ABSTRACT: Coffee shops are known to be one of the most visited places for a person to be productive in terms of work and creating ideas. Individuals tend to spend the majority of their budget on coffee consumption mainly because it serves as a multi-beneficial investment for studying, working, and socializing. The coffee shop businesses tend to be created commonly, however competitions were intense. Therefore, it is crucial to understand the market to be ahead of competition given the economic uniqueness and value as it will provide continuous profits. This research identified that four attributes were the core link to potential customer satisfaction in coffee shop services. Based on the surplus of academic evidence in the service industry, this research examined atmosphere, employee attitude, information technology (IT) service and coffee quality as core variables that were important to satisfaction. Furthermore, a total of 235 valid data from the respondents were gathered in this research. The result indicated that two attributes of the coffee shop had a positive impact on customers’ satisfaction. Moreover, the customer’s satisfaction was also proven to have an impact on the customer’s loyalty.

Keywords: coffee shop, atmosphere, employee attitude, IT Services, coffee quality, customer’s satisfaction, customer’s loyalty

1. INTRODUCTION

Coffee shops are known to be one of the most visited places for a person to be productive in terms of work and creating ideas. It is the staple of the hospitality industry for a good reason. According to Fisher, Landry, & Naumer (2007), Hattox (2014) and Waxman (2006), individuals tend to spend the majority of their budget on coffee consumption mainly because it serves as a multi-beneficial investment for studying, working, and socializing. The literature on the economic value of coffee shop businesses has been discussed by various data sources. According to Ibis (2011), the coffee shop businesses tend to be created commonly, however competitions are intense. Therefore, it is crucial to understand the market in order to be ahead of competition given the economic uniqueness and value as it will provide continuous profits.

According to Han & Hyun (2017), Jung & Yoon (2013), Kim, Vogt & Knutson (2015), Ryu, Han, & Kim (2008) and Ryu, Lee & Kim (2012), consumer behaviour has concluded the role of satisfaction in the market. An enormous assortment of literature provides that customer satisfaction is a centre component of the service industry as it will in general give a positive relationship of outcomes such as a higher significant level of sales and customer loyalty. The main subject for this research is Starbucks Empire XXI Yogyakarta due to its sampling convenience. According to Chakravorti (2010), Schultz (2012), and Statista (2017), as one of the most dominant coffee shops, Starbucks provides a lot of products such as drinks, food, tea, and coffee-related items. Besides, Starbucks is the leader in the food and beverage industry. According to Moon & Quelch (2003), Taecharungroj (2016) and Thompson & Arsel (2004), Starbucks has achieved major market success by implementing elaborate marketing strategies and strong positioning in consumers’ minds such as location, marketing, mobile marketing, and optional pricing marketing. This research limits the scope of research in Indonesia to determine representativeness.

Overall, according to Cobanoglu et al (2012), Han et al (2012), Kang & Hyun (2012),
Hwang & Ok (2013), Han (2015) Han & Hwang (2015), Hur, Moon & Jung (2015), Lai (2015), Lu, Berchoux, Marek & Chen (2015), Tsaur et al (2015), Ali, Kim, Li & Jeon (2016), Wakefield & Blodgett (2016), and Line, Hanks & McGinley (2018), the main purpose of this research is to identify the variables (atmosphere, employee attitude, IT service, and coffee quality) that may affect coffee consumers' satisfaction which were selected based on rich literature review. Moreover, according to Han & Hyun (2017), Jung & Yoon (2013) and Kim et al (2015), the relationship between satisfaction and loyalty was also analysed by giving the surplus evidence from previous research. Confirmatory factor analysis and structural equation modelling were carried out to identify the validity and internal consistency of the construct used in the research and to verify the research hypothesis.

