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The Limited Impact of Store Atmosphere on Customer Loyalty: Insights from Customer Satisfaction Mediation

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Abstract

This study seeks to assess the impact of store atmosphere on customer loyalty, with customer happiness as a mediating variable. This study employs quantitative methodologies with a descriptive approach to gather questionnaire data via Google Forms. The research site encompasses five districts in Malang City: Kedungkandang, Klojen, Sukun, Blimbing, and Lowokwaru. The sample was determined via purposive sampling, with 110 respondents. The findings indicated that store atmosphere does not influence customer loyalty, while it does impact customer loyalty; additionally, customer satisfaction affects customer loyalty, and customer satisfaction mediates the relationship between store atmosphere and customer loyalty at AADK Coffee & Eatery, Tlogomas Branch, Malang City.

This research has substantial significance for practitioners and scholars in marketing and customer relationship management. This study elucidates the impact of store atmosphere on customer loyalty, with customer satisfaction acting as a mediating variable, offering significant insights for enterprises, especially within the food and beverage industry. The results suggest that although store atmosphere may not directly affect consumer loyalty, it can positively increase customer satisfaction, improving loyalty. This indicates that enterprises should prioritize establishing an engaging and enjoyable retail environment to enhance consumer happiness, cultivating increased loyalty. This study enhances the existing literature by elucidating the intricate relationship between environmental characteristics and consumer views, prompting further investigation into additional mediating variables and contexts. The quantitative methodology and data gathered from several districts in Malang City augment the generalizability of the findings, providing a basis for subsequent research in analogous urban environments.

Keywords : Store atmosphere, Customer satisfaction, Customer loyalty

INTRODUCTION

The development of the era has resulted in the needs and lifestyles of society experiencing developments that have resulted in increasingly diverse changes in consumer behavior; this is what makes today's restaurants and cafes start to develop unique strategies to be able to create consumer satisfaction. Developments in this business can be a driving force for business growth in the region to become rapid. The food and beverage sector is the fastest-growing. Putu Juri Ardika, Director General of Agribusiness at the Ministry of Industry (Kemenperin), said, "The food and beverage industry is the driving force behind the growth of Indonesia's non-oil and gas processing industry." The food and beverage industry sector generated 100% of GDP (gross domestic product) in the first quarter of

2023 at 38.51% with an overall industry growth rate of 4.67% in the second quarter of 2023. This industry is growing due to changes in lifestyle, eating habits, and culinary trends.

The rapid development of cafes in Malang City is inseparable from the conditions of Malang City, which is a city of education in East Java. Based on the Central Statistics Agency (BPS), in 2022 the number of students in Malang City increased to 250,000, making Malang the city with the second largest number of students after Surabaya in East Java. In 2023, the number of students in Malang City increased to 330,000; with that number, it is natural that Malang City is called a student city (bps.go.id 2024). So, it is not new if dozens of cafes are students who come from various regions, cities, and countries. Cafes in the Malang City area are very diverse; from

cafes that only provide coffee and snacks, there are also cafes that provide drinks and other complementary foods. This is also supported by data from the Malang City Central Statistics Agency (BPS) that the number of food and beverage entrepreneurs has increased over the past 2 years.

As a result, many coffee shops have sprung up, especially in Malang City, offering a variety of products and advantages to their customers. Of the several coffee shops in Malang City, AADK Coffee & Eatery Tlogomas Branch is quite famous and the largest (<https://timesindonesia.co.id>). Especially in Lowokwaru District in Malang City, one of them is AADK Coffee & Eatery, precisely in the area of Jl Raya Ngelo Tlogomas No. 27 in Malang City.

Creating a unique atmosphere in a cafe business is one of the important strategies in developing the business. According to Mamakou et al., (2024), creating a comfortable atmosphere for consumers is the key to providing satisfaction to those who come. Therefore, creating an attractive store atmosphere can increase the level of satisfaction of consumers who visit this business. Ruslim et al., (2023) explained that the store atmosphere designed in the store has proven to be the main differentiator with other business actors and is also a competitive advantage in itself. This demonstrates that an improved store atmosphere correlates with increased satisfaction levels. Conversely, this contrasts with the findings of Sabilla & Kurniawati (2023), which assert that the store atmosphere does not positively influence consumer satisfaction within the coffee shop sector among youth in DKI Jakarta.

Customer satisfaction positively influences the company, attracting numerous clients and ensuring consumer loyalty to the organization (Darmawan, 2019). Customer satisfaction is crucial in establishing enduring customer loyalty and enhancing the company's sustainability. This aligns with the research by Sabilla & Kurniawati, (2023), which indicates that customer pleasure positively influences consumer loyalty. Conversely, it differs from the study by Hsu & Lin (2023), which indicates that customer pleasure does not influence customer loyalty. The primary factors influencing consumer satisfaction in Indonesia include honesty, Sharia compliance, compassion and trust, Islamic principles, and politeness (Asnawi et al., 2019).

