CUPS, COSTS, AND CLICKS AS DRIVERS OF COFFEE SHOP LOYALTY IN PALEMBANG

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ABSTRACT

Customer loyalty has become difficult to maintain for independent coffee shops in Palembang due to increasing competition and changing consumer preferences. This study aims to examine how service quality, price perception, and social media marketing relate to customer loyalty, with customer satisfaction and brand image considered as mediating variables. The study collected data from 130 coffee shop customers in Palembang using purposive sampling. Data were gathered through a structured questionnaire adapted from previous studies and analyzed using Structural Equation Modeling with SmartPLS. The results show that customer satisfaction has a central role in shaping customer loyalty. Service quality and social media marketing do not directly influence loyalty but show stronger effects when they improve customer satisfaction. Brand image also affects loyalty, especially in relation to price perception. These findings indicate that customer loyalty is formed through consistent value delivery and positive consumption experiences rather than short term promotional activities. For coffee shop owners, the results suggest the need to maintain service performance, offer fair pricing, and engage customers consistently to support satisfaction and loyalty in a competitive market.

Keywords: *Brand Image; Customer Loyalty; Customer Satisfaction; Service Quality; Social Media Marketing*

1. INTRODUCTION

With a long history of coffee cultivation and consumption, Southeast Asia has recently witnessed a notable shift as its coffee industry moves toward a more modern and commercially driven market. As a major producer of coffee globally, Southeast Asia has in recent years seen strong growth in specialty coffee and modern coffee chains, bringing the market's value to about US\$3.4 billion in 2023. Indonesia and Thailand represent the largest segments, generating

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US$947 million and US$807 million respectively (Works, 2023). As the coffee market continues to expand, it has attracted greater interest from investors, entrepreneurs, and large retail players. This momentum has been reinforced by the emergence of coffee chains that increasingly rely on digital tools, inspired by the early success of several pioneering brands. However, as competition increases and the market becomes more crowded, offering good coffee and standard value propositions is no longer enough to keep customers interested. Industry players must differentiate themselves through innovative business models, digital capabilities, customer experience strategies, and lessons drawn from leading brands (Purwanto, 2024). In the Indonesian context, this challenge is particularly visible among independent coffee shops that face increasing pressure from standardized chain formats. For the purpose of this study, a *coffee shop* refers to an independently operated business where coffee based drinks are the primary offering. In contrast, the term *café* is used to describe food and beverage outlets that combine coffee with a broader menu of meals and services.

In recent years, the food and beverage sector in Palembang has expanded steadily. The city now has the highest number of restaurants and coffee shops in South Sumatra. In 2024 alone, Palembang recorded 1,316 restaurants and food service units, more than any other city in the province (Kurnia, 2025). Data from a business listing database in 2025 indicate that there are around 363 coffee shops operating in Palembang. This number reflects the presence of an active and growing local coffee shop scene in the city (smartscraper, 2025). This growth reflects a shift in urban lifestyles among the younger population of Palembang, especially students, young professionals, and creative workers. They increasingly view coffee shops as multifunctional spaces for socializing, working, and leisure rather than merely places to drink coffee. Consistent with national urban coffee shop trends, many of these coffee shops emphasize ambiance, aesthetic design, and comfort to cater to consumer preferences for experiential consumption. Unlike larger metropolitan areas, where national chains dominate, however, Palembang's coffee shop market remains a mix of local independent coffee shops and emerging national chains. This situation shapes a distinctive local setting, where community-based coffee shops and affordability continue to influence consumer choices.

The rapid expansion of the industry has intensified market competition (Kurnia, 2025), necessitating businesses to differentiate themselves by enhancing service quality (Ragab et al., 2024; Segoro, 2013), optimizing pricing strategies (Guo et al., 2025; Ma, Mao, et al., 2024), and leveraging other strategic factors (Dwivedi et al., 2021; T. T. S. Tran et al., 2024). In an era where consumers are increasingly reliant on digital interactions, social media marketing (Maduku, 2024; Zollo et al., 2020) has emerged as a pivotal tool for fostering customer engagement (Nurhadi et al., 2025; Seo & Park, 2018) and brand loyalty (Malarvizhi et al., 2022). Previous studies have examined how service quality, price perception, and social media

marketing influence various aspects of consumer behavior. However, research focusing on the combined effects of these variables, and how they indirectly influence customer loyalty through mediators such as brand image and customer satisfaction, remains limited, particularly in the context of secondary cities like Palembang. This gap is significant because the interplay among these variables may differ across service environments and cultural contexts, especially within markets experiencing rapid transformation in coffee shop culture and digital engagement.

