

Customer Satisfaction as a Mediator (Intervening Variable) On the Effect of Product Quality and Service Quality on Customer Loyalty Sidjicoffee

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Abstract

This research aims to analyze coffee shop growth and observe customer loyalty. Coffee shop competition conditions are currently very tight and encourage Sidjicoffee to strengthen product quality and service quality to create customer satisfaction and loyalty. Sampling in this study used a questionnaire and the researcher needed respondents who were domiciled in Kudus City, the number of respondents was obtained as many as 105 respondents who had visited Sidjicoffee at least once. This data collection method uses a questionnaire. The data analysis technique used validity test, reliability test, outer model test and hypothesis testing. The method use in calculation the data is using the SmartPLS 3.0 program. The research indicates that product quality and service quality affect customer satisfaction and loyalty.

Keywords:

Product Quality, Service Quality, Customer Satisfaction, Customer Loyalty, Marketing

1. Introduction

As time goes by with the development of an already modern era, coffee occupies the top rank for all circles. In this modern era, many business people open coffee shops. This trend coffee shop is favored by all people, both women, men, young and old. Now drinking coffee has become a unique ritual because drinking coffee has become a lifestyle among small, middle, and even upper-class people. A distinctive taste makes coffee an interesting thing to enjoy at this time. The coffee shop is currently one of the fastest-growing businesses in Indonesia. Not only in big cities, small towns to remote areas, even though many business people have opened outlets. Seeing the intense competition between coffee shops, choosing a location as a place for the outlet coffee shop is necessary. With a strategic and convenient location, it will be more profitable for owners coffee shop because choosing a location located in a crowd or easily accessible by potential consumers can be used as one of the strategies that business owners can do (Situmeang, 2017). In addition to a strategic place, coffee shop business people can create customer satisfaction, namely service quality (Kristina, 2017) that the better the quality of service provided, the more positive influence on consumer satisfaction. Because the quality of service is very important, starting from good communication, polite behavior, and being neatly dressed so that consumers feel satisfied visiting the cafe. Other than that, coffee shop owners must be able to develop innovative products according to consumer expectations. The proliferation of coffee shops has led to businessmen striving for market share. Coffee shops are expected to be creative in developing unique flavors for their beverages to differentiate them from other beverage goods sold in coffee shops and thrive in the market. Consumers visit coffee shops to purchase coffee or to enjoy the menus available, but they also utilize them to chat with friends, work on tasks, or connect with relatives or family.

Numerous entrepreneurs in Kudus City have opened coffee shops with traditional to modern concepts. The locations range from strategic to tucked-away alleyways. One of the renowned coffee shops is Sidjicoffee. With many business owners opening coffee shops, Sidjicoffee's client satisfaction must be a higher priority. It is carried out through the quality of service and product offered by SidjiCoffee to retain consumers and generate comfort for consumers to provide more value than expected. Customer happiness and interest are directly related to product quality (Shahzadi et al., 2018; Njite et al., 2015). Sidjicoffee is a bustling hangout spot with outstanding product quality that entices customers to return and repurchase their items. Coffee shops that are highly sought after offer inexpensive costs to the general public. This Sidjicoffee serves a variety of coffees, non-coffee snacks, and hearty dinners. Additionally,

Sidjicoffee features Wi-Fi, a relaxing atmosphere, live music, an eye-catching interior design, helpful service, and various customer electrical sockets. With Sidjicoffe's facilities being so comprehensive, clients will always compare it to other competitors they have encountered.

The challenge that Sidjicoffee must carry out is how to retain loyal customers because loyal consumers are consumers who are willing to come back to Sidjicoffee and provide recommendations to others. Several researchers have shown that behavioral intention refers to positive word of mouth that generates recommendations and revisits without thinking (Shahzadi et al., 2018; Jani and Han, 2011). The increasingly fierce competition among coffee shop businessmen today must prioritize customer loyalty as the most important priority in increasing customer interests, and expectations and the company's implementation or performance must be appropriate. Businessman must pay attention to things that are considered important by customers, so that customers feel satisfied. Customer loyalty in using the products offered can be used as input for businessman to improve and improve service quality.

