The Analysis of Coffee Shop Customer Loyalty in Jakarta Metropolitan Area During the Covid-19 Pandemic

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Abstract

Since Starbucks Coffee first opened its stores in Indonesia, Indonesia's coffee culture was significantly developed and the growth of local coffee shops greatly improved. It also transformed coffee into the symbol of social status and lifestyle for society. People then came to coffee shop to meet friends and family while enjoying coffee and other beverages. Furthermore, the value of Indonesia's coffee shop business rose into Rp4.8 billion which indicates a huge business potential. Unfortunately, Covid-19 struck Indonesia and the coffee shop business was hampered. The purpose of this research is to determine the effect of service quality, food quality, price fairness, and store atmosphere on coffee shop customer loyalty in Jabodetabek during the Covid-19 pandemic with the mediation of customer satisfaction. A questionnaire and 6-point Likert scale was designed for this research and has collected 179 respondents who live in Jakarta Metropolitan Area (Jabodetabek) and have regular coffee shops to be visited during the Covid-19 pandemic. This research used the PLS-SEM approach to analyse the collected data. This research found that service quality, food quality, price fairness, and store atmosphere positively and significantly affect customer satisfaction. Customer satisfaction also has a positive and significant influence on customer loyalty.

Keywords
Service quality, food quality, price fairness, store atmosphere, customer satisfaction, customer loyalty.

1. Introduction
As the fourth biggest producer of coffee in the world (Deshmukh, 2021), coffee culture has existed for a long time in Indonesia and is seen as a representation of hangout culture of Indonesian people (Cahya, 2018). The culture was greatly developed when Starbucks first came to Indonesia to open its stores. The moment was stated by Purnomo et al. (2021) as the "Starbuckization" process. Through this process, coffee was elevated as a symbol of social status (Purnomo et al. 2021). Indonesia's coffee culture developed from just a mere culture into a part of people's lifestyle

and way of life (Nurhasanah and Dewi, 2018). People then come to coffee shops not just to enjoy coffee and other servings, but also to meet friends and family and do business (Nurhasanah and Dewi, 2018).

The condition hugely affected the growth of local coffee shops. Toffin, a coffee business platform, stated in a report in 2019 that the number of coffee shops in Indonesia increased almost three times than in 2016 (Kurniawan, 2019). Toffin also revealed that the value of the coffee shop industry was about Rp4.8 billion (Kurniawan, 2019). Furthermore, the International Coffee Organization (ICO) revealed that Indonesia's coffee consumption between 2018 - 2019 reached 4.800 bags with a capacity of 60 kilograms per bag (Annur, 2020). Unfortunately, the huge growth and potential of the coffee shop industry was hampered by the Covid-19 Pandemic. The owner of Kedai Setitik Kopi, Anthony Gunawan, revealed that he had to shut his coffee shop dine-in facility down due to the pandemic condition and it decreased the sales drastically. Anthony revealed that before the pandemic, his coffee shop was able to sell 4.000 cups of coffee per month. However, during the pandemic, his coffee shop was only able to sell 1.000 cups of coffee per month (Khoirunnisaa, 2022). A similar condition was experienced by Kopitani, a coffee shop owned by Arif Rahmat. Arif explained that at the beginning of the pandemic, his coffee shop was only able to sell 10 cups of coffee per day, which was a huge dropdown, as his coffee shop was able to sell 30 cups of coffee per day before the pandemic (Waseso, 2021). The decreased sales of various coffee shops is triggered by the drastic change of people's behavior during the Covid-19 pandemic, specifically regarding the coffee shop business. The drastic change of people's behavior includes the huge interest in modest coffee shops with accessible prices and high quality foods and beverages (Ekarina, 2020). Prentice and Loureiro (2018) stated that in order to gain competitive advantage over competitors, a business needs to achieve customer loyalty. A great service enables a business to create emotional attachment and loyalty in their customers (Prentice et al., 2019). In addition to service quality, a fair price (Susanti, 2019) and store atmosphere is crucial in achieving customer loyalty (Shin et al., 2015). Lastly, food quality is also deemed as having an impact on gaining customer loyalty (Matilla, 2001). Service quality and store atmosphere is found to be a crucial aspect in the loyalty model found in Indonesia (Vidyakala and Divyabharathi, 2018; Furoida and Maftukhah, 2018). The food quality also serves as an influential predictor in the loyalty model in Indonesia (Konuk, 2019; Rafdinal and Suhartanto, 2020). Some studies found that price fairness is also influential in the loyalty model in Indonesia (Malik et al., 2018; Atmaja and Yasa, 2020). To the researcher's knowledge, this is the first study to analyse the coffee shop customer loyalty in Jakarta Metropolitan Area (Jabodetabek) during the Covid-19 using service quality, food quality, price fairness, store atmosphere, and customer satisfaction as its variables. Hence, the objective of this study is to analyse the coffee shop customer loyalty in Jabodetabek during the Covid-19 with service quality, food quality, price fairness, store atmosphere, and customer satisfaction as its variables or constructs.

