

## THE EFFECT OF LOCAL COFFEE SHOP MARKETING MIX ON CUSTOMER SATISFACTION AND LOYALTY IN INDONESIA

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### Abstract

*This study aims to analyze the influence of marketing mix factors on customer satisfaction and the subsequent relationship between customer satisfaction and customer loyalty in the context of coffee shops in Makassar. As coffee shops face increasing competition, understanding the dynamics between marketing strategies, customer satisfaction, and loyalty becomes crucial for sustaining growth and achieving differentiation in the marketplace. The research employs multiple regression analysis to evaluate the influence of seven marketing mix elements—product, price, location, promotion, process, physical evidence, and people—on customer satisfaction. Additionally, simple regression analysis is used to assess the impact of customer satisfaction on loyalty. Data for this study are collected through structured questionnaires distributed to coffee shop customers in Makassar. The results reveal that among the seven marketing mix factors, the "people" and "process" dimensions exert the most significant influence on customer satisfaction. Sympathetic and engaging employee interactions, combined with efficient and seamless service processes, contribute significantly to enhancing customer experiences. Conversely, factors such as "location" and "physical evidence" are found to have no significant impact on customer satisfaction, suggesting that other elements of the marketing mix may play a more pivotal role in shaping customer perceptions. Furthermore, the findings confirm that customer satisfaction significantly affects customer loyalty. Satisfied customers are more likely to return, recommend the coffee shop to others, and exhibit long-term loyalty. This underscores the importance of delivering a consistent and satisfying experience that aligns with customer expectations. The study provides important managerial implications for local coffee shops seeking to enhance their competitive advantage. Prioritizing service quality, fostering positive interactions between staff and customers, and optimizing service processes can create a differentiated customer experience. By focusing on these aspects, coffee shops can cultivate higher levels of customer satisfaction and, consequently, loyalty, ensuring sustained success in a competitive environment.*

### Article Info

**Keywords:** *coffee shop, customer loyalty, customer satisfaction, marketing mix, service quality*

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## 1. Introduction

Coffee has evolved into more than just a beverage—it is a global cultural phenomenon that transcends borders and demographics. In many parts of the world, including Indonesia, the habit of consuming coffee has become deeply ingrained in daily life, reflecting social rituals, lifestyle preferences, and even economic conditions. Popular media portrayals—such as scenes of professionals starting their day with a cup of coffee in movies like *The Devil Wears Prada* and *When Harry Met Sally*—reflect real-life routines embraced by millions across urban centers. In modern metropolitan contexts, coffee shops are not merely places to drink coffee; they have become multifunctional social hubs for meetings, remote work, casual gatherings, or simply enjoying solitude in a public space.

Indonesia, as one of the largest coffee-producing countries in the world, plays a vital role in the global coffee industry. Alongside Brazil, Vietnam, and Colombia, Indonesia has long been recognized as a major contributor to global coffee supply. According to the International Coffee Organization (2023), global coffee production in 2022 reached approximately 170 million 60-kg bags, with Brazil leading at 62.4 million bags. Indonesia ranked fourth, producing 11.5 million bags. This places Indonesia in a strong position not only as a supplier but also as a potential center of coffee-related innovation and culture.

However, despite its status as a top producer, domestic coffee consumption in Indonesia remains relatively low. Data from Statista (2023) indicates that Indonesians consumed only 1.02 kg of coffee per capita in 2022—significantly less than countries like Finland (12 kg) and South Korea (3.7 kg). Nevertheless, Indonesia holds considerable potential for growth in domestic consumption. With a steady annual economic growth rate of around 5% over the past decade (BPS, 2023), rising incomes, and a growing appreciation for specialty and high-quality coffee, the coffee shop industry is poised for expansion.

This increasing interest has given rise to a competitive local coffee market, with Indonesian brands such as Kopi Kenangan, Janji Jiwa, Fore Coffee, and Tuku gaining significant market share. These brands have not only succeeded in serving local tastes but have also shown strong adaptability in their marketing strategies, appealing to younger consumers and urban professionals. Their success underscores the importance of understanding customer satisfaction and loyalty as central pillars of sustainable business performance. In an increasingly saturated market, companies must look beyond product features to build strong emotional and relational connections with customers.

