

Brewing happiness: Is it just about coffee or more?

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ABSTRACT

This study aims to provide empirical evidence of the important role of product diversity and service quality on consumer's perceived value and its subsequent influence on consumer satisfaction. The largest local coffee shop brands in Indonesia have been selected as the focal points of this study due to their amalgamation of traditional and modern flavors and the unique experiential offerings they provide to their customers. Notably, the novelty of this study resides in its intention to bridge a significant gap in the existing literature. Prior studies have rarely explored the factors associated with customer satisfaction within the context of local coffee shop services with the mediation role of perceived value and antecedents of product variability. The study adopts a quantitative research approach, utilizing a 5-point Likert scale in a survey-based methodology. A total of 262 respondents, comprising a diverse pool of coffee lovers and enthusiasts, actively participated in this survey. To examine and assess the hypotheses posited in this study, we utilized the SPSS macro-PROCESS (Model 4). The study's findings indicate a significant positive correlation between product and service diversity and customer value. This suggests that by offering a diverse range of innovative products and services, coffee shops can enhance the perceived value for customers, ultimately leading to higher satisfaction levels. Interestingly, this study has uncovered a notable difference in the role of service quality as a primary driver of customer satisfaction, in contrast to prior findings suggesting that service quality is merely one of several factors contributing to satisfaction.

Keywords: Satisfaction; Perceived Value; Service Quality; Product Diversity; Marketing

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Introduction

Coffee shops have never gone out of style; they are increasingly popular among diverse consumer groups worldwide. Notably, this industry not only thrives in its Western birthplaces, where coffee-drinking traditions have deep roots, but it also actively expands into previously untapped and highly lucrative markets across the Asia-Pacific region. Countries like Korea, Japan, China, Australia, Singapore, Philippines, Thailand, and Indonesia have witnessed the industry's remarkable growth. The unique taste and aroma of coffee have naturally embedded it in the daily routines of individuals, adding vibrancy to social interactions and creating memorable moments (Yiğit & Perçin, 2021). This global affection for coffee is reflected in its consumption figures, which have risen from 147 million 60-kg bags in 2012/2013 to 166.6 million in 2020/2021 (Caprioli et al., 2015).

As part of this growth, the coffee shop industry has witnessed a remarkable expansion, leading to heightened competition both at local and global levels. In China, for instance, intense competition has emerged between local coffee shops such as Sculpting in Time Café and Hello Coffee and multinational brands like Starbucks and Pacific Coffee. This competition has prompted the implementation of aggressive marketing strategies aimed at securing the loyalty of Chinese customers. The reason behind these efforts lies in the standardization and homogenization prevalent in this market, making it challenging for branded coffee shops to differentiate solely through factors like coffee quality, service excellence, location, or ambiance. Consequently, these enterprises have explored alternative avenues to foster stronger customer loyalty (Cha et al., 2016), with some turning to corporate social responsibility (CSR) initiatives.

Another example is Indonesia. Research findings from TOFFIN indicated that the number of coffee shops in the country surpassed 2,950 outlets in August 2019. This marked a nearly threefold increase compared to the approximately 1,000 coffee shops in 2016 (Kurniawan, 2019). Collectively, local coffee shop brands such as Janji Jiwa, Kopi Kenangan, Kulo, and Excelso have surpassed Starbucks, establishing themselves as the dominant coffee chain in Indonesia. Their combined presence now exceeds 1,200 outlets, reflecting their significant market share and influence in the country (Nurhayati-Wolff, 2023). She added that the recent popular trend of iced milk coffee sweetened with liquid palm sugar, known as "es kopi susu," has caused a shift in the preferences of Indonesian consumers, leading them to choose milk coffee over other beverages. This particular drink has played a pivotal role in enabling local coffee shops like Janji Jiwa, Kulo, and Kopi

Kenangan to dominate the café market in Indonesia. Es kopi susu allows these local establishments to blend freshly brewed espresso with traditional flavors, all at an affordable price point. A serving of es kopi susu starts at just 1.2 U.S. dollars, whereas higher-end coffee chains like Starbucks charge approximately 2.5 times more for their iced lattes than this local alternative.