Service quality has long been recognized as a fundamental determinant of customer retention (Juwaini et al., 2022) and competitive advantage. High service quality enhances perceived value (Ragab et al., 2024), fosters trust (Juwaini et al., 2022), and strengthens customer relationships (Segoro, 2013), ultimately leading to increased loyalty. Similarly, price perception (Essardi et al., 2022; Ryu & Han, 2010) significantly influences consumer purchasing decisions (Essardi et al., 2022; Konuk, 2019; Rutsaert et al., 2024), as customers weigh the perceived fairness of pricing against the value they receive (Do et al., 2023; Konuk, 2019; Nupueng et al., 2024). In the context of service businesses, where price sensitivity varies across customer segments, an optimal pricing strategy can enhance customer satisfaction and brand perception (Li et al., 2025).

Digital marketing has changed how consumers interact with coffee shop brands (Hopkins, 2013; Khan et al., 2019). Social media is now widely used by coffee shops to communicate with customers (Bilgin, 2018; Büyükdağ, 2021; Headley, 2015; Keke, 2022), customer engagement (Mujica et al., 2021; Sheng, 2019), and reputation management (Johansson & Zhu, 2023). Social media marketing fosters brand awareness (Büyükdağ, 2021; Efendioğlu & Durmaz, 2022), influences consumer perceptions (Carlson et al., 2019; Shanahan et al., 2019; Sung et al., 2020), and drives customer loyalty (Almohaimmeed, 2019) by creating a sense of community and engagement (Hung et al., 2023). Previous studies have examined these relationships, but the combined influence of service quality, price perception, and social media marketing on customer loyalty remains unclear.

Brand image and customer satisfaction are often linked to how consumers make decisions (Ali et al., 2022; Tahir et al., 2024). A positive brand image may build trust and emotional attachment, which can support loyalty and word of mouth behavior (Büyükdağ, 2021; Tahir et al., 2024). Customer satisfaction is related to repeat visits, as customers who feel satisfied tend to stay with the same brand (Ali et al., 2022; Fakfare, 2021; Matsuoka, 2022). As competition among coffee shops continues to increase, this study considers these two variables as mediators to better understand loyalty formation.

This study aims to examine the relationships among service quality, price perception, and social media marketing in shaping customer loyalty, with brand image and customer satisfaction treated as mediating variables. This study is conducted in coffee shops in Palembang

City to understand how customer loyalty is formed in a competitive local market. By focusing on this setting, the study provides empirical evidence on how key marketing and service related factors relate to customer loyalty. The results are expected to support consumer behavior research and offer practical guidance for business owners seeking to retain customers and strengthen loyalty in service based industries.

2. LITERATURE REVIEW

Social Exchange Theory

Social Exchange Theory (SET) was initially introduced by Homans (1961), which explains social interactions as reciprocal exchanges where individuals seek to maximize rewards while minimizing costs (Enayat et al., 2022; Kim et al., 2022). Rooted in behaviorist principles, SET posits that relationships persist when perceived benefits outweigh sacrifices, with positive exchanges fostering trust and commitment, while negative interactions lead to withdrawal (Hernandez Marquina et al., 2024; Ong et al., 2024; Ren et al., 2025). This perspective helps explain customer loyalty as an outcome of mutual interactions between consumers and brands. (Chang & Fong, 2025; Wang et al., 2023). Customers remain loyal when they perceive higher value from their engagement, such as superior service, product quality, or loyalty rewards, compared to alternative options (Tran et al., 2022; Urbonavicius et al., 2021). Trust and commitment help maintain long term customer loyalty, particularly when brands are able to balance the costs and benefits experienced by consumers (Casper Ferm & Thaichon, 2021; Joshi, 2025; Ong et al., 2024; Tran et al., 2022). As a result, Social Exchange Theory helps explain how businesses can strengthen customer retention by focusing on interactions that create value for customers (Casper Ferm & Thaichon, 2021).