Customer satisfaction will be fulfilled if they get what they want, the higher the level of customer loyalty. The results of research (Norhermaya&Soesanto, 2016) and (Mariska&Shihab, 2016) show that customer satisfaction affects trust. Research (Kim, et al., 2009) concludes that customer satisfaction affects customer loyalty. The results of research and Sidharta, et al., (2018) suggest that trust can increase customer purchase intentions and serve as the best predictor of customer loyalty. Customer loyalty itself is very important for business people who want to maintain the viability of their coffee shop business. This makes Sidjicoffee provide the best product quality and service quality because customer satisfaction greatly impacts loyalty. To maintain its existence, Sidjicoffee must prioritize service quality which must continue to improve following consumer desires, which refers to customer satisfaction. This study aims to analyze "Customer Satisfaction as a Mediator (Intervening Variable) on the Effect of Product Quality and Service Quality on SidjiCoffee Customer Loyalty".

2. Literature Review

Product Quality

Product quality is an important factor and very influential in creating customer satisfaction in addition to product quality is a determining factor in creating customer satisfaction after making a purchase and use of the product. Wijaya (2011) states that product quality comes from the characteristics produced by the marketing department. Kotler and Keller (2009) argue that product quality is a dynamic condition of products or goods that have benefits for consumers in accordance with consumer needs and expectations. There are 3 indicators that affect product quality, namely:

1. Product Specifications
2. Performance Product
3. Display product

Service Quality

Service quality is the level of excellence that is carried out in order to create customer satisfaction. Service quality can be realized if the fulfillment of customer needs and desires is expected to be delivered properly and appropriately. Service quality is a form of effort to meet the needs and expectations of consumers and the accuracy in conveying consumer expectations. According to Hermawan (2018), he concludes that service quality is a service provided by the company to satisfy customers' needs and desires. Tjipto and Chandra (2011) argue that service quality is a form of realizing the needs, desires of buyers, and the accuracy of product delivery in order to balance buyer expectations. There are 5 indicators for service quality, namely:

1. Reliability
2. Responsiveness
3. Assurance
4. Empathy
5. Tangible evidence of

Customer Satisfaction

Satisfaction is a person's feelings of pleasure or disappointment that arise as a result of a comparison of the expected performance, besides that satisfaction is an expression of someone after buying a product. Buyers also feel customer satisfaction after seeing the performance of a company according to the expectations they want. Consumer satisfaction can be said as a form of consumer attitude or behavior towards an item or service that has been consumed, so that it can cause a sense of satisfaction or dissatisfaction. There are 5 indicators for consumer satisfaction, namely:

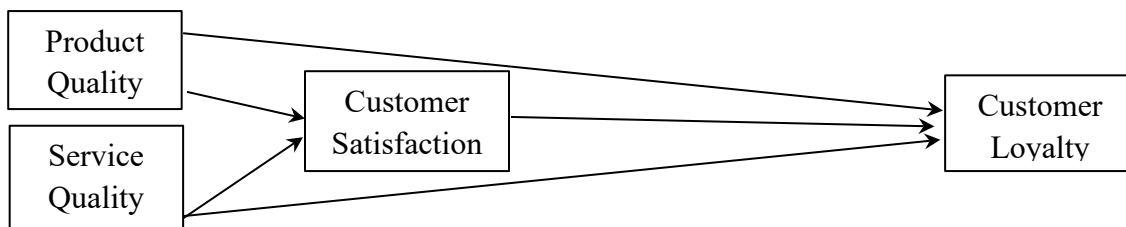
1. Customer Satisfaction

2. Dimensions of Customer Satisfaction
3. Confirmation of Expectations
4. Repurchase Intention
5. Willingness to Recommend

Customer Loyalty

Customers will be loyal if they show behavior as regular customers and use their products continuously in addition to showing repeated and regular purchases. So what is needed in quality in the company is to keep customers loyal. Customer loyalty is only customers who are truly loyal to the products and services provided by the company. According to Deng et.al (2010) and Gremler& Brown (1996) companies always prioritize service quality and company product quality to maintain resistance to competitors' persuasion and are recommended by word of mouth. The ultimate goal of the company's success is to establish relationships with customers to form a strong loyalty. Indicators of strong loyalty are:

1. Positive words
2. Recommending friends
3. Buying back



Relationships between Variables

1. Product Quality Relationship to Customer Satisfaction

The product is something that the customer first sees. Customers will feel satisfied if the product they expect has been fulfilled. Tjiptono and Chandra (2012:74) argue that the products offered by the company must be of high quality. Therefore, good product quality can be interpreted as a product that is free from defects. According to Kotler (1993) it is assumed that consumers will favor products that offer the best quality, performance and features. Swastha (1999) also argues that one of the important factors that can make consumers satisfied is product quality. As manufacturers, they not only offer one product that has a better physical appearance, but they offer several products at a better value than their competitors. The improvement action shows that it encourages consumers to be more satisfied (Mabrurroh, 2003). Customers who have purchased a product in the form of goods or services can assess the level of satisfaction with the purchase of the product (Maharani et al., 2016). Customer satisfaction is very important and must be considered by companies because satisfaction is a form of customer loyalty to the use of the product or service (Pradana et al., 2020). Kotler& Keller (2016) stated that satisfied customers will remain loyal and speak well to others about the company and its products. The results showed that the product quality variable had a positive and significant effect on customer satisfaction (Amryyanti et al., 2013).

2. Product Quality Relationship to Customer Loyalty

Product quality greatly determines whether a company is fast or not because by having good product quality, consumers will be interested in trying the product and it will affect customer satisfaction, therefore it can increase customer loyalty. Quality products have an important role in shaping customer satisfaction, because the higher the quality of the products or services provided, the higher the satisfaction felt by customers. If the goods or services purchased match what is expected by consumers, there will be customer satisfaction and loyalty. In a study conducted by Kuku Familiar and Ida M. (2015) stated that product quality has a positive and significant influence on loyalty.

3. Relationship Quality of Service to Customer Satisfaction

According to Lovelock et al. (2010:152), focusing on marketing on service quality, namely low quality will put the company at a very competitive disadvantage and potentially expel customers because they are not satisfied.

Based on the research results, Sembiring et al. (2014) stated that service quality significantly affects customer satisfaction. According to research by Moha and Loindong (2016), service quality has a significant effect on customer satisfaction.

Service quality is important for companies, with good service quality in a company will create satisfaction for its customers. After consumers are satisfied with the products or services they receive, consumers will compare the services provided with other competitors. If consumers feel really satisfied, they will come back and give recommendations to their relatives to buy at that place. Therefore, companies must start thinking about service quality more maturely. Because now it is increasingly realized that customer satisfaction is a vital aspect in order to survive in business and win the competition (Tjiptono, 2004: 145). Based on research by Ruth Amryyanti, et al. (2013) concluded that service quality has a positive effect on customer satisfaction variables.

4. Relationship of Service Quality to Customer Loyalty

Good service quality in the company can affect customer satisfaction and impact increasing customer loyalty. Service quality is a form of company service that is carried out well and will lead to a feeling of satisfaction, because customers feel they have been served well. With good service quality, customer loyalty will be formed. This can encourage customers who have the desire to come back and have the desire to recommend to their relatives. Based on the research of Kukuh, Familiar (2013) stated that service quality has a positive and significant effect on customer loyalty. According to Cristobal et al. (2007) explained that service quality has no significant effect on customer loyalty in terms of buyer groups, this is because buyers are still worried that the security of the data provided will be misused by service providers.

According to Lupiyoadi (2001), 5 dimensions affect service quality, namely:

- a. Tangibles (physical evidence), namely this ability shown by a company to show its existence to external parties.
- b. Reliability is the company's ability to provide accurate and reliable services to consumers.
- c. Responsiveness (responsiveness) is the ability of the company to help and provide fast and precise service and accompanied by the delivery of clear information.
- d. Assurance (guarantee and certainty) namely knowledge, sense of courtesy and the ability of employees to foster trust in customers
- e. Empathy (empathy), namely giving more attention to consumers in order to understand consumer desires

5. Relationship of Customer Satisfaction to Customer Loyalty

Customer satisfaction is an attitude that can be demonstrated consumers after they obtain and use a product or service. This attitude is an experience in using or consuming goods or services after making a purchase. Consumers will evaluate the performance of the company whether the product is as expected or not. After making a purchase, consumers will experience positive, negative or neutral emotions. This emotional response acts as an input in the perception of satisfaction/dissatisfaction.