Nevertheless, a study by Han et al. (2017) revealed that despite the notable growth in the coffee shop industry, there is a critical challenge that coffee shops are currently grappling with - securing loyal customers, with over 50% of coffee lovers frequently making purchases at their competitors. Wulandari (2018) also mentioned that, due to the crowded presence of coffee players in the market, local coffee shop chains in Jakarta are encountering a significant 50% reduction in sales. Previously, they could sell between 500 and 600 cups per day. However, due to consumers' intense competition and switching behaviors, they are now limited to selling only between 200 and 300 cups per day. This abundance of choices in the market often overwhelms consumers, making it challenging to establish strong happiness and/or satisfaction with a particular coffee shop (Dhisasmito & Kumar, 2020).

According to Sulibhavi and Shivashankar (2017) and Suhud et al. (2020), maintaining competitiveness in the retail sector requires the presence of satisfied customers. These satisfied customers are valuable as they tend to make repeat purchases, thereby generating continuous sales (Han & Hyun, 2017; Ngo & Nguyen, 2016; Kim et al., 2015) and ensuring long-term sustainability, as highlighted by Jin et al. (2016) and Lee et al. (2018). However, despite its significance, prior studies have rarely explored the attributes related to customer satisfaction in local coffee shop service. Therefore, to address this gap in the existing literature, this study seeks to examine customer-related attributes that impact satisfaction in the local coffee shop market. As consumers form the core of coffee sales, exploring the characteristics that can affect satisfaction is crucial for the success of coffee business performances.

This study has pinpointed three key attributes that potentially correlate with customer satisfaction in coffee shop services based on extensive academic evidence in the service industry, particularly in food and hospitality contexts. These attributes include product diversity (Berstein et al., 2008; Jang et al., 2015; Keller & Kostromitina, 2020; Ding et al., 2021), service quality (Jeaheng et al., 2020; Li et al., 2021; Son et al., 2021; Tuncer et al., 2021), and perceived value (Han & Yoon, 2020; Wang & Yu, 2016; Moon & Bae, 2013). One of the local coffee shop brands was selected as the subject of the study because of sampling convenience and its unique position as the largest local coffee shop chain,

surpassing global players like Starbucks in Indonesia (Nurhayati-Wolff, 2023). Lastly, by using mediator analysis, this study aims to examine the antecedent variables related to customer satisfaction (product diversity, service quality, perceived value) in the coffee shop business.

Literature Review

Coffee Lovers Satisfaction

To succeed in the competitive business world, customer satisfaction evaluation is a key driver in shaping marketing strategies (Yunita et al., 2021). Customer satisfaction becomes a crucial metric by assessing how effectively a product or service meets customer desires and requirements (Tirtayasa, 2022). Furthermore, sensory marketing becomes highly relevant, particularly in coffee shops, where engaging customers' five senses (hearing, smelling, visual, taste, and touch) is utilized to create experiences leaning towards the emotional rather than the rational. Research conducted by Bui and Nguyen (2022) underscores the effectiveness of sensory marketing in building emotional connections with customers. They argue that leveraging the senses can enhance customer satisfaction and strongly influence consumer behavior. Through sensory encounters, coffee shop businesses cater to customer taste preferences and foster deeper and enduring bonds. Sustained efforts to maintain and enhance customer satisfaction play a role in the business's continued operation and yield favorable effects on brand perception. One direct outcome of a marketing approach is the formation of enduring client affiliations, which enhance loyalty and provide positive support, granting sustainable competitive advantages to local coffee shops (Rusti & Irham, 2023). Consequently, customer satisfaction is the ultimate goal and foundation that strengthens a company's position in a competitive market.

Product Variability and Service Quality

Studies in the customer satisfaction domain have emphasized the significant influence of variations in subcategory choices on consumer perceptions. According to Chang (2011), consumers perceive greater variations when presented with more subcategory options. To investigate consumer preferences regarding restaurant menu subcategories, a study was conducted by comparing restaurants that offer a variety of daily menu alternatives with those having a fixed menu in three different conditions. The study results, as reported by Antun & Gustafson (2006) and Bernstein et al. (2008), reveal that subjects prefer restaurants with daily menu alternatives over those with a fixed menu. In a different context, Jeong and Lee (2010)

conducted a study on furniture purchases in online shopping centers. They found that product diversity, service quality, tangible evidence, responsiveness, interaction, stability, and customer satisfaction influence customer loyalty significantly. The analysis confirms that product diversity, as a key factor, plays a crucial role in building customer satisfaction, which, in turn, contributes to customer loyalty. These findings reinforce the idea that variations and diversity in products and services meet consumer needs and play a crucial role in fostering loyalty.