Customer satisfaction is a crucial driver of customer loyalty and connects store atmosphere and service quality, affecting customer loyalty (Rashid & Rokade, 2019). By knowing the role of trust in influencing service quality on customer satisfaction, Agaric products can be used as a consideration that influences the creation of appropriate marketing strategy policies; thus, it is hoped that customer satisfaction can also be increased Sihombing et al., (2023). Research by Afyani et al., (2023) indicates that customer satisfaction mediates the relationship between service quality and store atmosphere regarding customer loyalty. Research by (Pratama & Dewi, 2022) indicates that store atmosphere does not influence consumer loyalty through satisfaction as a mediator.

Customer loyalty is still a phenomenon that is often discussed in various industrial activities. These industries include the hospitality industry Abadi et al., (2018); Shamsudin et al., (2019) the tour and travel industry Kanapathipillai &

Mahbob (2021); the banking industry Hayati et al., (2020); the food and beverage industry Taufik et al., (2022); the telecommunications industry Agha et al., (2021); and the retail industry Andri et al., (2022); Slack et al., (2020). The phenomenon of customer loyalty that has been put forward by various researchers continues to produce differences of opinion. Customer loyalty has been a popular research topic since 1996 until now, where each study has different result (Udayana et al., 2022).

Based on the phenomena and gaps in previous studies that have been explained above, in this case the researcher needs to conduct further research related to the variables that have been explained, namely, store atmosphere, customer satisfaction, and customer loyalty. In explaining this research, the researcher will conduct research on AADK Coffee & Eatery consumers in Malang City with the object of researching AADK Coffee & Eatery.

METHOD

This research used a quantitative methodology with a descriptive framework, focusing on AADK Coffee & Eatery users at the Tlogomas Branch, the largest branch in Malang City. According to the theory (Hair Jr. et al., 2021), the sample for this study is defined by the number of question items ($11 \times 10 = 110$ respondents). It employs a non-probability sampling method utilizing purposive sampling with established criteria. The study's demographic comprises consumers who have visited and made purchases at least once, are a minimum of 18 years old, and reside in Malang City. This study employs a data-gathering strategy involving the distribution of questionnaires using Google Forms online,

alongside conducting interviews with 10 consumers of AADK Coffee & Eatery. From the results of the questionnaire, data processing is then carried out using the partial least squares method, which in this study is assisted using SmartPLS Version 4.0 software using outer model, inner model, and hypothesis testing.

Table 1. Research Indicators

Variabel	Indikator	Item
Store Atmosphere (Berman & Evans, 2018)	<i>Eksterior facilities</i>	1. There is a sign for the AADK Coffee & Eatery shop in front.
	<i>General interior</i>	1. The paint color in the AADK Coffee & Eatery room is attractive.
	<i>Store layout</i>	1. AADK Coffee & Eatery provides indoor and outdoor space.
	<i>Interior display</i>	1. The AADK Coffee & Eatery theme is in line with current development s.
Customer satisfaction (Zeithaml et al., 2009)	<i>Fulfillment</i>	1. The quality of food and service at this coffee shop met my expectations .
	<i>Pleasure</i>	1. AADK Coffee & Eatery provides various payment

		models at the cashier.
	<i>Ambivalence</i>	1. Consumers feel satisfied when visiting AADK Coffee & Eatery. 2. Consumers coming to AADK Coffee & Eatery at the Tlogomas Branch is a reasonable choice. (Dhismito & Kumar, 2020)
Customer loyalty (Zeithaml et al., 2009)	Saying Positive Things	1. I will spread the good news to others about AADK Coffee & Eatery.
	Giving Recommendations	1. I will invite family and friends to try AADK Coffee & Eatery products.
	Make Repurchase	1. I will buy from this AADK Coffee & Eatery even if it increases the price of service.

Source: SmartPLS 4 data processing results, 2024

RESULTS AND DISCUSSION

The structural model delineates the relationships among the proposed variables in the study. It assesses the relationships between independent variables, including store atmosphere and customer happiness, and the dependent variable, customer loyalty.

Researchers generally analyze after data collection and measurement model testing, confirming that the instruments employed to assess these variables are valid and reliable. Utilizing suitable statistical techniques, researchers can evaluate the magnitude and orientation of the correlations between the variables. The findings from the structural model offer profound insights into the current dynamics and allow academics to formulate more robust conclusions regarding the determinants of client loyalty. Subsequently, we shall examine the output findings of this structural model in depth.