3. Methodology

In this study, researchers analyzed customer satisfaction as a mediator (intervening variable) on the effect of product quality and service quality on SidjiCoffee's customer loyalty. This data is obtained by collecting respondents who have filled out the questionnaire using the Google Form site. This research is in Sidjicoffee which is located on Jln. MulyaGetasPejaten Kudus, Central Java. Researchers need respondents who live in Kudus City and have been to Sidjicoffee. This study uses a Likert scale to be used as a measuring tool in the questionnaire. Researchers use a Likert Scale to determine consumers' attitudes and opinions (Sugiyono, 2017, p.93). To measure the research, the researcher used a Likert scale with a score of 1 to 5, namely strongly disagree to strongly agree. The data that has been collected is then tested for validity and reliability using SmartPLS software 3.

Structural Equation Modeling (SEM)

Analysis This study usestechniques*Structural Equation Modeling* (SEM)usingSmartPLS software 3. Researchers are more likely to use SEM to determine whether a model certain valid or not. This research can be interpreted as a procedure for working in the research process, searching for data or disclosing existing phenomena. (Zulkarnaen, W., Amin, NN, 2018:113). Based on the type, this research includes quantitative research, where the researcher obtains the data in the form of numbers and qualitative data that is numbered (Sugiyono, 2003).

4. Results and Discussion

This data collection was obtained through the distribution of questionnaires distributed via whatsapp and given to Sidjicoffee customers who had made purchases more than once. The data that has been collected is 105 respondents. Distribution of online questionnaires via social media whatsapp for a week (15 October - 22 October 2021).

Table 1. Characteristics of Respondents Gender

Profile	Category	Presentation
Gender	Male	35.2%
	Female	64.8%
Age	< 17 Years	2.7%
	18-20 Years	39%
	21-25 Years	53.3%
	> 25 Years	5%
Employment	Student	1%
	Student	85.7%
	Private Employee	9.5%
	Others	3.8%
Income	< 1,000,000	59%
	1,000,000-3,000,000	27.6%
	3,000,000-5,000,000	5.8%
	> 5,000,000	7.6%

Source: Author's Results (2021)

From the data of 105 respondents who have filled out questionnaires that have been distributed through social media, consisting of male respondents (35.2%) and female respondents (64.8%) and the age range is (53.3%) aged 21-25 years, (39%) aged 18-20 years, (5%) aged over 25 years, and (2.7%) aged less than 17 years. Based on the results of the work of the respondents, namely (1%) students, (85.7%) students, (9.5%) private employees, and (3.8%) others. Based on the income of the respondents who made purchases at Sidjicoffee, namely (59%) earning less than 1,000,000, (27.6%) earning 1,000,000 – 3,000,000, (5,8%) earning 3,000,000 – 5,000,000 , and (7.6%) earn more than 5,000,000.

Validity Test

Table 2. Factor Loading

Statements	CL	CS	PQ	SQ
CL1 I visit Sidjicoffee more often than other coffeeshops	0.809			
CL2 I will recommend sidjicoffee to friends	0.954			
CL3 I'm interested in coming back to sidjicoffee	0.918			
CS1 I am satisfied with the service provided by sidjicoffee		0.833		
CS2 I feel satisfied in getting a seat		0.687		
CS3 I feel satisfied Because the menu served is very guaranteed quality		0.839		
CS4 I feel satisfied Because the menu offered is diverse		0.819		
CS5 sidjicoffee's location is strategic and easy to reach		0.746		
CS6 Ease of making payments		0.740		
CS7 Comfort atmosphere at Sidjicoffee		0.827		
PQ1 Sidjicoffee serves menus with flavors that match consumer expectations			0.898	
PQ2 Sidjicoffee makes a dish menu with the right mix of ingredients			0.919	

PQ3	Sidjicoffee serves a very hygienic menu	0.871	
PQ4	Sidjicoffe makes a menu that is served to consumers with guaranteed quality ingredients	0.880	
PQ5	Drink menu is very varied	0.766	
PQ6	The food menu is very varied	0758	
SQ1	Instagramable building design		0788
SQ2	Sidjicoffee employees have a clean and tidy appearance		0.725
SQ3	Employees serve customers politely		0.715
SQ4	Sidjicoffee environment is clean		0598

Source: Authors (2021)

Based on Table 5 show that the value of factor loading on the variable quality of the product, service quality, customer satisfaction and customer loyalty have a value of > 0.5 so that it is declared valid.