Customer satisfaction is a multidimensional concept that reflects the extent to which a product or service meets or exceeds consumer expectations. When satisfaction is consistently maintained, it has the potential to drive customer loyalty—a key factor in ensuring repeat purchases, positive word-of-mouth, and long-term brand advocacy. In the context of coffee shops, satisfaction is influenced by a range of factors including product quality, pricing strategy, service atmosphere, location, and staff behavior. As such, businesses must carefully design and manage their marketing strategies to align with these expectations and deliver consistent value.

The **marketing mix** framework, particularly the extended 7Ps model introduced by Booms and Bitner (1981), serves as a strategic tool for managing service delivery in hospitality and food service industries. While the traditional 4Ps—product, price, place, promotion—are foundational, the additional components of people, process, and physical evidence are especially critical in service-driven settings like coffee shops. These elements capture the experiential aspects of service delivery, which are intangible, variable, and inseparable from the consumer's personal experience (Kotler & Keller, 2009; Tan, 2009).

The unique characteristics of services—intangibility, inseparability, heterogeneity, and perishability—require marketers to take a holistic approach in managing customer experience. As Tan (2009) observed, the shift from manufacturing to service-oriented industries has elevated the importance of service marketing as a discipline. In particular, the role of customer-facing staff (people), the efficiency and comfort of the service process (process), and the physical environment (physical evidence) are critical in shaping consumer perception and satisfaction in coffee shop settings.

In line with this, the current study seeks to analyze how different components of the marketing mix influence customer satisfaction and how satisfaction, in turn, affects customer loyalty within the Indonesian local coffee shop context. The central questions guiding this research are:

1. What factors influence customer satisfaction with favorite local coffee brands in Indonesia?
2. How do marketing mix elements influence customer satisfaction and loyalty to local coffee brands?

The objective is to empirically examine the relationship between each of the 7Ps of the service marketing mix and customer satisfaction, as well as to assess the impact of satisfaction on loyalty. Through this, the study aims to provide actionable insights for local coffee entrepreneurs to enhance customer retention and competitive positioning.

## Hypothesis Development

The development of the research model is grounded in well-established marketing theories and supported by a growing body of empirical literature. The concept of marketing as a customer-focused discipline is foundational, as outlined by Kotler and Keller (2009), who emphasized that marketing is not merely about selling products but about creating value and fostering relationships. This view is reinforced by the American Marketing Association (2004), which defines marketing as a process centered on satisfying customer and organizational needs through value-driven exchanges.

In the realm of service marketing, traditional product-focused models require adaptation. Cowell (1984) argued that the conventional marketing mix does not fully capture the dynamics of service delivery, particularly in hospitality sectors like restaurants and cafes. Booms and Bitner (1981) expanded the marketing mix into the 7Ps model—adding people, process, and physical evidence—to address these unique service characteristics. This expanded model provides a more comprehensive framework for understanding how service-based businesses can deliver satisfaction.

Zeithaml (2012) and Ergen (2011) further reinforced the relevance of the marketing mix as a strategic tool to create market alignment and synergy. In the specific context of coffee shops, the interplay between pricing, service quality, staff behavior, and shop ambiance all contribute to shaping consumer attitudes. Previous empirical studies have validated the importance of these factors. Zeithaml and Bitner (1996), for instance, demonstrated the significant impact of pricing-related components on customer satisfaction and revisit intention. Similarly, Stephen and Julia (2005) found that promotional strategies significantly enhance satisfaction by increasing brand visibility and perceived value.

Gerrard (2002) emphasized the relational dimension, noting that a strong bond between customers and service staff leads to higher satisfaction. In hospitality contexts, human interaction often shapes the customer's perception of value more than the product itself. Bitner (1990) added that the service environment can influence repeat visits and purchase frequency, highlighting the psychological effects of ambiance and layout. Likewise, Karl, John, and Margaret (2003) found that employee attitudes, workplace atmosphere, and active customer involvement contribute significantly to satisfaction levels.