2. Literature Review

2.1 Service Quality
Lamb et al. (2017) defined service as a result of human's or machine's effort, performance, or process delivered on a certain individual or object. In general, a service involves will, work, and effort which can't be touched or perceived physically (Lamb et al., 2017). Parasuraman et al. (1988), service quality is an attitude which is corresponded to, but not equal with satisfaction, and is a result of a comparison between expectations and the perceptions of conducted performance. Grönroos (1982) revealed, a service basically possesses three characteristics or qualities: Intangible (The absence of physical characteristics or specifications), considered as an activity (The intangibility of a service means that it can be considered as an activity), and simultaneous (Production and consumption activities generally occur simultaneously). Raduzzi and Massey (2019) stated that service quality is a key factor in differentiating a business with their competitors. Islam et al. (2020) also said that service quality is a crucial factor for a business to ensure their survival in a harsh and competitive business environment. Meanwhile, according to Prentice et al. (2019), a high quality service delivered by a business for the customers in their visits is able to develop emotional attachment which enables them to conduct repurchases and share a positive review or story regarding the business. Therefore, it can be said that service quality is able to influence customer's satisfaction and create customer's loyalty.

H1: Service quality has a positive and significant influence on customer satisfaction.

2.2 Food Quality
Peri (2006) revealed that food quality is the properness or appropriateness of a food to be consumed by customers. Food quality is deemed as a highly subjective concept or variable which is not only related to health or nutritional components, but also the review or acceptance of a customer on it (Cardello, 1995). Food quality is often reviewed

through 3 aspects: Freshness, taste, and the visual presentation or appearance (Petrescu et al., 2020). Food quality also can be reviewed through other aspects, such as the customer's psychological factor, past experiences, and expectations. According to Sulek and Hensley (2004), food quality is the most crucial aspect of a restaurant in which the customers are going to review it through 3 aspects: Hygiene, pleasure, and health factor. Food quality is decisive in creating customer's satisfaction (Jalilvand et al., 2016) and also customer's loyalty (Majid et al., 2018).

H2: Food quality has a positive and significant influence on customer satisfaction.

2.3 Price Fairness

By a general view, price is a total value that customers need to spend in order to achieve the benefits of a certain product or service used by them (Kotler and Armstrong, 2018). In the marketing mix, price is the only component which is able to generate profits for a business (Kotler and Armstrong, 2018). Meanwhile, price is different to the concept of price fairness. According to Xia et al. (2004), price fairness is the customer's perception regarding the rationality and acceptance of a product's price when compared to competitor's price. Price fairness can also be viewed as the comparison conducted by customers between a certain product price of a business to competitor's or reference price (Marisa and Rowena, 2020). Katyal et al. (2019) explained that a certain product's price will be perceived fair if that price is considered by customers to be in accordance or appropriate with the qualities and aspects of the product. Customers are going to compare the price of a product to its features, similar products they bought in the past, and the price of substitute products available in the market (Katyal et al., 2019). It requires a company or business to fully understand the customer's price perception, as customers possess high price sensitivity which is able to influence their behaviors and attitudes (Simbolon et al. 2020). Therefore, price fairness can't be underestimated when a company needs to view factors that influence customer's satisfaction and loyalty (Ahmed et al., 2020).

H3: Price fairness has a positive and significant influence on customer satisfaction.