Furthermore, a study by Dhisasmito and Kumar (2020) suggests that service quality plays a crucial role in the coffee shop industry in Indonesia. Customer satisfaction depends not only on the quality of the products but also on the perception of the service provided. In the context of the competitive coffee shop industry, a favorable customer experience is shaped not just by the taste of coffee but also by hospitality, efficiency, and customer satisfaction. Service quality is a significant factor in enhancing customer satisfaction, especially among the younger demographic of customers (Ramanathan et al., 2016). Younger consumers view service as an integral part of the product that can enhance the overall user experience. They highly value responsiveness, engagement, and innovation in service delivery. Consequently, improving service quality can be a valuable strategy for businesses targeting the younger customer demographic.

The importance of service for the younger generation indicates that advancements in service provision, such as personalizing the customer experience or utilizing technology to enhance interactions, can determine customer loyalty. Long-term effects show satisfaction and overall image impact customer decision-making (Han & Hyun, 2017). Businesses can create marketing strategies that are more suitable and appealing to these specific market segments by understanding what is liked and valued by the younger generation regarding services. This demonstrates that service quality can drive customer satisfaction (Han & Hyun, 2017; Lau et al., 2019). Therefore, business strategies that encompass product diversity and prioritize aspects such as service quality and customer interaction can positively impact building and maintaining long-term relationships.

H₁: Product variability has a significant positive impact on satisfaction.

H₂: Service quality has a significant positive impact on satisfaction.

Perceived Value as a Mediator

In the realm of food and beverage business operations, particularly in the coffee shop industry, including a diverse range of products emerges as a crucial factor in influencing

customer acceptance, as articulated by Bernstein et al. (2008). Coffee shops offering a broad menu tend to be more appealing to customers because this diversity provides them with unique and unparalleled experiences when enjoying various culinary options. For various reasons, customers typically seek variety in the menu, as Kahn (1995) explained. These reasons may include achieving satisfaction with specific attributes, a desire to experience change in their surroundings, and the need to protect themselves from the uncertainty of future taste preferences. By providing a wide range of product choices, coffee shops give customers a broader selection, allowing them to customize their orders to align with their preferences and tastes.

Moreover, research conducted by Kim et al. (2020) indicates that when a variety of products is offered, customers respond by giving positive evaluations of the diversity inherent in those products. These evaluations encompass perceptions of real or utilitarian, hedonic, and social values. Empirically, these three value perceptions have been shown to maximize consumer assessments of brand credibility. In other words, the inclusion of diverse products not only satisfies customers' desire for variety but also contributes to developing a favorable brand image in the eyes of consumers. Additionally, in the realm of customer value, Kumar and Reinartz (2016) emphasize that modern customers evaluate companies based on the value they perceive and the level of engagement they experience. Therefore, creating perceived customer value through product diversity has the potential to serve as a key factor in fostering positive engagement and nurturing enduring relationships between coffee shop businesses and their valuable customers.

H₃: Product variability has a significant positive impact on perceived value.

Moreover, it is essential to understand that service quality plays an equally crucial role as product quality in shaping customer perceptions. Customers seek not only high-quality products but also an overall satisfying experience. Customers are influenced by how they are treated at all stages of enjoying their meals (Baluyot & Pampolina, 2021). Therefore, friendly, efficient, and customer-oriented service is key to receiving positive customer evaluations. In this study, it is important to consider the role of customer value in driving customer satisfaction. Empirical studies have highlighted a significant positive relationship between customer value and customer satisfaction (Ahmed et al., 2017; Cha & Borchgrevink, 2019). Study results indicate that customers who experience added value through comprehensive services or products have higher satisfaction levels.

Furthermore, customers receiving comprehensive services tend to have higher expectations than restaurants with limited services (Cha & Borchgrevink, 2019). When customers feel they are getting more value from their experience, they will feel satisfied. The concept of customer value is not limited to the price of the product or service. Customer value is derived from applying a new product underpinning a series of relevant product attributes (Perrea et al., 2017). Therefore, companies must understand and effectively implement customer value elements to drive customer satisfaction.

H₄: Service quality has a significant positive impact on perceived value.