Building on these findings, this study proposes the following hypotheses regarding the influence of the marketing mix on customer satisfaction:

**H1:** The marketing mix in local coffee shops has a positive impact on customer satisfaction.

**H1-1:** Product positively affects customer satisfaction.

**H1-2:** Price positively affects customer satisfaction.

**H1-3:** Place (location) positively affects customer satisfaction.

**H1-4:** Promotion positively affects customer satisfaction.

**H1-5:** Process positively affects customer satisfaction.

**H1-6:** Physical evidence positively affects customer satisfaction.

**H1-7:** People positively affect customer satisfaction.

In addition to the marketing mix, this study also explores the linkage between **customer satisfaction and loyalty**, which has been widely supported in the literature. Fornell (1992) demonstrated that satisfaction reduces price sensitivity, enhances brand loyalty, and mitigates the risk of customer defection. Kotler (2000) emphasized that satisfied customers are more likely to

repurchase, engage in positive word-of-mouth, ignore competitor advertising, and expand their relationship with the brand.

Recent research by Iswari and Ainun (2024) further strengthens this perspective. Their study on a modern Indonesian coffee shop revealed that customer satisfaction serves as a crucial mediating variable between service quality, product quality, price perception, and customer loyalty. Using SEM analysis, they found that satisfaction significantly influenced loyalty outcomes, confirming that satisfied customers are more inclined to return, recommend, and remain loyal. These findings align with the present study's assumption that improving satisfaction is key to fostering long-term loyalty in the coffee shop business. Accordingly, this study formulates the following hypothesis:

**H2:** Customer satisfaction has a positive impact on customer loyalty.

In conclusion, the theoretical model guiding this research is built upon a robust foundation of marketing and service management literature. By empirically testing the relationship between the 7Ps marketing mix and customer satisfaction, and subsequently its effect on loyalty, the study contributes both to academic discourse and practical strategies for local coffee businesses.

## **2. Methods**

### **Approach**

This study uses a quantitative approach to examine the relationship between marketing mix, customer satisfaction, and customer loyalty.

### **Research Variables**

This study uses variables adopted from previous studies, which include the 7P marketing mix, customer satisfaction, and customer loyalty.

#### **1. Marketing Mix**

The 7P marketing mix consists of product, price, promotion, location, people, physical evidence, and process. These elements have been adapted for the local coffee shop environment in Indonesia.

#### **2. Customer Satisfaction**

This variable measures customers' evaluation of the fulfillment of their needs and desires after purchasing products and using services at coffee shops.

#### **3. Customer Loyalty**

Customer loyalty includes three post-purchase patterns, namely the intention to revisit, the intention to recommend to others, and the willingness to pay a premium price.

### **Scale**

Respondents' demographic characteristics and coffee shop usage patterns were measured using a nominal scale. Meanwhile, for the marketing mix, brand image, customer satisfaction, and customer loyalty variables, the questionnaire was compiled using a 5-point Likert scale. The questionnaire items related to marketing mix were adapted from the research of Hanaysha (2017), Amofah et al. (2016), Lien et al. (2012), Ryu et al. (2012), and Al-Dmour et al. (2013). Meanwhile, the items related to customer satisfaction were adapted from the research of Ryu et al. (2008), Homburg et al. (2005), and Ryu et al. (2012). For measuring customer loyalty, the research of Zeithaml (1996) was used as the main reference.

### **Samples and Data Collection Techniques**

This study used a purposive sampling method in the non-probability category. Respondents were selected from customers who visited local coffee shops in Makassar at least once a week.

Respondents were classified based on their economic ability to access services at the coffee shop. The questionnaire was distributed via email, social media (social networking services), and in printed form.

Only respondents who stated that they visited a coffee shop at least once a week were included in the survey. Respondents who answered that they visited a coffee shop less than once a week were excluded from the follow-up survey to ensure data relevance.