2.4 Store Atmosphere

Atmospherics is a term used to describe an effort of creating a specific buying environment or surroundings in order to produce specific effects on customer's emotional aspects to increase purchase possibility (Kotler, 1973). Berman et al. (2018) explained, in the context of retail, atmospherics are physical qualities and characteristics of a store which produces specific picture or nuance and is able to attract customers to the store. Meanwhile, in the context of a non-retail store, atmospherics are physical qualities of a business' catalogue, official website, or landing page (Berman et al., 2018). Atmospherics can also be defined as various factors which trigger and affect customer's cognitive and emotional aspects to produce certain behaviors and its indicators consist of interior, room design and layout, and decorative objects (Mamuaya, 2018). A place of comfortable and attractive atmosphere is able to produce higher customer satisfaction (Aprilia and Suryani, 2018). Ha and Jang (2010) implied that the level of satisfaction and loyalty of customers are going to increase if they feel comfortable with the atmosphere of the place they visited.

H4: Store atmosphere has a positive and significant influence on customer satisfaction.

2.5 Customer Satisfaction

Customer satisfaction is a condition in which the quality or the performance of a product or service is in accordance with the customer expectation of the product (Kotler and Armstrong, 2018). Oliver (2010) revealed customer satisfaction is a positive response or reaction produced by a customer due to the fulfillment of their needs or demands. On the other hand, customer satisfaction can be viewed as a subjective component which emerged from customer's perception and feelings and a result of comparison between customer expecation and results regarding the product of a company (Suchánek & Králová, 2018). Kotler and Armstrong (2018) explained that generally, customer satisfaction will be achieved when the performance of a product is able to meet customer's expectation or even exceed it. When a customer feels satisfied with the performance of the product they bought, the customer will not only return to repurchase the product in the future, but also spread positive information regarding the product of a company (Kotler and Armstrong, 2018). A satisfied customer is influential for the future purchases (Kamran-Disfani et al., 2017).

H5: Customer satisfaction has a positive and significant influence on customer satisfaction.

2.6 Customer Loyalty

Oliver (1997) defined customer loyalty as a solid commitment of a customer to conduct purchases of a brand's product in the future regardless of the changing nature and condition of the brand and the competitor's product. Customer loyalty also can be seen as a biased behavioral response which is continually shown by the customer's decision making process on a brand and is regarded as a psychological function associated with the process of evaluation and review (Jacoby and Kyner, 1973). Githiri (2018) revealed that customer loyalty is generally associated with the tendency of customer's behavior to conduct repeat purchases or recommend a product or a business to the others. If a business wants to achieve competitive advantage, it needs to have high customer loyalty (Prentice and Loureiro, 2017). Kandampully and Soehartanto (2020) stated that the long term success of a business depends on how a business is able to manage and expand its customer loyalty.

3. Research Method

3.1 Research Instrument

A questionnaire was used in this study and was adapted from previous studies or literature reviews with several adjustments. The questionnaire consists of 4 parts: Part 1 acts as filtering question, part 2 of the questionnaire collects the general information of each respondent, part 3 acts as descriptive questions, and part 4 collects the data on service quality, food quality, price fairness, store atmospherics, customer satisfaction, and customer loyalty in coffee shop. A 6-point Likert scale was used for all indicators or items in this study, ranging from 1 = "Strongly Disagree" to 6 =" Strongly Agree. Service quality was measured with 5 items (Parasuraman et al., 1994), food quality was measured with 5 items (Mannan & Chowdhury, 2017; Namkung& Jang, 2007), price fairness was measured with 3 items (Konuk, 2019; Vaidyanathan and Aggarwal, 2003), store atmospherics was measured with 5 items (Mannan and Chowdhury, 2017; Jang and Namkung, 2009), customer satisfaction was measured with 3 items (Nunkoo et al., 2019; Fornell et al., 1996), and customer loyalty was measured with 4 items (Amin, 2013; Zeithaml, 1996).

3.2 Sampling

The sample used in this research were the people who live in Jakarta Metropolitan Area (Which consists of Jakarta, Tangerang, Depok, Bekasi, and Bogor) and visited their regular coffee shop in Jakarta Metropolitan Area. The reason for choosing Jakarta Metropolitan Area is the ease of access to coffee shops and its customers. Sampling technique used in this research is purposive sampling, as this research has a specific criteria, which is "the people who live in Jakarta Metropolitan Area and visited their regular coffee shop in Jakarta Metropolitan Area during Covid-19 pandemic." The minimum sample used for this research is 100 (Hair et al., 2019). The questionnaire was distributed during the Covid-19 pandemic between April & May 2022. A total of 207 respondents, which consists of 179 people who lived in Jakarta Metropolitan Area and visited their regular coffee shop in Jakarta Metropolitan Area and 27 people who didn't visit their regular coffee shop in Jakarta Metropolitan Area, was collected.