Customer Loyalty

Customer loyalty refers to a customer's willingness to continue purchasing from a brand and to recommend it to others over time (Tahir et al., 2024). Retaining existing customers is usually less costly than acquiring new ones, making loyalty important for business sustainability (Clara, 2023b; Juwaini et al., 2022). Loyal customers tend to return and share positive recommendations with others (Büyükdağ, 2021), and resistance to competitor offerings (Lee & Han, 2022; Sun et al., 2024). Satisfied customers are less likely to switch brands, making it challenging for competitors to lure them away (Song et al., 2019). Social Exchange Theory suggests that loyalty grows when customers perceive that the benefits they receive exceed the costs, which gradually builds trust and longer term relationships (Clara, 2023b; El-Adly, 2019; Juwaini et al., 2022). Businesses that apply the principles of Social Exchange Theory by

consistently delivering value and recognizing customer commitment are more likely to build loyalty and gain a competitive advantage (Desveaud et al., 2024; Lee & Han, 2022).

Customer Satisfaction

Customer satisfaction plays an important role in business success because positive customer experiences help build trust and support long term growth. Satisfaction reflects the extent to which a product or service meets or exceeds consumer expectations (Ali et al., 2022). Businesses that adopt a market oriented approach aim to satisfy customers by aligning perceived value with the costs customers experience (Matsuoka, 2022). Key indicators of satisfaction include expectation alignment, repeat patronage, and willingness to recommend (Fakfare, 2021; Juwaini et al., 2022). Within the framework of Social Exchange Theory (SET), satisfaction fosters reciprocal loyalty, as customers who perceive superior value and service are more likely to remain engaged and promote the brand (Gensler et al., 2015; Wan et al., 2023). Thus, integrating SET principles into customer satisfaction strategies enhances retention and competitive advantage.

Brand Image

Brand image plays an important role in shaping consumer perceptions, as it reflects how people view a brand based on their experiences, marketing exposure, and overall impressions (Ali et al., 2022). Keller & Swaminathan (2020) define brand image as the set of associations consumers hold regarding a brand, encompassing attributes such as quality, superiority, and emotional resonance. When a brand image is perceived positively, customers tend to place greater trust in the brand and are more willing to choose it over competitors (Tahir et al., 2024). Brand image consists of three key dimensions. Strength reflects the depth of consumer connections formed through experience and endorsements. Uniqueness refers to the features that set a brand apart from competitors. Favorability describes how positively a brand is remembered and perceived by consumers (Kotler & Keller, 2016). When businesses deliver consistent quality and service, customers are more likely to form a positive view of the brand and remain engaged.

Service Quality

Service quality is a critical determinant of customer satisfaction and loyalty, reflecting a firm's ability to meet or exceed consumer expectations (Wirtz & Lovelock, 2022). Parasuraman et al. (1988) identify five key dimensions of service quality: reliability, which ensures consistent and accurate service delivery; responsiveness, which reflects a firm's willingness to assist customers promptly; assurance, which builds trust through staff expertise and professionalism; empathy, which demonstrates personalized attention and care; and tangibles, which encompass

the physical aspects of service delivery, such as facilities and communication materials (Ghotbabadi et al., 2015; Swaid & Wigand, 2009). From a Social Exchange Theory perspective, service quality supports long term customer relationships by strengthening customers' perceptions of value and trust (Segoro, 2013). Businesses that prioritize service excellence enhance customer satisfaction, encouraging continued engagement and brand advocacy (Ma, Wong, et al., 2024; Prentice et al., 2019) .

Price Perception

Price perception plays an important role in consumer purchasing behavior and satisfaction, as it reflects how consumers evaluate a product's value relative to its cost (Ryu & Han, 2010). Kotler & Keller (2016) categorize price perception into four dimensions. Affordability refers to consumers' ability to pay the price. Price and quality alignment reflects the belief that higher prices indicate better quality. Price and benefit balance concerns whether the cost is justified by the benefits received. Price competitiveness relates to how prices are evaluated in comparison with competitors (Do et al., 2023; Guo et al., 2025). Social Exchange Theory suggests that consumers are more likely to stay with a brand when they feel that the price they pay matches the value they receive (Malarvizhi et al., 2022; Santos & Schlesinger, 2021). When pricing is managed carefully, consumers are more likely to trust the brand and feel confident about making a purchase (Li et al., 2025).