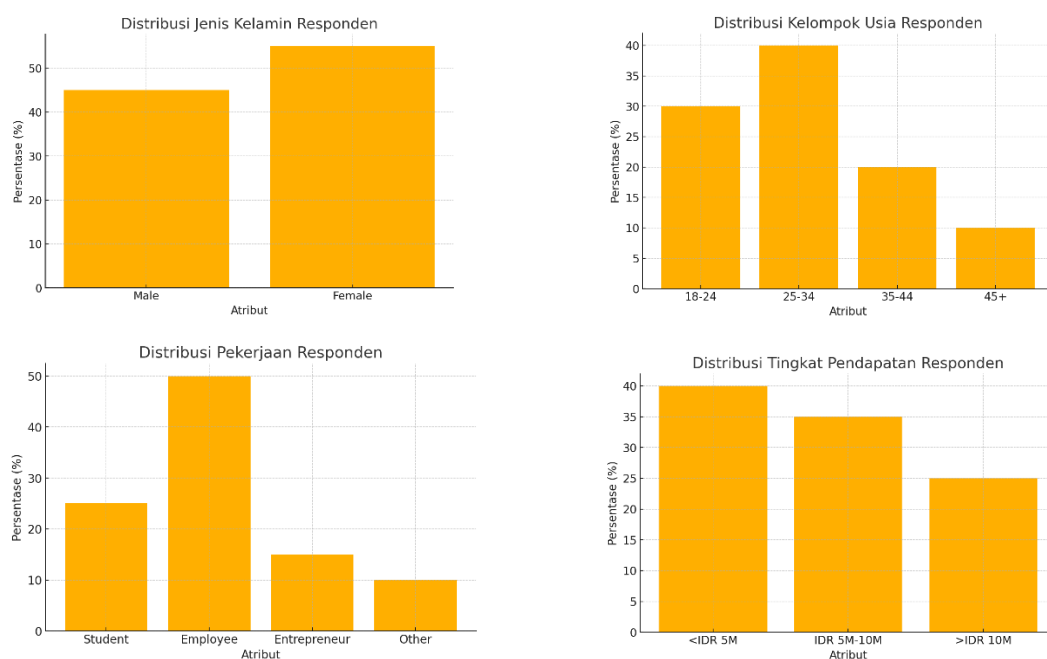
### Data analysis

1. Frequency Analysis: Frequency analysis was conducted to examine the frequency and percentage distribution of general characteristics of respondents and coffee shop usage patterns.
2. Confirmatory Factor Analysis and Reliability Test: Confirmatory factor analysis is used to check the validity of variables such as marketing mix, customer satisfaction, and customer loyalty. Reliability testing is conducted to ensure the consistency of measurement results.
3. Multiple Regression Analysis: Multiple regression analysis is used to test the effect of factors in the marketing mix on customer satisfaction and customer loyalty.
4. Simple Regression Analysis: Simple regression analysis was conducted to test the relationship between customer satisfaction and customer loyalty.

## 3. Result and Discussion

### Respondent Profile

In this study, a survey was conducted on customers who have used coffee shop services in Makassar City. This survey aims to understand the pattern of coffee shop usage and the demographic characteristics of customers. A total of 63 respondents provided complete answers that can be used for analysis as follows:



**Figure 2. Distribution of Research Respondent Profiles**

The survey respondents were predominantly female (55%), while males comprised 45% of the total respondents. This shows that females tend to be more frequent coffee shop customers than



males in this sample. The majority of respondents were in the 25-34 age range (40%), followed by the 18-24 age group (30%), 35-44 age group (20%), and over 45 age group (10%). This data shows that coffee shops are becoming more popular among young adults. In terms of coffee shop brand preferences, Kopi Kenangan is the respondents' top choice (35%), followed by Janji Jiwa (30%) and Fore Coffee (20%). The rest (15%) chose the "others" category, which includes other coffee shops in Makassar.

## **Results of Confirmatory Factor Analysis and Reliability Analysis**

This study uses confirmatory factor analysis (CFA) to test the validity and reliability of research instruments covering the marketing mix, customer satisfaction, and customer loyalty.