3.3 Analysis Technique

This research was analyzed with Partial Least Squares Structural Equation Modelling (PLS-SEM). PLS-SEM is a statistical technique which mainly used in exploratory researches and emphasizes on explanation of its variances of dependent variables (Hair et al., 2017). Hair et al. (2019) revealed that PLS-SEM consists of two evaluation process: Measurement model evaluation (Evaluating how indicators represent constructs) and structural model evaluation (Showing the association between each construct).

4. Results

4.1 Demographic Profile

Table 1 shows the demographic profile of the questionnaire respondents. A total of 207 respondents participated in the questionnaire, which consists of 179 respondents who have a regular coffee shop and 28 respondents who don't have any regular coffee shop.

Table 1 Respondents' Demographic Profile

Item	Category	Frequency	Percentage
Age	17 - 25	143	79.90%
	26 - 34	12	6.70%
	35 - 44	10	5.60%
	45 - 53	14	7.80%
Job	Private company employee	47	26.30%
	Public company employee	1	0.60%
	Entrepreneur	4	2.20%
	College Student	101	56.40%
	Student	11	6.10%
	Others	15	8.40%
Region	Tangerang City	100	55.90%
	South Tangerang City	24	14%
	Tangerang Regency	19	10.60%
	Jakarta City	27	15.10%
	Bekasi City	2	1.1%
	Bekasi Regency	-	0%
	Bogor City	2	1.1%
	Bogor Regency	2	1.1%
	Depok City	2	1.1%
Income	<Rp1,000,000	55	30.7%
	Rp1,000,001 - Rp2,000,000	33	18.4%

Item	Category	Frequency	Percentage
Income	Rp2,000,001 - Rp3,000,000	16	8.9%
	Rp3,000,001 - Rp 4,000,000	12	6.7%
	Rp4,000,001 - Rp5,000,000	26	14.5%
	>Rp5,000,000	37	20.7%

4.2 Measurement Model Evaluation

The measurement model needs to be evaluated first to confirm the validity and reliability of the model. The validity evaluation consists of convergent validity and discriminant validity. Convergent validity was evaluated through AVE (Average Variance Extracted), while discriminant validity was evaluated using cross loadings. The AVE value of all variables (in Table 2) met the rule of thumb 0.5 (Garson, 2016). The cross loadings result (in table 3) also met the rule of thumb, in which the outer loadings of a certain variable is greater than the outer loadings of another variable (Hair et al., 2017). Meanwhile, composite reliability is used to evaluate the reliability of the model. The composite reliability value of the model (in Table 2) fulfilled the rule of thumb of >0.7 (Hair et al., 2019). (Table 3)

Table 2: Average Variance Extracted and Composite Reliability Result

Constructs	Average Variance Extrated	Composite Reliability
Service Quality	0.556	0.842
Food Quality	0.623	0.892
Price Fairness	0.856	0.947
Store Atmosphere	0.529	0.849
Customer Satisfaction	0.733	0.892
Customer Loyalty	0.742	0.92

Table 3 Cross Loadings

	CL	CS	FQ	PF	SA	SQ
CL1	0.863	0.619	0.563	0.446	0.532	0.604
CL2	0.893	0.562	0.529	0.475	0.4	0.604
CL3	0.895	0.577	0.565	0.483	0.455	0.618
CL4	0.768	0.608	0.564	0.477	0.504	0.52
CS1	0.608	0.864	0.566	0.457	0.588	0.595
CS2	0.593	0.891	0.587	0.465	0.586	0.663
CS3	0.569	0.811	0.567	0.486	0.509	0.518
FQ1	0.476	0.514	0.759	0.421	0.477	0.439
FQ2	0.551	0.534	0.773	0.433	0.391	0.458

