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OPTIMIZATION OF CUSTOMER LOYALTY AT COFFEE SHOPS IN SURABAYA

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Abstract

The main key to winning in competition for companies is to provide value and satisfaction to consumers through the delivery of quality products and services. This can be achieved by providing products and services that are more satisfying than those of competitors, resulting in satisfied consumers, consistent service quality, and consumer loyalty. This research aims to analyze sales optimization strategies by increasing service quality and customer loyalty of coffee shops in Surabaya, using a causal research design with quantitative methods. Data was collected through questionnaires distributed to people in Surabaya who had visited and bought from coffee shops. The data analysis technique used was Structural Equation Modeling analysis with Partial Least Square. Results showed that store location and store image had a significant positive effect on service quality, and store location, store image, and service quality had a significant positive effect on customer loyalty. The recommended strategies include improving store location by making signs that are easy to reach, and improving store image through endorsements and other promotions to attract customer attention.

Keywords: *Customer Loyalty, Service Quality, Store Image, Store Location*

1. INTRODUCTION

In today's competitive business landscape, companies are faced with the constant challenge of maintaining their position and relevance. As competition continues to intensify in all areas of business, it becomes increasingly important for companies to remain innovative and to continuously explore new opportunities for growth and development.

One such area of business that has witnessed significant growth and development is the food and beverage industry. This can be attributed to the rise in business challenges and the emergence of new competitors within the industry. Food and beverage service is a term that is often used to describe the act of serving food and drinks to customers. Typically, businesses that offer these services also sell food and beverage products such as Indomie, Silverqueen, Kapal Api Coffee, and many others.

As this industry continues to grow, it has created numerous job opportunities that are essential to the effective operation of these businesses (Apdillah et al., 2022). These jobs include roles such as chefs, bartenders, servers, and many others, all of which play a critical role in ensuring that businesses are able to deliver high-quality products and services to their customers.

The growth rate of the food and beverage industry for the 2017-2021 period has fluctuated. Having fallen due to the pandemic, the growth rate of the food and beverage industry has picked up again in 2021. Food and beverage is one of 8 industries that can still grow positively in 2020 (BPS, 2022). The growth of the food and beverage business can be seen from the increasing number of places to eat (warteg, cafes and restaurants). The increase in the establishment of restaurants in various places is the result of increasing

market demand, especially in big cities such as one in Surabaya. According to Ferry Setiawan, Deputy Chairperson of the East Java Indonesian Cafe and Restaurant Entrepreneurs Association (Apkrindo), the situation now is much different. Covid-19 cases have decreased significantly. The impact is felt by F&B entrepreneurs, so they are increasingly optimistic about the current situation. It is estimated that the turnover will exceed before the pandemic, namely an average turnover of around 30 percent. Not only that, the number of growth in food and beverage (F&B) entrepreneurs has also increased.

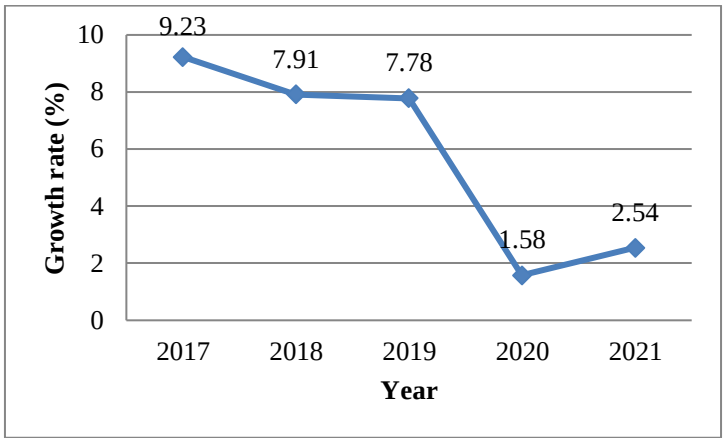

Figure 1. Growth Rate of the Food and Beverage Industry for the 2017-2021 Period
Source: Indonesian Statistics Center (2022)

The coffee shop at first only provided and sold coffee and quickly. The consumers also come from a handful of people who really like and understand coffee. When consumers decide to visit or buy food and beverage products at cafes , they actually have certain reasons for choosing a product, for example, they are satisfied with the quality of food and drinks and prices that meet expectations. There are also consumers who buy food and beverage products based on basic needs and not a few consumers who buy products spontaneously, meaning that consumers fulfill a need for a comfortable place with a delicious food or drink menu and affordable prices without any plans to buy beforehand or without special considerations when deciding to visit or purchase a product.