### **1. Factor Analysis and Reliability for Marketing Mix**

CFA was conducted to analyze the validity and reliability of the marketing mix questionnaire. The extraction method used the Principal Component Method with Berry Max rotation. Of the 21 initial items, 3 items were removed because they interfered with the reliability and discriminant validity, so that the remaining 18 items were grouped into 7 marketing mix factors.

### **2. Factor Analysis and Reliability for Customer Satisfaction**

CFA was also conducted for the customer satisfaction variable with the remaining 3 items. All of these items were grouped into a single factor. The results of the factor analysis showed that all factor loadings were above 0.7, with an eigenvalue of 2.121. This factor was able to explain 71.690% of the total variance, indicating that the level of contribution of the factor to the observed variables was quite high. The KMO value of 0.665 indicated quite good validity, and the Bartlett test result of 168.919 ( $p < 0.001$ ) confirmed that the relationship between variables was significant. With these results, the instrument used was considered valid and reliable to analyze the variables in the study.

### **3. Factor Analysis and Reliability for Customer Loyalty**

CFA for customer loyalty uses 3 items, which are also combined into a single factor. All loading factor values are above the minimum of 0.7 and the eigenvalue is at 2.019. In addition, this factor explains 65.71% of the total variance. With a KMO value of 0.662 indicating a fairly good level of validity and the results of the Bartlett test (167.921 ( $p < 0.001$ )), indicating a significant relationship between variables in the factor.

## **Multiple Regression Hypothesis Test Results**

Multiple regression analysis was conducted to test Hypothesis 1, with seven marketing mix factors as independent variables and customer satisfaction as the dependent variable. The results of the analysis showed that the relationship between the independent and dependent variables had an explanatory power of 65.7% ( $R^2 = 0.657$ ), with an F value of 42.188 ( $p < 0.05$ ) indicating that the regression line fits the model. The Durbin-Watson value of 2.241 indicates no correlation between residuals, so the regression model is considered valid. Of the seven factors analyzed, the results showed that product factors ( $t = 3.102$ ,  $p < 0.05$ ), price ( $t = 3.693$ ,  $p < 0.05$ ), process ( $t = 3.010$ ,  $p < 0.05$ ), and people ( $t = 3.617$ ,  $p < 0.05$ ) have a significant influence on customer satisfaction. In contrast, location factors ( $t = -0.342$ ,  $p > 0.05$ ), promotion ( $t = 0.597$ ,  $p > 0.05$ ), and physical evidence ( $t = 0.098$ ,  $p > 0.05$ ) did not have a significant effect.

From the analysis results, the process factor has the greatest influence on customer satisfaction with a beta coefficient of 0.275, followed by people factors ( $\beta = 0.270$ ), price ( $\beta = 0.251$ ), and product ( $\beta = 0.201$ ). This shows that the process and interaction aspects of people in the service have the greatest contribution to customer satisfaction compared to other factors in the marketing mix.

## **Simple Regression Hypothesis Test Results**

Regression analysis was conducted to test Hypothesis 2, which aims to determine the relationship between customer satisfaction as an independent variable and customer loyalty as a dependent variable. The results of the analysis show that the relationship between the two variables

has an explanatory power of 68.1% ( $R^2 = 0.681$ ), with an F value of 143.366 ( $p < 0.05$ ) indicating that the regression line fits the model. In addition, the results of the analysis show that the effect of customer satisfaction on customer loyalty is significant with a value of ( $t = 12.471$ ,  $p < 0.05$ ). This finding indicates that the higher the level of customer satisfaction, the greater the effect on customer loyalty, supporting the suitability of the regression model used in the study.