Customers prefer coffee shops that offer daily menu alternatives because they provide various choices when enjoying their meals (Bernstein et al., 2008). Coffee shop owners need to carefully consider menu diversification, as it impacts customers' perceived value. Consumers perceive a greater level of variety when there are more options for subcategories (Chang, 2011). This value refers to the quality of the experience perceived by customers. A study by Jin et al. (2015) highlights that perceived value directly affects customer satisfaction and positively influences future behavioral intentions. The level of satisfaction and the intention to revisit or exhibit positive future behavior is significantly influenced by customers' perceived value. Research conducted by Pandža Bajš (2015) on tourist travelers states that perceived destination value is influenced by the diversity of benefits gained from visiting tourist destinations.

Furthermore, destination diversity factors (natural beauty, cultural uniqueness, and visual appeal of the city) are capable of shaping the perception of value. This can implicitly be categorized as the diversity of products offered by tourist destination managers. Interestingly, this research reveals that travelers are more oriented towards perceived value rather than the costs incurred. Moreover, research conducted by El-Adly in 2019 in the context of the hospitality industry confirms that the four dimensions of hotel perceived value (hedonic, price, quality, and transactional) indirectly and positively influence customer loyalty through customer satisfaction, which serves as a mediator. This research indicates that, besides creating value directly through their services and products, hospitality companies should also prioritize customer satisfaction to build long-term customer loyalty. As a result, these companies can leverage these values to develop more effective marketing strategies and enhance their long-term relationships with customers.

Finally, research conducted by Ahmed et al. (2017) and Lai (2015) underscores the critical nature of customer-perceived value in bridging the gap between service and

satisfaction levels. Essentially, the primary determinant of how services impact customer satisfaction lies in the perceived value by customers. This comprehensive understanding highlights the central role played by the perception of value as a subjective factor in shaping positive or negative impressions of the services provided. In this regard, the role of perceived value extends beyond merely understanding the practical benefits of services, encompassing hedonic and social value dimensions as well. This broader perspective forms a stronger foundation for a positive customer experience. Research by Ramanathan et al. (2016) reveals that the influence of service quality on customer satisfaction is largely mediated by customer value.

Based on this understanding, the coffee shop industry can explore strategic opportunities to enhance the overall customer experience. This may involve developing more targeted marketing strategies, training employees to enhance their service skills, optimizing operational processes for greater efficiency, and placing emphasis on value-added elements that foster stronger customer relationships. By elucidating the relationship between service quality, perceived value, and customer satisfaction, coffee shops can direct their efforts toward creating an environment that cultivates customer loyalty and enhances their brand image in a highly competitive market. Empirically, it shows that perceived value can act as a mediator in the relationship between product variability and satisfaction.

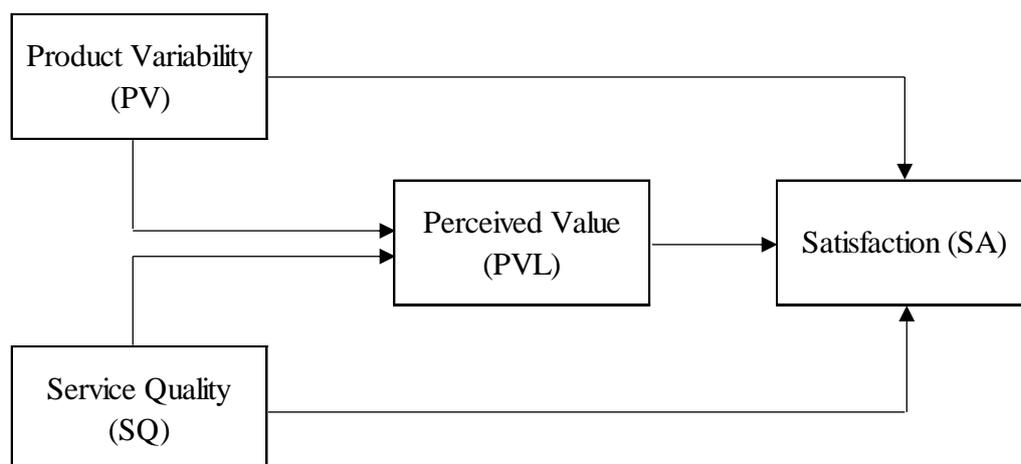
H₅: Product variability has a significant positive impact on satisfaction, mediated by perceived value.

H₆: Service quality has a significant positive impact on satisfaction, mediated by perceived value.