In this study, several variables that can influence consumer loyalty will be examined, namely store image, store location, and service quality management. Store image refers to the overall impression consumers have of the store and their experience with it, and it has been found to have a positive and significant effect on customer loyalty (Idris & Anindito, 2019). Additionally, store image has been found to have a significant effect on customer loyalty (Hariyadi et al., 2018). However, one study has shown that store image does not have a significant effect on customer loyalty. It is not certain that customers will increase their loyalty to the store just because the store has a higher image, and customers are not necessarily more loyal to the store (Sulaiman et al., 2020).

Research revealed that a location is a place for a business to carry out its business activities, starting from production and distribution activities. Kotler said that the key to the success of a business is the location of the business. Business location is considered by customers in creating consumer loyalty. In addition, brand image is something that is considered by consumers because it can increase consumer confidence and trust in the

quality and suitability of products to their tastes (Wardana & Astutiningsih, 2022). Revealed that if a Store's location is more strategic, it has a significant effect on Service Quality. This means that customers feel comfortable with store locations in large malls in the city of Samarinda so that it has a significant effect on increasing purchases. However, store location has no significant effect on customer loyalty (Sulaiman et al., 2020) .

Customer loyalty is based on the character built by a retail company which is useful for distinguishing it from the characters of other retail companies. Good character will influence customers to help recommend to relatives and others. The services and benefits that customers receive can be the key to building a good store image. Good service and providing many benefits will have an impact on the customer's desire to shop again and increase customer loyalty (Idris & Anindito, 2019). Concluded that service quality has a positive and significant effect on customer loyalty (Idris & Anindito, 2019). The following in table 1 will present the research gap of previous studies:

Table 1. Research Gaps

Association		**Researcher (Year)**			
		Sulaiman et al (2020)	**Wardana & Astutiningsih (2022)**	**Idris (2019)**	**Hariyadi et al (2018)**
Store image	Customer loyalty	Non Sig.	Sig. (+)	Sig. (+)	Sig. (+)
Store locations		Non Sig.	Sig. (+)		Sig. (+)
Service quality			Sig. (+)	Sig. (+)	

Source: Researcher Data (2023

Based on the descriptions and problems found and after looking at previous studies of several variables used in the research, it shows research gaps in table 1. which are inconsistent (inconsistency) in research results that still show mixed results, so that the results of these studies cannot be determine the factors that can precisely affect customer loyalty. So researchers are interested in researching " Factors Influencing Customer Loyalty at Coffee Shops in Surabaya". The purpose of this study was to find (1) the effect of store image on service quality management , (2) the effect of store location on service quality management , (3) the effect of store image on customer loyalty , (4) the effect of store location on customer loyalty and (5) The effect of service quality management on customer loyalty.

2. LITERATURE REVIEW

2.1. Store Image

Store Store image refers to the perception that consumers have of a store that sells a particular product, which is typically measured by the perceived quality of the retailer where brand-name products are sold. This variable is typically evaluated through a range of indicators, including: (1) distinguishing features that set the store apart from its competitors, such as unique qualities or traits; (2) the number and quality of services provided to customers, which can greatly influence the store's image and reputation; (3)

the breadth and variety of products available, as this can create a sense of convenience and accessibility for customers; (4) the relative pricing of the products sold, which should be competitive and reasonable for customers; and (5) the overall organization and presentation of the store, which can greatly impact how customers perceive the store and its image. These indicators can help to build a strong and positive store image in the minds of customers, which is crucial for maintaining a competitive edge in the market (Hariyadi et al., 2018).

2.2. Store Location

The term "store location" refers to the physical space where a business or commercial activities take place. In order to measure the location variable, various indicators are used, including: (1) the ease with which the store can be located by customers, which involves making the store visible from a distance and marking its location clearly; (2) the proximity of the store to residential areas and high-traffic areas, as this makes it more accessible and convenient for consumers to visit; (3) the accessibility of the store via various modes of transportation, such as private or public transportation, with many stores located near public transport hubs; and (4) the proximity of the store to other businesses, often located in shopping centers, such as malls or plazas, which can enhance the store's visibility and attract more customers. These indicators can help to determine the optimal location for a store, and ensure that it is well-positioned to attract and retain customers (Hariyadi et al., 2018).