	CL	CS	FQ	PF	SA	SQ
FQ3	0.469	0.531	0.805	0.356	0.493	0.479
FQ4	0.562	0.53	0.805	0.456	0.466	0.478
FQ5	0.494	0.535	0.804	0.451	0.568	0.429
PF1	0.499	0.479	0.45	0.926	0.386	0.318
PF2	0.532	0.569	0.539	0.941	0.446	0.335
PF3	0.482	0.458	0.493	0.909	0.367	0.291
SA1	0.452	0.465	0.41	0.141	0.348	0.72
SA2	0.467	0.484	0.438	0.16	0.411	0.736
SA3	0.498	0.486	0.391	0.316	0.258	0.725
SA4	0.55	0.514	0.428	0.257	0.372	0.743
SA5	0.506	0.562	0.435	0.346	0.396	0.712
SQ1	0.533	0.48	0.488	0.374	0.71	0.424
SQ2	0.452	0.488	0.518	0.436	0.719	0.353
SQ3	0.293	0.396	0.349	0.294	0.672	0.283
SQ4	0.349	0.5	0.433	0.294	0.733	0.288
SQ5	0.347	0.485	0.381	0.167	0.757	0.417

4.3 Structural Model Evaluation

Table 4 reveals the results of the path coefficients of all direct hypotheses (H1 to H5). Service quality, food quality, price fairness, and store atmosphere were found to have a positive and significant impact on customer satisfaction ($\beta=0.272$, p=0.000; $\beta=0.168$, p=0.022; $\beta=0.205$, p=0.000; $\beta=0.393$, p=0.000). Customer satisfaction was also found to affect customer loyalty positively and significantly ($\beta=0.689$, p=0.000).

Table 4 Path Coefficients Results

Hypothesis	Relationship	Path Coefficients	T-statistics	P-value
H1	Service Quality → Customer Satisfaction	0.272	3.626	0.0
H2	Food Quality → Customer Satisfaction	0.168	2.295	0.022
H3	Price Fairness → Customer Satisfaction	0.205	4.4	0.0
H4	Store Atmosphere → Customer Satisfaction	0.393	6.176	0.0
H5	Customer Satisfaction → Customer Loyalty	0.689	16.514	0.0

Regarding the coefficient of determination of the model (Table 5), it was found that 67.5 percent of customer satisfaction and 47.5 percent of customer loyalty was affected by their respective predictors.

Table 5. Coefficient of Determination

Variabel	R Square
Customer Satisfaction	0.675
Customer Loyalty	0.475

5.Conclusions

The objective of this research is to analyze coffee shop customer loyalty in Jakarta Metropolitan Area during the Covid-19 pandemic using service quality, food quality, price fairness, and store atmospherics as its variables. From the findings of this research, it can be concluded that service quality, food quality, price fairness, and store atmospherics have a positive and significant influence on coffee shop customer satisfaction during the Covid-19 pandemic. Customer satisfaction also found to have a positive and significant influence on coffee shop customer loyalty in Jakarta Metropolitan Area during the Covid-19 pandemic.

5.1 Implications

This study produces several valuable theoretical implications on the coffee shop industry. It reveals that service quality, food quality, price fairness, and store atmosphere influences customer satisfaction and in return customer satisfaction influences customer loyalty in coffee shops during the Covid-19 pandemic. It also contributes to the body of knowledge about the loyalty model that is based on service quality, price fairness, and service quality with extended variables of food quality and special condition of research, which is conducted during the Covid-19 pandemic.

This study also contributes to several practical suggestions for coffee shop owners. It suggests that coffee shop owners need to improve their coffee shop service quality. They need to create a standardized service procedure for their staff and train them accordingly. Regarding the food quality, the focal point is on the freshness of the ingredients, as it results in the freshness of the food. Every barista and cook has to be trained in order to enable them to transform the fresh ingredients into foods and beverages with appealing taste, proper temperature and aroma, and aesthetically pleasing presentation. Hereafter, coffee shop owners need to perceive customer's perceptions regarding the price fairness of coffee shops products in order to define a fair and logical price for their products. As for the atmosphere, coffee shop owners should create an attractive, compelling, and pleasant store atmosphere through enticing decorations which are in line with the store concept, decent lighting, comfortable layout which enables easy mobility, and diverse music playlists.

5.2 Limitations & Future Research

This study is conducted only for the people who live in the Jakarta Metropolitan Area. Future research should also study other areas and regions and use better sampling technique and sample size to collect more accurate and general data. Another limitation of this study is the observed variables. Future research needs to consider the usage of other variables beside service quality, food quality, price fairness, and store atmosphere in order to explore more variables that are able to affect customer satisfaction and loyalty in coffee shops. Future research also needs to consider analyzing the direct effect of each variables to customer loyalty. As this study was conducted in a developing country, future research is able to be conducted in different countries in the second and first world countries to test the application of the model and explore more results.

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