Table 3. Average Varian Extracted (AVE)

Variable	AVE	Description
Customer Loyalty	0.802	Valid
Customer Satisfaction	0.618	Valid
Product Quality	0.724	Valid
Service Quality	0.504	Valid

Source: Authors (2021)

In Table 6 shows that the value of AVE variable product quality, service quality, customer satisfaction and customer loyalty have a value above > 0.5 so that it is declared valid

Tabel 4. Value Cross Loading

	CL	CS	PQ	SQ
CL1	0.809	0.518	0.431	0.250
CL2	0.954	0.769	0.707	0.482
CL3	0.918	0.741	0.700	0.538
CS1	0.705	0.833	0.692	0.559
CS2	0.459	0.687	0.529	0.338
CS3	0.649	0.839	0.747	0.596
CS4	0.604	0.819	0.770	0.582
CS5	0.604	0.746	0.700	0.438
CS6	0.518	0.740	0.637	0.466
CS7	0.657	0.827	0.713	0.518
PQ1	0.651	0.753	0.898	0.559
PQ2	0.643	0.805	0.919	0.577
PQ3	0.647	0.794	0.871	0.571
PQ4	0.591	0.799	0.880	0.598
PQ5	0.574	0.659	0.766	0.449
PQ6	0.457	0.643	0.758	0.500
SQ1	0.562	0.615	0.651	0.788
SQ2	0.158	0.294	0.302	0.725
SQ3	0.269	0.377	0.342	0.715
SQ4	0.195	0.396	0.347	0.598

Source: Author's Results (2021)

In this cross loading test, it is in accordance with the agreement that the cross loading value is >0.5. Based on table 4 states that there are several of these can be known by looking at the cross loading value. This model has good discriminant validity if an indicator has a cross loading value > 0.5.

Reliability Test

Table 5. Composite Reliability and Cronbach's Alpha

Variable	Composite Reliability	Cronbach's Alpha
Customer Loyalty	0.924	0.877
Customer Satisfaction	0.919	0.896
Product Quality	0.940	0.923
Service Quality	0.751	0.697

Source: Author's Results (2021)

The reliability test in this study used Cronbach's Alpha and Composite Reliability statistical tests. A construct is said to be reliable if it has Cronbach's Alpha and Composite Reliability values >0.5 .

In the test results of composite reliability and Cronbach's alpha on all variables, it shows that Sidjicoffee has a value of >0.5 . Therefore, it can be concluded that all variables are declared valid.

Inner Model Test

Table 6. Path Coefficient

	CL	CS	PQ	SQ
Customer Loyalty				
Customer Satisfaction	0.671			
Product Quality	0.130	0.785		
Service Quality	-0.024	0.141		

Source: Author's Results (2021)

Based on the agreement that the value of a construct is valid if the value is >0.5 . Table 6 states that the variable of service quality and customer loyalty hypothesis is rejected because the value is less than 0.5.

5. Conclusions

Conclusion

1. Product quality has a positive and significant effect on customer satisfaction at Sidjicoffee
2. Service quality has a positive and significant effect on customer satisfaction at Sidjicoffee
3. Product quality has a positive and significant effect on customer loyalty at Sidjicoffee
4. Service quality has no positive and insignificant effect on loyalty Customers at Sidjicoffee
5. Customer satisfaction has a positive and significant effect on customer loyalty at Sidjicoffee

Suggestions

1. Sidjicoffee Kudus is expected in the future to add chairs and widen the place so that consumers get seats
2. Sidjicoffee is expected to in the future provide direction to its employees always to keep the environmental conditions clean
3. Sidjicoffee is expected to continue to develop innovations in food or beverage menus because young people always try new and interesting things
4. For researchers, it is better to be able to research on other factors that have not been mentioned in this study, for example, brand image and location in Sidjicoffee Kudus

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