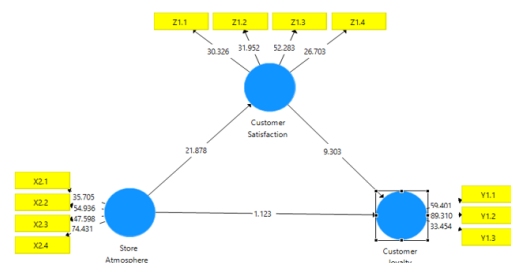


Figure 1. Output Results of Structural Model (Inner Model)

Source: SmartPLS 4 data processing results, 2024

Convergent Validity Test

An item achieves convergent validity and is considered highly valid if the outer loading value is 0.70 and the AVE value exceeds 0.5 (Hair et al., 2021). The measurement model must exclude items exhibiting an outside loading below 0.40. Items exhibiting an outside loading of 0.40-0.70 will be preserved, provided internal consistency

dependability is attained (Hulland, 1999). Table 2 is a presentation of the convergent validity values in this study, as follows:

Table 2. Convergent Validity Test

Variable	Item	Outer Loading	AVE
Store Atmosphere (X)	X1	0,907	0,895
	X2	0,932	
	X3	0,924	
	X4	0,943	
Customer Loyalty (Y)	Y1	0,933	0,856
	Y2	0,95	
	Y3	0,892	
Customer Satisfaction (Z)	Z1	0,867	0,777
	Z2	0,874	
	Z3	0,917	
	Z4	0,867	

Source: SmartPLS 4 data processing results, 2024

Discriminant Validity Test

In discriminant validity testing, the cross-loading value is used as a reference to assess how far one construct distinguishes itself from other constructs in a study (Pahlevi & Anwar, 2022). The following are the results of the discriminant validity test, which are presented in table 3:

Table 3. Cross Loading Value

	Store Atmosphere	Customer Loyalty	Customer Satisfaction
X1	0,907	0,680	0,741
X2	0,932	0,754	0,820
X3	0,924	0,688	0,747
X4	0,943	0,764	0,821
Y1	0,768	0,933	0,852
Y2	0,723	0,950	0,818
Y3	0,672	0,892	0,791
Z1	0,690	0,743	0,867

Z2	0,817	0,765	0,874
Z3	0,773	0,839	0,917
Z4	0,696	0,780	0,867
Reliability Test			
Variabel	Crombach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)
Store Atmosphere	0,945	0,948	0,945
Customer Loyalty	0,916	0,918	0,947
Customer Satisfaction	0,904	0,907	0,933

Source: SmartPLS 4 data processing results, 2024

The findings of the discriminant validity test indicate that the loading factor for each variable exceeds the correlation values of its indicators with other variables. Consequently, Table 2 demonstrates that all variables in this investigation have strongly valid items.

Reliability Test

Reliability testing is carried out to assess the consistency of the measuring instrument in assessing a concept based on the research instrument. This can be observed through the composite reliability value. Reliability values between 0.60-0.70 are said to be acceptable; values between 0.71-0.95 are said to be satisfactory to good. However, values that are too high (for example, above 0.95) are problematic; this indicates that the items are almost identical and redundant (Hair et al., 2021).

The findings in Table 3 indicate that all variables in this investigation have a reliability value over 0.60 and less than 0.95. The store atmosphere variable is valued at 0.948, customer loyalty at 0.918, and customer happiness at 0.907.

According to these results, all variables are deemed satisfactory to good.

Coefficient of Determination (R^2) The R-squared number indicates the degree of variance between the independent and dependent variables. The values are 0.75 (strong), 0.50 (moderate), and 0.25 (weak). The subsequent findings of the R-square test are presented in Table 4:

Table 4. R-square test

Variable	R-square	R-square adjusted
Customer Satisfaction	0,716	0,714
Customer Loyalty	0,791	0,788

Source: SmartPLS 4 data processing results, 2024

The R-square value of 0.716 indicates that store atmosphere influences customer satisfaction by 71.6%, whereas 28.4% is attributed to external variables not examined in the study. The R-square value indicating the impact of store atmosphere on customer loyalty is 0.791, signifying that 79.1% of store atmosphere can be accounted for by customer loyalty. In comparison, 20.9% is attributed to other variables.

Hypothesis Examination The outcomes of the hypothesis test are discernible by examining the path coefficient and p-value via the bootstrapping procedure. The path coefficient typically ranges from -1 to +1, with values nearer to -1 signifying a robust negative correlation and those closer to +1 denoting a strong positive correlation. Moreover, a p-value <0.05 indicates a significant relationship between the variables (Hair et al., 2021). Table 5 presents the findings of the hypothesis test conducted in this study.

