affects Switching Cost positively and significantly	0.340	0.000	Supported
Н6	Satisfaction affects Trust positively and significantly	0.692	0.000	Supported
H7	Satisfaction influences Loyalty positively and significantly	0.276	0.003	Supported
Н8	Switching Costs affect Loyalty positively and significantly	0.408	0.000	Supported
H9	Trust affects Loyalty positively and significantly	0.043	0.323	Supported

Source: Processed Data (2024)

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Table 6 Mediation Test

Hypotesis	Description	Path	P-	Decision
		Coeficient	value	
H10	Satisfaction has a positive and significant influence on mediated Loyalty by Switching Cost	0.139	0.001	Supported
H11	Satisfaction has a positive and significant influence on mediated Loyalty by Trust	0.030	0.323	Not supported

Source: Processed Data (2024)

According to Table 7, Loyalty has an R-square of 0.350, indicating weak explanatory power, meaning that 65% of its variability is influenced by factors not included in the model. Thus, coffee shops should explore additional variables, such as marketing strategies and customer service experiences, to better understand what drives loyalty. Satisfaction, with an R-square of 0.600, shows moderate explanatory power, suggesting that the model's factors—like product quality, service, and ambiance—are effective predictors of customer satisfaction. This encourages coffee shop managers to focus on these areas to enhance customer loyalty. The switching costs variable has a low R-square of 0.116, signifying weak explanatory power and implying that switching costs have minimal influence on customer decisions. Thus, coffee shop owners may need to consider other retention strategies. Lastly, the trust variable has an R-square of 0.478, indicating moderate explanatory power. This suggests that trust is a significant factor in customer decision-making, stemming from consistent quality and positive interactions. Therefore, building and maintaining trust should be a priority for coffee shop owners.

According to Table 7, Q-square values provide insight into the predictive accuracy of the structural model for endogenous constructs. The Q-square value for the loyalty variable is 0.236, indicating that the model explains approximately 23.6% of its variability in unseen data, approaching moderate predictive accuracy. For the satisfaction variable, the Q-square value is 0.559, reflecting high predictive accuracy, as the model accounts for about 55.9% of its variability in new data. The Q-square value for the switching cost variable is 0.153, representing small predictive accuracy, with the model explaining around 15.3% of its variation. Finally, the trust variable has a Q-square value of 0.248, suggesting that the model can predict approximately 24.8% of its variability in unseen data, which is approaching moderate predictive relevance.

The analysis utilizes the f-square effect size to evaluate how exogenous constructs contribute to the R-square value of the endogenous construct of satisfaction. According to the established guidelines, effect sizes are classified as small (0.02), moderate (0.15), and large (0.35). For the exogenous variables, the effect sizes are as follows: value cocreation has an effect size of 0.000, indicating no contribution to satisfaction. Product quality shows a small contribution with an effect size of 0.106. Store atmosphere has a moderate effect size of 0.224, suggesting a more significant impact on satisfaction. Service quality reflects a small contribution with an effect size of 0.070. The analysis further reveals the f-square effect sizes for the endogenous variables switching cost and trust as explained by satisfaction, with values of 0.131 and 0.917, respectively. This indicates that satisfaction contributes a small (approaching moderate) amount to the R-square value of

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switching costs, while it has a large contribution to the R-square value of trust, showing a strong influence. Additionally, for the endogenous variable loyalty, the effect sizes for satisfaction, switching cost, and trust are 0.060, 0.217, and 0.001, respectively. This suggests that satisfaction has a small contribution to loyalty, switching cost has a moderate contribution, while trust offers a small (almost negligible) contribution to loyalty.

Table 7 R-Square and Q-Square Predict

Variabel	R-square	Q-Squared perdict
LOY	0.350	0.236
SAT	0.600	0.559
SWI	0.116	0.153
TRU	0.478	0.248

Source: Processed Data (2024)

IPMA serves as a tool for enhancing managerial implications by targeting independent variables with high importance but low performance. Focused on the satisfaction construct, IPMA suggests that enhancing satisfaction will align with or boost loyalty, supported by the finding that satisfaction significantly influences loyalty (H7 supported). By analyzing the indicators preceding satisfaction, IPMA helps identify which aspects of the independent variables require attention to improve managerial practices in local coffee shops.