Methods

This study schematizes the hypotheses and visualizes them in Figure 1. The explanatory variables in our model include product diversity and service quality. These two attributes are hypothesized to potentially influence consumer perceived value, and it is further posited that consumer perceived value plays a pivotal role in explaining satisfaction. Thus, the questionnaire utilized in this study was derived from numerous prior studies with some necessary adjustments. To gather data, we employed a survey that consisted of three main sections: an introductory section introducing the research and a section comprising 17-item statements designed to assess four variables, namely product diversity, service quality, perceived value, and satisfaction. These variables were evaluated using a 5-point Likert scale,

Figure 1. Research Framework



ranging from 1 (strongly disagree) to 5 (strongly agree). The item statements used to assess product diversity in this study were adapted from Bernstein et al. (2018) and Chang (2011) that consist of a standardized menu, a cyclical menu, the various length categories, and the deep choices of menu, while those for service quality were adjusted from Yousef et al. (2016) and Alhkami & Alarussi (2016) that consist of tangible, responsiveness, assurance, reliability, and empathy. Additionally, perceived value was evaluated using adjusted Han & Yoon (2020) and Wang & Yu (2016) items that mainly consist of utilitarian value, economic value, hedonic value, and emotional value. Lastly, the item statements were modified by Lee et al. (2018) and Hanaysha (2016) for satisfaction. Table 1 shows the detailed item measurement of the study.

Finally, the survey questionnaire was distributed to 450 customers frequenting one of the largest chain coffee outlets in Jakarta, Bandung, and Surabaya. We employed a random sampling method, wherein every fourth customer exiting the shop was approached to complete the questionnaire, which took approximately 10 minutes. This data collection endeavor was carried out during the peak hours of coffee shops, specifically from 4:00 p.m. to 6:00 p.m., spanning a three-month period from January to March 2022. Ten research assistants were enlisted to facilitate the survey process. Out of the 450 questionnaires distributed, a total of 277 completed questionnaires were returned, resulting in a response rate of 66.7%. Among these, 262 questionnaires met the eligibility criteria, while the remaining incomplete ones were excluded from the analysis. According to Hair et al. (2014), determining the appropriate sample size can be based on a ratio of 5:1 or 10:1 case for each variable. Given that the questionnaire comprised 37 item statements, the minimum required sample size ranged from 85 (17 x 5) to 170 (17 x 10) respondents, as suggested by Saulina &

Syah (2018). However, the study successfully obtained a total of 262 eligible questionnaires, indicating that the sample size was deemed sufficient for the analysis. Table 2 shows that all items in this study exhibit valid correlations with Pearson correlation (r) values exceeding the critical threshold of 0.121. Additionally, each variable demonstrates satisfactory internal consistency, with Cronbach's alpha values surpassing the acceptable level of 0.60 (Table 3). To assess the normality of the data, we conducted the Kolmogorov-Smirnov test. This statistical test has the threshold for normality, which is typically set at a significance level of

Table 1. Item Statements

Variables	Code	Statements
Product Variety (PV)	PV1	The coffee shop offers a cyclical menu that changes seasonally or periodically.
	PV2	The coffee shop maintains a standardized menu with consistent options.
	PV3	The menu at the coffee shop falls into various categories of length.
	PV4	The coffee shop provides an extensive selection of menu items, allowing for deep choices and customization.
Service Quality (SQ)	SQ1	The appearance of the coffee shop employees is suitable.
	SQ2	When customers face difficulties, this coffee shop shows empathy and understanding.
	SQ3	The coffee shop's employees are consistently eager to assist customers.
	SQ4	I have confidence in the coffee shop's employees.
	SQ5	The coffee shop's staff understands the needs of their customers.
Perceived Value (PVL)	PVL1	The coffee I purchase at the coffee shop offers good value for the money I spend on it.
	PVL2	Compared to the expenses, I believe I received reasonable quality from my coffee shop experience.
	PVL3	I had a pleasant time at the coffee shop and enjoyed my visit.
	PVL4	Drinking coffee at the coffee shop brings me joy.
	PVL5	I appreciate the warmth and enthusiasm of the coffee shop staff.
Satisfaction (SA)	SA1	I found the services provided at the coffee shop to be satisfactory overall.
	SA2	The coffee shop experience has met my satisfaction compared to what I initially anticipated.
	SA3	Considering the time and effort I invested, I am satisfied with my experience at the coffee shop.