2. LITERATURE REVIEW

2.1 Coffee shop, Coffee Industry, Customer Satisfaction, Customer Loyalty

According to an Ibis report (2011), the National coffee association (2016), and Starbuck (2016), the coffee shop industry is popular worldwide because coffee shops serve various purposes, such as chatting, meeting, eating, or studying. As an example, in 2015, coffee shop-related businesses generated 225.2 billion dollars in revenue globally and created approximately 1.7 million jobs. According to an Ibis report (2011), the coffee shop industry is categorized as fairly competitive and has a low entry barrier. According to Han, Back, & Barrett (2009), Han & Jeong (2013), Jung & Yoon (2013), and Ryu et al., (2008), these characteristics are important for coffeeshop businesses to make efforts to maintain current customers and to attract new customers. Such businesses must develop an in-depth understanding of customers. According to Chen & Hu (2010), Han et al., (2009), Han & Hyun (2017), Han, Kwortnik, & Wang, (2008), Han & Ryu (2009), Jung & Yoon (2013), Kim & Ok (2010), Ryu, et al., (2008) (2012), and Tsaur et al (2015), in particular, customer satisfaction in the marketing context is a critical factor to retain customers and attract new customers by encouraging behavioral intentions that include “recommendations,” “willingness to pay,” repurchases,” and “word of mouth”. Thus, according to Jung & Yoon, (2013), Ryu et al., (2012), and So, King, Sparks, Wang, (2016), providing products or services that either encourage customer satisfaction or prevent dissatisfaction is vital for retaining or attracting customers.

2.2 Atmosphere

To examine customer satisfaction, this research identified the four main attributes that may reflect coffee shop characteristics: atmosphere, employee attitude, IT service, and taste. According to Han et al. (2009), Han & Ryu (2009), Kang, Tang, Lee, &Bosselman (2012), Ryu et al (2012) and Tsaur et al (2015), “coziness” and “comfort” as a state of physical relaxation in the atmosphere and that it provided customers with familiarity comfort to create satisfaction in the hospitality idea. According to Ha & Jang (2010), Heung & Gu (2012), Tripathi & Dave (2014), Han & Hwang (2015), Han & Hyun (2017) and Han et al. (2012), the effects of “atmosphere” inside the tourism industry domain and feature advised that feelings of comfort from the environment are in all likelihood to generate an experience of satisfaction. As an example, according to Han and Jeong (2013), customers of an upscale American eating place and discovered a positive effect of the atmosphere on customer pleasure.

H1. Atmosphere positively affects customer satisfaction in the coffee shops.

2.3 Employee Attitude

The second variable examined was “employee attitude.” According to An & Noh (2009), Han et al (2012), Kang et al (2012) and Ringle, Sarstedt, & Zimmermann, (2011), in hospitality and tourism services, employees are more likely to be at the service interface. Thus, their attitudes reflected service quality. According to Gazzoli, Hancer, & Park (2010), Kang & Hyun (2012), Liu & Jang (2009), Ryu et al. (2012), Tsaur et al (2015) and Wu & Liang (2009), a friendly or kind reply (the desire to help) from employees is an important element of restaurant service. Moreover, according to Kim and Ok (2010), positive employee attitude builds rapport with the customer, which is associated with satisfaction. Similarly, according to Hwang and Ok (2013), in casual and fine dining restaurants, outcomes such as customer satisfaction and favourable behavioural intention are determined by the interaction between customers and employees.
H2. Employee attitude positively affects customer satisfaction in the coffee shops.

2.4 IT Services

The third variable was “IT service provision” such as speed or availability of wireless Internet service). According to Brochado, Rita, & Margarido (2016), Bulut, Demirbas, & Ferhatosmanoglu (2015), Efimov & Whalley (2004), Hampton & Gupta (2008), Honack & Waikar (2017), Liu (2009) and Yang & Jun (2002), free Internet service has become an important element that can improve service quality. In particular, according to Darini & Khozaei (2016), Spacey, Muir, Cooke, Creaser, & Spezi (2015), Yusop, Tiong, Aji, & Kasiran (2011) and Zhou, Ye, Pearce, & Wu (2014), the wireless Internet service builds a competitive advantage in restaurant or food services. For example, in a study of American customers, according to Cobanoglu et al. (2012), the role of wireless Internet service contributed and generated favourable customer reactions in a restaurant setting. According to Kim, Park, and Jeong (2004), in Korean hospitality service customers, they found a positive impact of wireless Internet service on the level of customer satisfaction.