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Coefficient of Determination (R^2) The R-squared number indicates the degree of variance between the independent and dependent variables. The values are 0.75 (strong), 0.50 (moderate), and 0.25 (weak). The subsequent findings of the R-square test are presented in Table 5:

Table 5. Hypothesis Test Results

Hypothesis	Original Sample (O)	Standard Deviasi (ST DEV)	T-statistic	P-value
SA → CL	0,104	0,092	1.123	0.262
SA → CS	0,846	0,039	21.878	0.000
CS → CL	0,800	0,086	9.303	0.000

Sumber: hasil olah data SmartPLS 4, 2024

Mediation Test

This test is conducted with the aim of determining the indirect influence that occurs between the variables in this study. This measurement is basically to test and intervene from the mediating variable, whether it is proven to mediate either fully mediated or partially mediated, or does not act as a mediating variable. Table 7 shows the results of the mediation test, as follow:

Table 6. Mediation Test

Hypot hesis	Origin al Sampl e(O)	Standard Deviasi (S TDEV)	T- stati stic	P- val ue
SA→ CS → CL	0.677	0.085	7.994	0.000

Source: SmartPLS 4 data processing results, 2024

This test aims to ascertain the indirect influence between the variables in this study. This assessment aims to evaluate and intervene in the mediating variable, determining whether it is fully mediated, partially mediated, or not a mediating variable at all.

The Impact of Retail Environment on Consumer Loyalty

The findings indicated that the path coefficient value reflecting the impact of store atmosphere on customer loyalty revealed that the t-statistic did not satisfy the necessary criteria, leading to the rejection of H1 in this study. The findings of this study indicated that there was no significant correlation between store atmosphere and customer loyalty. The store atmosphere does not ensure consumer loyalty.

The results of this study align with the research conducted by Aditia et al., (2021), which asserts that loyalty is cultivated when customers experience satisfaction with the environment and are incentivized to maintain the relationship. This aligns with the research undertaken by Dewi et al. (2024), which asserts that loyalty is more focused on consumer behavior than attitudes. Loyal consumers will exhibit purchasing behavior that is perceived as consistent buying patterns.

The Impact of Retail Environment on Consumer Contentment

The findings indicate that the t-statistic value in Table 5 demonstrates a positive path coefficient for the influence of store atmosphere on customer loyalty. This indicates that store atmosphere significantly and positively influences customer happiness, validating H2 in this study. Consequently, an improved store atmosphere at

AADK Coffee & Eatery in the Tlogomas branch correlates with heightened customer contentment. This study's findings corroborate the research of Afyani et al., (2023), indicating that a distinctive shop ambiance and a positive brand image encourage people to select and visit the coffee shop, impacting customer happiness.

The Impact of Customer Satisfaction on Customer Loyalty The findings indicate that the t-statistic value and the path coefficient of customer satisfaction on customer loyalty are both positive, demonstrating a strong positive influence of customer satisfaction on customer loyalty; thus, H3 in this study is acceptable.

Customer satisfaction correlates positively with product purchase likelihood and fosters consumer loyalty. This finding aligns with the research conducted by Sabilla & Kurniawati, (2023), which indicates that prioritizing customer satisfaction encourages repeat patronage at the coffee shop, reinforcing its status as the preferred choice. Additionally, it is imperative to focus on customer loyalty to motivate patrons to recommend the establishment to their family and friends. This aligns with the research conducted by Sam et al., (2023), which indicates that elevated customer satisfaction can impact consumer behavior, resulting in brand loyalty; satisfied consumers are more inclined to remain loyal to a product.

The Impact of Store Atmosphere on Customer Loyalty Mediated by Customer Satisfaction

The study's results demonstrate that the t-statistic and path coefficient values satisfy the criteria. A favorable store environment will enhance customer loyalty by fostering robust consumer pleasure. The coefficient of indirect influence of store atmosphere on customer loyalty validates the acceptance of H4 in this investigation.

Enhancing store ambiance can elevate consumer satisfaction, hence fostering customer loyalty.

According to the study by Lina (2022), achieving high customer loyalty necessitates that firms focus on the primary factor influencing it: customer pleasure. Research by Soebandhi et al., (2020) indicates a significant correlation between store atmosphere and customer loyalty, with customer satisfaction as a mediating variable in this relationship.

CONCLUSION

Various conclusions can be drawn from the research findings and debates on retail atmosphere, customer pleasure, and customer loyalty. The direct hypothesis testing indicates that the store atmosphere exerts a negative and minor influence on customer loyalty, suggesting that it is not a critical component in promoting consumer loyalty in this study. The findings indicate that the store atmosphere positively and significantly impacts customer satisfaction, implying that an enhanced store atmosphere results in increased customer contentment. Moreover, customer satisfaction profoundly influences client loyalty; hence, elevated levels of customer satisfaction enhance the probability of customers becoming loyal. Testing the indirect influence hypothesis reveals a favorable and significant impact of store atmosphere on customer loyalty via customer satisfaction. A well-executed store setting generally enhances client happiness, therefore promoting consumer loyalty to that institution.

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