0.05. In this study, all regression models were run through the Kolmogorov-Smirnov test, and the statistical result shows that the data meets the assumption of normality, as all p-values exceeded the significance level of 0.05. Therefore, we can infer that the data used in our regression models conforms to the normal distribution assumption, enhancing the reliability of our analyses. In Table 4 presents the results concerning multicollinearity and heteroscedasticity (Glejser test). In examining multicollinearity, the tolerance values were within acceptable levels, with all variables exhibiting values above 0.5. Additionally, the variance inflation factors (VIF) remained below 2 for all relationships, further indicating the absence of severe multicollinearity issues. The significance levels for the relationships between predictor variables (PV and SQ) and the absolute residuals (AbsRes1 and AbsRes2) were evaluated regarding heteroscedasticity. The p-values for these relationships were 0.633 and 0.451, respectively, indicating no statistically significant heteroscedasticity concerns. Similarly, when considering the joint influence of PV, SQ, and PVL on AbsRes2, the significance levels were 0.879, 0.209, and 0.178, respectively, suggesting no significant presence of heteroscedasticity in the model. These results affirm the adequacy of the regression model in addressing multicollinearity and heteroscedasticity concerns.

Table 2. Validity Result

Items	r-result	r-table	Decision	Items	r-result	r-table	Decision
PV1	0.447	0.121	$r_{value} > r_{table}$ Valid	PVL3	0.462	0.121	$r_{value} > r_{table}$ Valid
PV2	0.558	0.121	$r_{value} > r_{table}$ Valid	PVL4	0.468	0.121	$r_{value} > r_{table}$ Valid
PV3	0.683	0.121	$r_{value} > r_{table}$ Valid	PVL5	0.482	0.121	$r_{value} > r_{table}$ Valid
PV4	0.632	0.121	$r_{value} > r_{table}$ Valid	SA1	0.401	0.121	$r_{value} > r_{table}$ Valid
SQ1	0.340	0.121	$r_{value} > r_{table}$ Valid	SA2	0.609	0.121	$r_{value} > r_{table}$ Valid
SQ2	0.411	0.121	$r_{value} > r_{table}$ Valid	SA3	0.633	0.121	$r_{value} > r_{table}$ Valid
SQ3	0.396	0.121	$r_{value} > r_{table}$ Valid				
SQ4	0.623	0.121	$r_{value} > r_{table}$ Valid				
SQ5	0.603	0.121	$r_{value} > r_{table}$ Valid				
PVL1	0.529	0.121	$r_{value} > r_{table}$ Valid				
PVL2	0.417	0.121	$r_{value} > r_{table}$ Valid				

Table 3. Reliability Result

Variables	Cronbach's Alpha	Rule of Thumbs	Decision
PV	0.714	> 0.600	Reliable
SQ	0.711	> 0.600	Reliable
PVL	0.809	> 0.600	Reliable
SA	0.749	> 0.600	Reliable

Table 4. Multicollinearity and Heteroscedasticity (Glejser) Result

Relationship	Tolerance	VIF
PV -> PVL	0.588	1.527
SQ -> PVL	0.777	1.232
PV -> SA	0.687	1.456
SQ -> SA	0.778	1.285
PVL -> SA	0.783	1.277

Relationship	Significance
PV + SQ -> AbsRes1	0.633, 0.451
PV + SQ + PVL -> AbsRes2	0.879, 0.209, 0.178

Result and Discussion

Table 5. Multiple Regression and PROCESS Macro (Mediation Model 4) Results

Hypothesis	Standardized Coefficients	t-Value	p-Value	Decision
H ₁ : PV -> PVL	0.300	4.911	0.000	Accepted
H ₂ : SQ -> PVL	0.767	22.827	0.000	Accepted
H ₃ : PV -> SA	0.677	16.882	0.000	Accepted
H ₄ : SQ -> SA	0.432	7.386	0.000	Accepted
H ₅ : PVL -> SA	0.208	3.912	0.000	Accepted

Hypothesis	Indirect Effect	BootLLCI	BootULCI	Decision
H ₆ : PV -> PVL -> SA	0.003	-0.031	0.046	Accepted
H ₇ : SQ -> PVL -> SA	0.008	-0.013	0.020	Accepted