H3. IT Services positively affects customer satisfaction in the coffee shops.

2.5 Coffee Quality

Coffee quality was the last variable that can affect customer satisfaction. According to Chen & Hu (2010), Dorn, Messner, & Wänke (2016), Ha & Jang (2010), Han & Hyun (2017) and Namkung & Jang (2007), food quality is the most significant element in the food service business. According to Ha & Jang (2010), a full-service restaurant by Tsaur et al (2015) and a hotel restaurant by Han & Hyun (2017), in an ethnic restaurant, found positively significant association between satisfaction and food quality. Based on the evidence, this research found that coffee quality influenced customer satisfaction. H4. Coffee quality positively affects customer satisfaction in the coffee shops.

2.6 Customer Satisfaction

In the end, experts argue that customer satisfaction plays an important role in increasing "customer loyalty" because positive psychological states are more likely to produce positive reactions such as word of mouth, repurchase intentions, and willingness to pay. According to Chen & Hu (2010), Han et al (2009, 2008), Han & Ryu (2009), Kim et al (2015) and So et al (2016), loyalty is in line with preferences and favourable behavioural intentions such as recommendations and willingness to pay and intentions to repurchase a certain product, service, or brand. According to Ryu et al (2008), a family restaurant by Jung & Yoon (2013) and a hotel restaurant by (Han & Hyun (2017), customer satisfaction positively affects loyalty behaviour in the case of a fast-casual restaurant.

H5. Customer satisfaction positively affects customer loyalty in the coffee shops.

3. RESEARCH METHODOLOGY

3.1 Population and Sample

In this research, the primary data was gathered by using quantitative method by spreading the questionnaire survey, and using Six-Point Likert Scale. This research used non-probability convenience sampling method. As for more, the population in this research were people who ever visit the Starbucks Empire XXI Yogyakarta. Moreover, the research samples were 235 people.

3.2 Data Collection Method

This data used in this research were primary data and secondary data. Primary data are data obtained directly from research purposes by using data retrieval tools on the subject as the source of the information sought. In this research, data were obtained using a questionnaire distributed to 235 respondents. All questions in the questionnaire were translated into Bahasa Indonesia to help the respondents understand the questions better. The questionnaires were distributed online (Google forms) to the respondent. Meanwhile, the secondary
data used in this research were obtained from previous literature reviews and relevant journals.

3.3 Validity and Reliability Test

In this research, the validity test is used to measure the variables accuracy. The data used can be categorized as valid if the value of corrected item of total correlation is higher than 0.3 (≥ 0.3). On the other hand, the reliability test in this research is used to find out the consistency of the measurement in this research. Here, the value of Cronbach’s Alpha is taken into account to measure its acceptance. All the data can be categorized as reliable if the Cronbach Alpha is higher than 0.6 (≥ 0.6). Moreover, both of the pilot test was done using the SPSS 25 by including the first 40 respondents.

4. DATA ANALYSIS AND DISCUSSIONS

4.1 Data Analysis

The data analysis of this research can be summarized as follow. The majority of respondent were female, with the percentage of 53.6%. On the other hand, the male respondents were 46.4%. Based on the age basis, people around 16-25 years old were the majority of respondents with 91.1% of the total sample. Meanwhile, respondents below 16 years old were in only 0.4%, making it as the minority, and the people above 26 years old are 8.5%. According to the respondent’s educational background, most of respondents were dominated by undergraduate with 68.9% and High School with 20.1%. In the third position, respondents with Postgraduate were having 10.6%, followed by Academy with 0.4%.

4.2 Reliability and Validity Test

The analysis of the research was conducted by using Structural Equation Model with AMOS 23 software through Confirmatory Factor Analysis (CFA). The validity test can be drawn from the loading factor of each indicators. According to Hair et al. (2010) the minimum number of factor loading is ≥ 0.5 or ideally ≥ 0.7. Based on the result, it can be concluded that all of the questions are used for measuring the variables in this research were valid, except one indicator that has a value below 0.5 Thus, it must be removed from the research model. On the other hand, the reliability test was conducted by relying on the construct reliability and variance extracted. According to Yamin & Kurniawan (2009), constructive reliability is good if the construct reliability value is > 0.7 and the extracted variance value is > 0.5. Based on the result of the test, construct reliability of all variables already shows ≥ 0.7. Meanwhile, for the variance extracted in this research, each variable also has a value above 0.5, except one which is 0.4. Hatcher in Longino (2007) stated that variance extracted testing is conservative, thus a reliability value is still acceptable even if the variance extracted are below 0.50.