2.3. Customer Loyalty

Customer loyalty refers to the strong and enduring commitment of a customer to a particular brand, store, or supplier, which is based on a highly positive attitude towards the product or service and is reflected in a pattern of consistent and repeated purchases. Indicators of customer loyalty are (1) Repeat purchases (loyalty to product purchases), customer loyalty to products or services that have been purchased by making repeated purchases or purchases continuously. (2) Reject another (resistance to negative influences on the company), loyal customers will continue to use the product or service and do not intend to switch to competing products or services even though there is negative information about a product or service. (3) Word of mouth (referring to the total existence of the company), customers are willing to recommend or talk about good things about products or services that they have experienced with family or friends (Kotler & Keller, 2016).

2.4. Service Quality Management

Service quality management is an assessment made based on consumer perceptions and expectations of the services received. Service quality management indicators are: a). The quality of services provided is attractive, b). Employees are reliable in providing services, c) Services from employees are fast, d) Employees provide services in a polite manner, e) Services make it easy to transact, and f). Clear information (Idris & Anindito, 2019).

2.5. Conceptual Framework

conceptual framework serves to facilitate the process of understanding and conducting research . The following is the conceptual framework in this study :

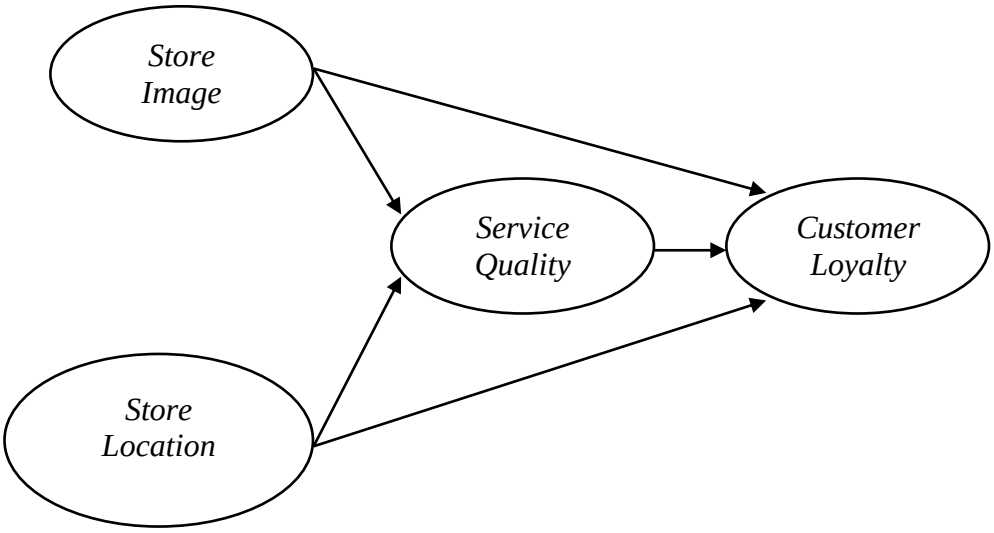

Figure 2. Conceptual Framework
Source: Data Researcher (2023)

3. RESEARCH METHODS

This research is included in the type of causal research because one variable with other variables is interconnected, namely the independent variable and the dependent variable. The approach used is a quantitative method, namely research using research data in the form of numbers and analysis using statistics (Sugiyono, 2015). The data collection method uses a questionnaire, namely a questionnaire, which is a method of collecting data by providing a set list of questions to be answered by respondents (Sugiyono, 2015).

In this study, the study population refers to all people in the city of Surabaya. The sample includes the people of Surabaya who have visited and bought coffee shops in Surabaya. Sampling was carried out by purposive sampling of the object under study, where the researcher had made certain criteria based on the characteristics of the subjects to be used as research samples. The analytical method used is the Structural Equation Model (SEM), so that the large sample size has an important role in the interpretation of SEM results and recommends that a sample size between 100-200 be used for the ML (Maximum Likelihood) estimation method (Ghozali, 2014). In this study, a sample of 130 respondents was taken.

The data analysis technique used is Structural Equation Modeling analysis using Partial Least Square. The Partial Least Square (PLS) evaluation model is based on prediction measurements that have non-parametric properties (Ghozali, 2014).