**Table 1. Hypothesis Testing Results**

No	Hypothesis	Sig	Results
H1.1	Product -> Satisfaction	0,000	Accepted
H1.2	Price -> Satisfaction	0,000	Accepted
H1.3	Place -> Satisfaction	0.750	Rejected
H1.4	Promotion -> Satisfaction	0.109	Rejected
H1.5	Process -> Satisfaction	0,000	Accepted
H1.6	Physical Evidence -> Satisfaction	0.810	Rejected
H1.7	People -> Satisfaction	0,000	Accepted
H2	Satisfaction -> Loyalty	0,000	Accepted

Source: processed data, 2024

## Discussion

Based on the results of a survey of 63 respondents who are coffee shop customers in Makassar, a demographic picture was obtained showing that the majority of respondents were women (55%), with the largest age group in the range of 25-34 years (40%). This profile shows that coffee shops are popular places among young adults, especially women. Most respondents work as employees (50%) with an income below IDR 10 million per month, where 40% have an income of less than IDR 5 million. Coffee shop brand preferences show that Kopi Kenangan and Janji Jiwa are the two favorite choices, with 35% and 30% of respondents choosing them respectively. These characteristics indicate that local coffee shops are attractive places for young professionals looking for comfort in a work atmosphere or light recreation.

The results of the regression analysis show that not all marketing mix factors have a significant effect on customer satisfaction. Location factors (place) and physical evidence do not have a significant impact on customer satisfaction, which is different from several previous studies, such as Bitner (1990) and Karl, John & Margaret (2003), which showed that the service environment and work atmosphere positively affect customer satisfaction and loyalty. This difference can be explained by two things. First, the average score for the physical evidence items in this study was relatively low (below 4 points). This indicates that interior design, cleanliness, and facilities such as Wi-Fi may not meet customer expectations in Makassar. The assessment of physical evidence with only three questionnaire items also limits the ability to evaluate complex physical dimensions. Second, coffee shop customers in Makassar may have different needs, so the design of physical evidence needs to be more unique, different, and attractive to increase customer satisfaction.

On the other hand, people and process factors have the most significant influence on customer satisfaction. In the context of a service industry such as a coffee shop, a good relationship between customers and employees, as well as an efficient service process, have a direct impact on customer satisfaction. This finding is in line with previous studies such as Gerrard (2002) and Karl, John & Margaret (2003), which state that a positive relationship between customers and employees can increase satisfaction. Sympathetic interactions and pleasant service processes make customers feel appreciated, which ultimately improves their experience.

## CONCLUSION AND SUGGESTIONS

### Conclusion

This study shows that not all factors in the marketing mix have a significant effect on customer satisfaction. Location and physical evidence factors do not have a significant impact on customer satisfaction, in contrast to the results of previous studies. On the contrary, people and process factors have the greatest influence on customer satisfaction, followed by price and product factors. This indicates that in the context of coffee shops in Makassar, the quality of interaction between customers and employees and efficient service processes are more important than other aspects. These findings suggest that service and experience aspects play a key role in building customer satisfaction in the local coffee shop industry.

### Further Research Suggestions

1. Research Instrument Improvement: Future research is recommended to expand the questionnaire items related to physical evidence to include more dimensions, such as layout, music, lighting, and aroma, in order to more thoroughly capture the complexity of this aspect.
2. Qualitative Research: Research using a qualitative approach can be conducted to explore more deeply customer expectations regarding physical evidence and other elements that are not covered by quantitative questionnaires.
3. Analysis in Other Cities: Given that the context of this study is specific to Makassar, future research is recommended to conduct similar analyses in other cities to compare the results and understand regional differences in customer preferences.

### Managerial Implications

1. Focus on Employee Training: Given that people factors have the greatest influence on customer satisfaction, coffee shop management needs to invest in employee training, especially in terms of empathy, communication skills, and customer service.
2. Service Process Optimization: An efficient and convenient service process can increase customer satisfaction. Management can implement automation systems or technologies such as online ordering applications to speed up the service process without reducing quality.
3. Design of Compelling Physical Evidence: Although not significant in this study, physical evidence is still important for differentiation. Coffee shops need to design unique interiors, maintain cleanliness, and provide modern amenities such as high-quality Wi-Fi to attract more customers.
4. Pricing and Product Strategy Improvement: Maintaining competitive prices and ensuring high product quality, such as coffee taste and menu variety, can help build trust and increase customer loyalty.

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