The regression results in Table 4 reveal that all hypotheses (H₁, H₂, H₃, H₄, and H₅) proposed in the study were accepted with highly significant p-values ($p < 0.001$), indicating strong relationships between the variables. In H₁, the standardized coefficient between perceived value (PV) and perceived value of loyalty (PVL) was 0.767, with a t-value of 22.827 and a p-value of 0.000, indicating a highly significant positive relationship. H₂, which explores the link between service quality (SQ) and perceived value of loyalty (PVL), yielded a standardized coefficient of 0.300, a t-value of 4.911, and a p-value of 0.000, indicating a significant positive association. Similarly, H₃ demonstrates a significant positive relationship between PV and satisfaction (SA), with a standardized coefficient of 0.677, a t-value of 16.882, and a p-value of 0.000. H₄ shows that service quality (SQ) significantly impacts satisfaction (SA), as evidenced by a standardized coefficient of 0.432, a t-value of 7.386, and a p-value of 0.000. Lastly, H₅ indicates a significant positive relationship between perceived value (PVL) and satisfaction (SA), with a standardized coefficient of 0.208, a t-value of 3.912, and a p-value of 0.000.

The findings of this study highlight the crucial role perceived value, product variability, and service quality play in shaping customer satisfaction within the context of local coffee shop brands. Firstly, the strong positive association between perceived value and product variability, as well as between perceived value and satisfaction, underscores the pivotal role of menu diversity in shaping the coffee shop experience. When coffee shops offer a wide range of coffee choices, including seasonal and cyclical menu items, customers are provided with an array of options to suit their preferences. This variety not only caters to different tastes but also enhances the perceived value of the coffee shop. Customers are more likely to perceive the coffee shop as a valuable destination when they can explore different coffee flavors and offerings. The availability of seasonal or cyclical menu items adds an element of excitement and novelty to each visit, encouraging customers to return and discover new options (Gibson et al., 2022; Roy, 2018). As a result, the coffee shop becomes more than just a place to grab a cup of coffee; it transforms into a destination where customers can continuously explore and enjoy diverse coffee experiences. Furthermore, this diversity in product offerings positively influences customer satisfaction. When customers have access to an extensive menu with options that cater to their ever-changing preferences, they are more likely to leave the coffee shop feeling content and fulfilled. Their satisfaction is not limited to the quality of the coffee alone but also extends to the richness of the overall experience, characterized by the choices available. However, it's noteworthy to strike a balance when expanding the coffee menu variability. While increasing variety can boost sales, “too much”

diversification may lead to unfavorable outcomes. A study by Wan et al. (2012) found that the impact of product variety on operational and sales performance is non-linear. As product variety increases, the fill rates decrease, but the rate of decrease slows down. Sales performance initially improves with increased product variety as it attracts variety-seeking consumers. However, this increase in sales gradually diminishes due to product cannibalization as variety continues to grow. After reaching an optimal level, the negative effects of reduced fill rates and product cannibalization outweigh the positive impact of variety-seeking behavior, resulting in reduced sales performance.

Secondly, the positive associations between service quality and both perceived value and satisfaction in this study underscores the pivotal role of excellent service in shaping the coffee shop experience. Our study finding is in line with numerous previous studies such as Dhisasmito & Kumar (2020), Furoida & Maftukhah (2018), and Sasongko (2018). When coffee shops prioritize and consistently deliver high-quality service, it contributes significantly to customers' perceptions of value. Exceptional service quality, characterized by friendly and attentive staff, efficient service delivery, and a welcoming atmosphere, contributes to customers' overall perception of value (Yousef et al., 2016). Customers are more likely to view their coffee shop experience as valuable when they receive excellent service, which enhances their perception of receiving more than just a cup of coffee for their money.

Moreover, this positive relationship extends to customer satisfaction. When customers consistently encounter outstanding service, they are more likely to leave the coffee shop feeling satisfied with their overall experience. Satisfaction, in this context, is not limited to the taste of the coffee but also includes the service interactions, ambiance, and the overall impression created by the coffee shop. Nevertheless, our study revealed a significant finding regarding the importance of service quality in driving customer satisfaction. This finding contrasts with previous research that suggested service quality was merely one of several contributing factors to satisfaction (Githiri, 2018; Hanaysha, 2016; Listiono & Sugiarto, 2015). This study also found that perceived value, which encompasses utilitarian, economic, hedonic, and emotional dimensions, is a significant factor influencing coffee lovers' satisfaction. Customers who perceive greater value in their coffee shop experience, whether in terms of the practical benefits, affordability, enjoyment, or emotional connection, are more likely to be satisfied with their visit. In the highly competitive coffee shop industry, cafes, must employ various strategies to retain and attract customers. Notably, coffee enthusiast loyalty appears primarily driven by emotional factors rather than rational ones (Song et al.,

2019). This finding diverges from conventional theoretical frameworks that emphasize the cognitive aspects of customer decision-making. As a result, it is recommended to focus on appealing to coffee lovers by leveraging values associated with intimacy, mystery, and sensuality to enhance brand reputation (Song et al., 2019).