4.3 Normality Test

The normality of data must be fulfilled so that the data can be further processed for SEM modelling. Testing the univariate normality is done to observe the value of skewness and kurtosis of the data used. If the C.R. (Critical Ratio) value in the data is in the range of -2.58 to 2.58, the research data can be said to be normal. Based on the result, the values of C.R. and kurtosis were obtained in the range of -2.58 to 2.58, which means that the data was normally distributed in a variety of ways. Meanwhile, the multivariate normality test gave a C.R. value of 5.608 which is in the range of -2.58 to 2.58. However, according to Ghozali (2006), a data with multivariate C.R. values below 10.000, can still be classified as normally distributed.

4.4 Goodness of Fit Measurements

The proper fit model test was tested using the loading factor of each indicator and Goodness of Fit Index which included Chi-Square, probability, RMSEA, GFI, CFI, TLI and CMIN/DF. The result can be seen from the cut-off value resulted on the test to find out whether it is good or not. Below here is the result.

<table>
<thead>
<tr>
<th>Table 1 Goodness of Fit Result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goodness of Fit</strong></td>
</tr>
<tr>
<td>Chi Square</td>
</tr>
<tr>
<td>RMSEA</td>
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<tr>
<td>GFI</td>
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<tr>
<td>TLI</td>
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<tr>
<td>CFI</td>
</tr>
<tr>
<td>PGFI</td>
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<tr>
<td>PNFI</td>
</tr>
</tbody>
</table>

*Source: Primary Data (Computed), 2019*
4.5 Hypothesis Testing

In order to see the influence between variables, it can be done by looking at the value of the Critical Ratio (CR) and the probability value (P) from the results of data processing. If the test results show CR values above 1.96 and probability values (P) below 0.05 / 5%, the result will be significant.

Table 2 Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>C.R.</th>
<th>P</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 SA &lt;--- AT</td>
<td>2.560</td>
<td>0.010</td>
<td>Supported</td>
</tr>
<tr>
<td>H2 SA &lt;--- EM</td>
<td>-2.097</td>
<td>0.036</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H3 SA &lt;--- IT</td>
<td>-0.297</td>
<td>0.767</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H4 SA &lt;--- CQ</td>
<td>1.973</td>
<td>0.048</td>
<td>Supported</td>
</tr>
<tr>
<td>H5 LO &lt;--- SA</td>
<td>6.344</td>
<td>***</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Source: Primary Data (Computed), 2019

4.6 Result Discussion

The 1st hypothesis showed that an Atmosphere had positive and significant effect on Customer Satisfaction in the coffee shop. These findings were supported by the previous research conducted Ryu et al (2012) and Tsaur et al (2015) which stated that, “coziness” and “comfort” as a state of physical relaxation in the atmosphere and it provides customers with familiarity comfort to create satisfaction in the hospitality idea.

The 2nd hypothesis showed that Employee Attitude had a negative and significant effect on Customer satisfaction. There might be several factors in real coffee shop business practices why this hypothesis was disapproved. According to Jeon, Hoseong & Choi, Beomjoon (2012), Employee satisfaction and customer satisfaction may have different antecedent variables. Customer satisfaction may be determined depending on interaction with employees and emotional bonding or connection during the interaction, whereas employee satisfaction seems to be less affected by customer satisfaction. Perhaps employees perceive that customer evaluations are not relevant to their job satisfaction. Simply put, customer satisfaction may not be critical in forming job satisfaction.