In this study several research variables were used, namely the Independent, Dependent and Intervening variables. The independent variables in this study are Store Image (X_1) with indicators 1) Characteristics are differentiators from something else, characteristics are defined as qualities or characteristics, 2) The amount of services offered, 3) Product line width, 4) Relative set price, 5) Organized retail store and Store Location (X_2) with indicators 1) Characteristics are differentiators from something else,

characteristics are defined as quality or nature, 2) Number of services offered, 3) Product line width, 4) Relative set price and 5) Organized retail store . The dependent variable of the research is Customer Loyalty (Y) with indicators 1) Repeat purchase , 2) Reject another and 3) Word of mouth . While the intervening variable is Service Quality (Z) with indicators 1) The quality of the service provided is attractive, 2) Employees are reliable in providing services, 3) Service from employees is fast, 4) Employees provide services politely, 5) Services make it easy to transact, and 6). Clear information.

4. RESULTS AND DISCUSSION

4.1. Research Results

4.1.1. Outer Model Test

Outer Model testing is carried out with several tests, including:
1) Convergent Validity

Table 2. Validity Test (Convergent Validity)

Variable	Items	Original Sample	P-Values	Note
Store Images (X1)	**X1.1**	0.829	0.000	Valid
	X1.2	0.884		
	X1.3	0.838		
	X1.4	0.803		
	X1.5	0.679		
Store Location (X2)	**X2. 1**	0.754		
	X2.2	0.820		
	X2.3	0.855		
	X2 .4	0.797		
Customer Loyalty (Y)	**Y. 1**	0.801		
	Y.2 _	0.895		
	Y.3	0.870		
Service Quality (Z)	**Z. 1**	0.859		
	Z. 2	0.829		
	Z. 3	0.793		
	Z. 4	0.794		
	Z. 5	0.834		
	Z. 6	0.798		

Source: Processed Data (2023)

Based on the convergent validity test shown in Table 2 above, it is known that all indicators have a convergent validity value > 0.5. so that all indicators are valid to use.

2) Discriminant Validity

Table 3. Cross Loadings

Items	Store Images (X1)	Store Locations (X2)	Customer Loyalty (Y)	Service Quality (Z)
X1.1	0.829	0.662	0.721	0.620
X1.2	0.884	0.670	0.646	0.629
X1.3	0.838	0.555	0.602	0.509
X1.4	0.803	0.558	0.514	0.480
X1.5	0.679	0.434	0.372	0.396
X2.1	0.438	0.754	0.491	0.550
X2.2	0.749	0.820	0.712	0.644
X2.3	0.502	0.855	0.571	0.616
X2.4	0.612	0.797	0.568	0.526
Y. 1	0.433	0.512	0.801	0.617
Y.2	0.660	0.654	0.895	0.739
Y.3	0.734	0.700	0.870	0.696
Z. 1	0.613	0.628	0.679	0.859
Z. 2	0.423	0.585	0.584	0.829
Z. 3	0.471	0.544	0.588	0.793
Z. 4	0.390	0.516	0.528	0.794
Z. 5	0.573	0.631	0.738	0.834
Z. 6	0.711	0.638	0.759	0.798

Source: Processed Data (2023)

The value of cross loading in Table 3 above can be seen that each indicator in the research variable has the largest cross loading value on the variable it forms compared to the cross loading value on other variables. So it can be stated that the indicators used in this study have good discriminant validity in compiling their respective variables.

The AVE value is declared satisfactory if > 0.5. The results of the AVE test are shown in Table 4 as follows:

Table 4. AVE Value

Variables	AVE
Store Images (X1)	0.655
Store Locations (X2)	0.652
Customer Loyalty (Y)	0.733
Service Quality (Z)	0.669

Source: Processed Data (2023)

The results of the AVE value for the indicator block that measures the construct can be declared to have a good discriminant validity value because the AVE value is > 0.5. Then the entire construct variable is declared to have good discriminant validity.

3) Composite Reliability

Table 5. Composite Reliability

Variables	Composite Reliability
Store Images (X1)	0.904
Store Locations (X2)	0.882
Customer Loyalty (Y)	0.892
Service Quality (Z)	0.924

Source: Processed Data (2023)

Based on the data presented in Table 4 above, it can be seen that the composite reliability value of all research variables is > 0.70. So each variable has met composite reliability so that all variables are adequate in measuring latent variables/constructs and can be used in further analysis.