Based on Figure 2, several indicators fall into quadrant 1, indicating categories that need to be focused or concentrated on. The various indicators that local coffee shop management needs to pay attention to are:

- EQU3, "I and the coffee shop service provider have an equal role in determining the final outcome of this process."
- EXP2, "The coffee shop service provider is open to my ideas about developing new menu items."
- EXP3, "I have the opportunity to improve the process by experimenting and trying new things."
- INT4, "To get the maximum benefit from visiting this coffee shop, I need to actively participate during interactions."
- KNO3, "The coffee shop service provider provides enough examples and information to me about their menu."
- KNO4, "I am happy to take the time and effort to share ideas with this coffee shop to help improve its service."
- KNO5, "This coffee shop provides me with opportunities to share ideas."
- PER1, "The benefits, value, or enjoyment of the service process depend on the consumer."
- REL1, "I feel a bond or relationship with this coffee shop."
- REL2, "I feel there is a group, community, or network of consumers who are fans of this coffee shop."

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Therefore, it can be concluded that by focusing on and improving the performance reflected by the above indicators, local coffee shops can increase satisfaction. It is believed that with the increase in each unit of indicators measuring the value co-creation construct, the value of satisfaction will increase because fundamentally, the indicators above already have good performance values above the predetermined threshold.

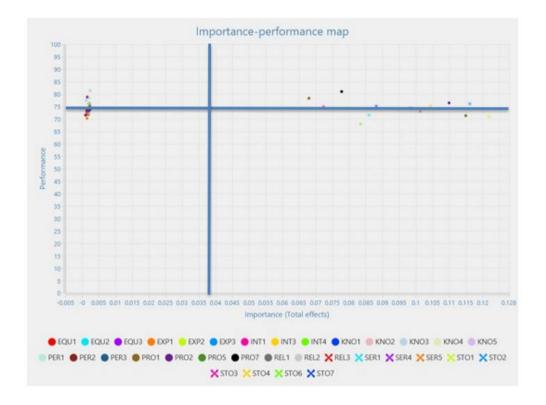


Figure 2 IPMA (Indicators) Sourced: Data Processed (2024).

Conclusion

The reveals that value co-creation does not significantly impact customer satisfaction among coffee shop patrons in Indonesia. This finding indicates a preference for traditional service models that prioritize product quality and pricing over interactive co-creation experiences. Conversely, factors such as product quality, store atmosphere, and service quality emerge as critical elements that enhance customer satisfaction. The study highlights that a positive store atmosphere, characterized by ambience and sensory experiences, plays a pivotal role in influencing customer satisfaction. Additionally, the quality of service—manifested through staff responsiveness and professionalism—significantly contributes to shaping the overall customer experience. Furthermore, the analysis demonstrates that higher levels of customer satisfaction are associated with increased switching costs, which are instrumental in fostering emotional attachments to coffee shops and, consequently, promoting customer loyalty. While the findings indicate

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that satisfaction enhances trust, the anticipated direct influence of trust on loyalty was not supported in this context, suggesting that other variables may exert a more dominant effect.

The paper emphasizes the importance of improving specific performance indicators to enhance customer satisfaction in local coffee shops in Indonesia. It offers several key recommendations, including organizing creative sessions or open forums for customer feedback, which can help equalize roles between customers and staff. Hosting events like "Create Your Own Menu" competitions can encourage customer contributions and reward innovative ideas. Interactive events, such as coffee brewing classes, are suggested to foster engagement between customers and baristas, while informative materials about coffee and loyalty programs can facilitate communication and sharing of ideas. Regular surveys are recommended to gather customer preferences and tailor offerings, highlighting the need for responsiveness to customer needs. Furthermore, building a sense of community through events for loyal customers and creating an online platform for experience sharing can strengthen customer relationships. Theoretical frameworks supporting these suggestions include Customer Engagement Theory, which emphasizes customer involvement; Service Quality Theory, which stresses communication and responsiveness; Social Exchange Theory, which advocates for community building through reciprocal benefits; Innovation and Co-Creation Theory, focusing on customer participation in service development; and Community Building and Relationship Marketing theories, which aim to cultivate long-term relationships to enhance loyalty and retention. By implementing these strategies, local coffee shops can significantly improve customer satisfaction and overall service value.

The paper recommends several key areas for future research to enhance understanding of customer loyalty in the coffee shop industry. It highlights the need to improve R-square values by incorporating additional variables and strong indicators for better measurement of loyalty and satisfaction. It stresses the importance of larger sample sizes for increased model credibility and detailed demographic analyses. Additionally, it advocates for comparative studies with foreign coffee shops in Indonesia to understand different consumer behaviors. Lastly, it suggests exploring other factors that influence customer loyalty dynamics for a more comprehensive perspective. Together, these recommendations aim to enrich insights into customer loyalty and enhance the relevance of research findings.

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