The 3rd hypothesis showed that IT Services had a negative and insignificant effect on customer satisfaction. There might be several factors in real coffee shop business practices why this hypothesis was disapproved. According to Cobanoglu, Cihan & Berezina (2011), Comfort technologies appear to no direct impact on guest overall satisfaction. Not all customers need additional technology such as Wi-Fi, or scan pay etc., it is just quality of life service which not everyone needs. Thus, to be concluded, IT Services does not make customer satisfied, but will be a competitive advantage compared to other competitors.

The 4th hypothesis showed that Coffee Quality in the Coffee Shop had a positive and significant effect on customer satisfaction. According to Chen & Hu (2010), Dorn, Messner, & Wänke (2016), Ha & Jang (2010), Han & Hyun (2017) and Namkung & Jang (2007), food quality is the most significant element in the food service business. According to Ha & Jang (2010), a full-service restaurant by Tsaur et al (2015) and a hotel restaurant by Han & Hyun (2017), in an ethnic restaurant, found positively significant association between satisfaction and food quality.

The 5th hypotheses showed that the customer satisfaction had a positive and significant effect on the customer loyalty. Experts argue that customer satisfaction plays an important role in increasing "customer loyalty" because positive psychological states are more likely to produce positive reactions such as word of mouth, repurchase intentions, and willingness to pay. According to Ryu et al (2008), a family restaurant by Jung & Yoon (2013) and a hotel restaurant by (Han & Hyun 2017), customer satisfaction positively affects loyalty behaviour in the case of a fast-casual restaurant.
5. CONCLUSIONS & RECOMMENDATIONS

5.1 Conclusions

This research examined the attributes of the coffee shop toward customer’s satisfaction by constructing a more comprehensive model considering the atmosphere, employee attitude, IT Services, and Coffee Quality. The structural relationships among all variables in the research were tested using data obtained from a questionnaire survey. The research sample was Indonesian people who had visited the Starbucks Empire XXI Yogyakarta. This research found significant results about the influence of the atmosphere, coffee quality and satisfaction in the customer’s loyalty toward the coffee shop business. Based on the data analysis results, there were two hypotheses were not accepted, but there were three hypotheses proposed in this research that were all accepted. Hence, it can be concluded that the atmosphere of the coffee shop, coffee quality and customer satisfaction influenced the customer’s loyalty in the coffee shop business. This research proved that the Starbucks Empire XXI Yogyakarta has good atmosphere, distinctive interior design and the good taste of the coffee among the domestic coffee shop business. This provides an advantage to other coffee shop business in Yogyakarta to focus on developing other aspects. However, this research showed that the aspects of employee attitude and IT Services on customer satisfaction are weak compared to other relationship variables due to the customer’s loyalty toward the coffee shop. Besides the coffee shop business focus on improving the atmosphere, and coffee quality, the coffee shop business should be improving the employee attitude and IT Services as well to increase the customer’s satisfaction that can influence customer loyalty and gain the competitive advantages compared to other competitors even though these two variables were not proven in this research.

5.2 Recommendations

For further empirical studies, firstly, it is suggested that each dimension of the attributes of the coffee shop business could be more explored. These dimensions provide details on what elements in the coffee shop could better explain in the coffee shop business sector. Secondly, future research could also go for different research frameworks. The research framework can be modified to find other possible better models that explain atmosphere, employee attitude, IT Services and coffee quality contributions to the coffee shop industry. At last, the researcher suggests a future study to examine different target respondents. In terms of managerial implication, the results can help managers of the coffee shop to make more effective strategies toward customers’ loyalty on the coffee shop. People’s satisfaction is different when visiting one coffee shop and another coffee shop. The coffee shop business needs to consider the detail dimensions that build customer satisfaction and customer loyalty toward the coffee shop. An image in the customers’ mind is a hard thing to change. Besides that, managing every element of attributes of the coffee shop business should be taken as a priority because consumers’ satisfaction may change a lot. The managers even the owners of the coffee shop should be very adaptive to the industrial changes. All coffee shop stakeholders should be responsible for maintaining the coffee shop facilities, favourable coffee shop environment, favourable prices, and build a positive image for visitors. Overall, coffee shop business investment should be carefully managed in alignment with the customer’s objectives and customer’s market demand that is constantly changing. By the end, a happy customer will spread good things.

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