4) Cronbach Alpha

Table 6. Cronbach Alpha

Variable le	Cronbach Alpha
Store Images (X1)	0.868
Store Locations (X2)	0.822
Customer Loyalty (Y)	0.818
Service Quality (Z)	0.902

Source: Processed Data (2023)

Based on the test results in the table above, it can be seen that the Cronbach alpha value of each research variable is > 0.60. Then each research variable has met the requirements of the Cronbach alpha value

4.1.2. InnerModel

The following tests on the inner model are:

1) R Square

In assessing the model with PLS, it begins by looking at the R-square for each dependent latent variable (Ghozali, 2016). The PLS output is as described below:

Table 7. R-Square Values

Variable	R Square
Customer Loyalty (Y)	0.722
Service Quality (Z)	0.569

Source: Processed Data (2023)

Based on the results of testing the R-square value above, it can be interpreted that: Store Image, Store Location and Service Quality variables that make up the Customer Loyalty variable in the structural model have an R2 value of 0.722 which indicates that the model is "strong" and can form a Consultant Performance of 72.2%. Then, for Store Image and Store Location variables that make up the Service Quality variable in the structural model have an R2 value of 0.569 which indicates that the model is "moderate" and can form a Consultant Performance of 56.9% .

2) Equation Test

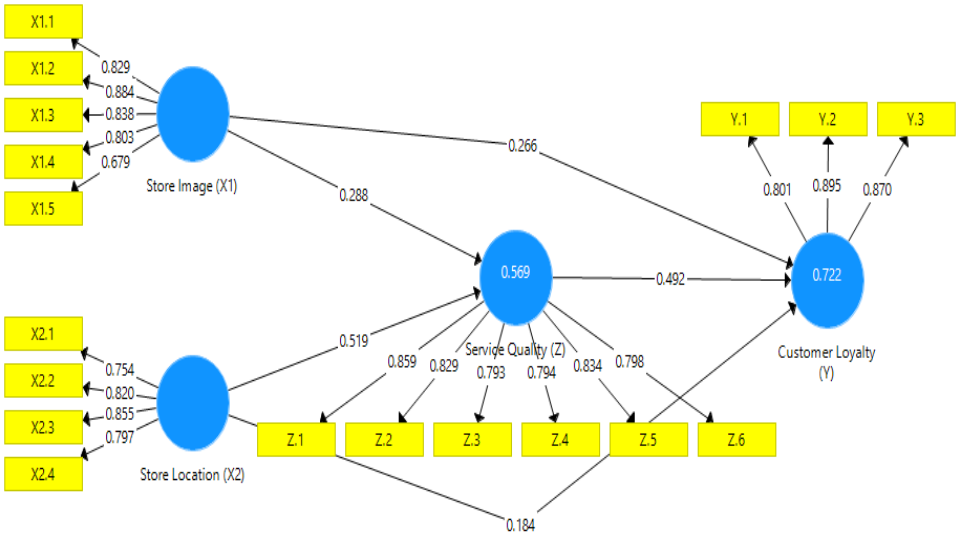

Figure 3. PLS Model
Source: Data Researcher (2023)

The results of the inner weight value in Figure 3 above show that the Customer Loyalty is formed by Store Image, Store Location and Service Quality and for the Service Quality is formed by Store Image and Store Location which are described in the structural equation below.

$$Z = 0{,}288\ X_1 + 0{,}519\ X_2$$
$$Y = 0{,}266\ X_1 + 0{,}184\ X_2 + 0{,}492\ Y$$

3) Hypothesis Test

Table 8. Hypothesis Test

	Original Sample	T Statistics
Store Image (X1) -> Service Quality (Z)	0,288	3,065
Store Image (X1) -> Customer Loyalty (Y)	0,266	3,430
Store Location (X2) -> Service Quality (Z)	0,519	5,768
Store Location (X2) -> Customer Loyalty (Y)	0,184	2,177
Service Quality (Z) -> Customer Loyalty (Y)	0,492	5,578

Source: Processed Data

Based on the results of hypothesis testing shown in the table above shows that:

a. Store Image (X_1) has significant Positive effect to Service Quality, because it has a T statistic value of 3,065 which is greater than 1.96.
b. Store Image (X_1) has significant Positive effect to Customer Loyalty, because it has a T statistic value of 3,430 which is greater than 1.96.

c. Store Location (X_2) has significant Positive effect to Service Quality, because it has a T statistic value of 5,768 which is greater than 1.96.
d. Store Location (X_2) has a significant Positive effect to Customer Loyalty, because it has a T statistic value of 2,177 which is greater than 1.96.
e. Service Quality (Z) has a significant Positive effect on Customer Loyalty, because it has a T statistic value of 5,578 which is greater than 1.96.