Lastly, we utilized the Hayes Macro Process Model 4 in the SPSS software to investigate how perceived value mediates the relationship between product variability, service quality, and satisfaction. For H₆, which claimed that perceived value mediates the relationship between product variability and satisfaction, the calculated indirect effect was found to be 0.003, with the bootstrapped 95% confidence interval (CI) lower limit of -0.031 and an upper limit of 0.046 (Table 4). Since this confidence interval includes zero, the hypothesis is accepted (Hayes, 2018), suggesting that there is a statistically significant indirect effect of product variability on satisfaction through perceived value. Similarly, for H₇, which proposed that perceived value mediates the relationship between service quality and satisfaction, the indirect effect was calculated to be 0.008, with the bootstrapped 95% confidence interval (CI) for this effect ranging from -0.013 to 0.020. Again, as the confidence interval encompasses zero, we can conclude that perceived value also partially mediates the impact of service quality on satisfaction. However, it's important to note that the calculated indirect effects for both H₆ and H₇ are relatively small (0.003 and 0.008, respectively). This suggests that while perceived value does play a role in mediating these relationships, it may not be the sole or dominant factor influencing coffee lovers' satisfaction. Other variables or factors may also contribute to satisfaction, and further research could explore these aspects in greater detail to better understand the overall dynamics of coffee lover satisfaction.

Conclusion and Suggestion

In conclusion, this research emphasizes the crucial role of perceived value, product variability, and service quality in creating customer satisfaction in local coffee shops. These findings reaffirm that perceived value has a positive relationship with product variability, as well as with perceived value and satisfaction. Menu diversity proves to be instrumental in shaping the coffee shop experience. Perceived value and unique experiences arise from the diversity of menu offerings, including seasonal and cyclical menus, which encourage customers to return and discover new choices. Furthermore, a diverse range of product offerings can enhance customer satisfaction, as coffee shops can provide a variety of options that align with the ever-changing preferences of their customers. This satisfaction extends beyond the quality of the coffee itself, as customers enjoy various experiences with each

available choice. It is essential to note that excessive variability can lead to less favorable outcomes, so there should be a balance when expanding the menu variety.

Interestingly, this study has uncovered a notable difference in the role of service quality as a primary driver of customer satisfaction, in contrast to prior findings suggesting that service quality is merely one of several factors contributing to satisfaction. These findings also reveal the significant role of excellent service in shaping the coffee shop experience, representing a positive relationship between service quality and perceived value and satisfaction. Customers leave the coffee shop feeling satisfied when they receive the best service, beyond just a cup of coffee. This service encompasses service interactions, ambiance, and the overall impression created by the coffee shop. Another intriguing finding is that perceived value can stimulate customer satisfaction when visiting coffee shops that offer practical benefits, affordability, enjoyment, or emotional connections. Customer loyalty tends to be based on emotional rather than rational reasons, necessitating specific strategies to retain and attract customers. Coffee shop owners can consider values related to intimacy, mystery, and sensuality as factors to enhance their coffee shop's reputation. For indirect influence, perceived value can mediate the relationship between product variability and satisfaction, as well as the relationship between service quality and satisfaction, although statistically, both show relatively low results. This suggests the existence of other dominant variables or factors that can drive customer satisfaction. Further research can explore these aspects to better explain the overall reality of coffee enthusiast satisfaction.

Finally, while the study identified perceived value as a mediating variable between product variability, service quality, and customer satisfaction, further research could delve into additional mediating factors that may influence customer satisfaction in coffee shops. For instance, investigating the role of brand loyalty, social influence, or environmental factors as potential mediators could provide a more comprehensive understanding of customer satisfaction drivers. Also, the study could have benefited from a more in-depth analysis of how customer demographics, geographic regions, and cultural contexts might affect the relationships between product variability, service quality, perceived value, and customer satisfaction. Analyzing how variables like age, gender, income, and cultural backgrounds may influence perceptions and satisfaction levels can contribute to a more nuanced understanding of the dynamics at play. Additionally, assessing the generalizability of these findings to diverse locations and cultural settings can enhance the applicability of the research outcomes. By addressing these aspects in future studies, we can gain a more holistic view of the factors shaping customer satisfaction in coffee shops.

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