4.2. Discussion

4.2.1. The Effect of Store Image on Service Quality

The results of the study revealed that the Store Image had a significant effect on Service Quality. This can be seen from the t-statistic value of 3.065 which is greater than 1.96 which means that the Store Image factor can be a factor that affects Service Quality. Based on the direction of the relationship, Store Image and Service Quality has a positive relationship with a value of 0.288. The better the store image, the better the service quality. The positive image created in the customer's mind about the store is seen to have a strong and positive influence on satisfaction (Demirgunes, 2014). The strategy that can be carried out is to provide employees with an understanding of the importance of the company's image so that employees can work with the best service.

4.2.2. The Effect of Store Image on Customer Loyalty

The results of the study revealed that the Store Image had a significant effect on Customer Loyalty. This can be seen from the t-statistic value of 3.430 which is greater than 1.96 which means that the Store Image factor can be a factor that affects Customer Loyalty. Based on the direction of the relationship, Store Image and Customer Loyalty has a positive relationship with a value of 0.266. The results in this study are in line with the results of research proves that Store Image has an effect on Customer Loyalty (Idris & Anindito, 2019). Strategy to improve Store Image is by procuring endorsements, promotions and social activities that can attract customers' attention.

4.2.3. The Effect of Store Location on Service Quality

The results of the study revealed that the Store Location had a significant effect on Service Quality. This can be seen from the t-statistic value of 5.768 which is greater than 1.96 which means that the Store Location factor can be a factor that affects Service Quality. Based on the direction of the relationship, Store Location and Service Quality has a positive relationship with a value of 0.519. The better the store location, the better the service provided. Research state if the retail location is too far away, then customers will tend to choose to shop at a store close to home and do not need to spend more to get to the retail location (Hariyadi et al., 2018). The strategy that can be done is to plan the location of the store which is in a comfortable area so that it can increase employee job satisfaction which has an impact on improving service.

4.2.4. The Effect of Store Location on Customer Loyalty

The results of the study revealed that the Store Location had a significant effect on Customer Loyalty. This can be seen from the t-statistic value of 2.177 which is greater than 1.96 which means that the Store Location factor can be a factor that affects Customer Loyalty. Based on the direction of the relationship, Store Location and Customer Loyalty

has a positive relationship with a value of 0.184. The results in this study are in line with the results of research which proves that Store Location has an effect on Customer Loyalty (Hariyadi et al., 2018). The strategy that can be done is to clarify the location of the store through making store location signs and registering store locations on Google maps so that they are easy to reach.

4.2.5. The Effect of Service Quality on Customer Loyalty

The results of the study revealed that the Service Quality had a significant effect on Customer Loyalty. This can be seen from the t-statistic value of 2.177 which is greater than 1.96 which means that the Service Quality factor can be a factor that affects customer loyalty. Based on the direction of the relationship, Service Quality and Customer Loyalty has a positive relationship with a value of 0.492. The results in this study are in line with the results of research which proves that Service Quality has an effect on Customer Loyalty (Idris & Anindito, 2019). The strategy that can be carried out is to continue to evaluate employee performance on a regular basis and create new sales programs so that customers are always satisfied and not bored with the services provided.

5. CONCLUSION

Based on the results of the analysis described in the previous chapter, the following conclusions are drawn: (1) Store Image has a significant positive effect on Service Quality, (2) Store Image has a significant positive effect on Customer Loyalty, (3) Store Location has a significant positive effect on Service Quality, (4) Store Location has a significant positive effect on Customer Loyalty and (5) Service Quality has a significant positive effect on Customer Loyalty. The strategy that can be done is to clarify the location of the store through making store location signs and registering store locations on Google maps so that they are easy to reach. The next strategy to improve Store Image is by procuring endorsements, promotions and social activities that can attract customers' attention.

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