Social Media Marketing

Social media marketing (SMM) has emerged as a transformative digital marketing approach that enhances brand exposure, audience engagement, and revenue optimization through strategic content creation (Bilgin, 2018), online community management, customer interaction, and campaign performance monitoring (Almohaimmeed, 2019; Khan et al., 2019; Wibowo et al., 2020). Compared to conventional marketing, SMM offers superior efficiency in reaching target audiences by leveraging social media platforms and technologies to facilitate value exchange among stakeholders (Efendioğlu & Durmaz, 2022). According to Gunelius (2011), social media marketing consists of four dimensions. These include content creation, content sharing, connection building, and community development. Together, these dimensions support communication, interaction, and relationship building between businesses and consumers. From a Social Exchange Theory perspective, social media marketing helps build trust and encourages long term engagement, as consumers see value in interactive brand communications (Almohaimmeed, 2019; Khan et al., 2019; Wibowo et al., 2020).

Previous Study and Hypotheses

Based on theoretical foundations and previous research, the following hypotheses are proposed. As shown in Figure 1, the direct relationships in this study (H1-H10) are outlined as follows:

Service Quality → Customer Loyalty, Customer Satisfaction, and Brand Image (H1, H4, H6). Service quality enhances customer loyalty by fostering trust and reliability, reducing switching behavior (Omar et al., 2021). Service quality plays a key role in how consumers judge and respond to a service (Chaerudin & Syafarudin, 2021; Zhao et al., 2024). Providing high quality service helps reduce uncertainty, build trust, and increase the value that customers perceive in their experience. According to service quality theory, reliability, responsive, and trustworthy service strengthens relational bonds and encourages customers to remain loyal to the brand (Faddila et al., 2022; Shahzad et al., 2024). Thus, **H1**: Service quality positively affects customer loyalty. Furthermore, by consistently meeting or exceeding customer expectations, service quality enhances overall customer satisfaction (Chaerudin & Syafarudin, 2021). Satisfied customers perceive their experiences as rewarding and are more likely to continue patronizing the brand (Cruz-Jesus et al., 2023). Service quality significantly shapes customer satisfaction, as reliable and responsive service meets expectations (Ali et al., 2022; Azhar et al., 2021; Juwaini et al., 2022), supporting **H4**: Service quality positively affects customer satisfaction. Moreover, high service quality strengthens brand image by fostering positive customer perceptions brand (Ali et al., 2022; Kusumaradya et al., 2021), leading to **H6**: Service quality positively affects brand image.

Price Perception → Customer Loyalty, Customer Satisfaction, and Brand Image (H2, H5, H7). Price perception reflects customers' views on whether prices are fair, affordable, and offer good value (Almanwari et al., 2024). When customers perceive prices as fair and aligned with the value they receive, they are more likely to trust the brand and maintain their purchasing behavior (Malarvizhi et al., 2022). Price perception influences loyalty when customers find prices fair and competitive, reinforcing consistent purchasing behavior (Santos & Schlesinger, 2021), supporting **H2**: Price perception positively affects customer loyalty. Price perception also impacts satisfaction, as perceived affordability and value enhance customer experiences (Chaerudin & Syafarudin, 2021; Konuk, 2019; Nupueng et al., 2024; Ryu & Han, 2010), Positive price evaluations also enhance customer satisfaction, as customers feel that the benefits they receive justify the costs incurred. Thus **H5**: Price perception positively affects customer satisfaction. Additionally, perceptions of fair and competitive pricing can strengthen brand credibility and trustworthiness, contributing to a more positive brand image (Malarvizhi et al., 2022). Consequently, **H7**: Price perception positively affects brand image.

Social Media Marketing → Customer Loyalty and Brand Image (H3, H8). Today, social media marketing helps brands shape customer perceptions and interact more closely with consumers. Through interactive communication, personalized engagement, and increased brand visibility, social media activities foster emotional connections and reinforce customer commitment. Social media marketing strengthens loyalty by fostering direct customer engagement and brand interactions (Shanahan et al., 2019), leading to **H3**: Social media marketing positively affects customer loyalty. Engaging social media marketing strategies create a strong brand image, improving brand perceptions and authenticity (Ahmed et al., 2023; Zollo et al., 2020), resulting in **H8**: Social media marketing positively affects brand image.

Customer Satisfaction and Brand Image → Customer Loyalty (H9, H10). Customer satisfaction and brand image serve as core mediating variables in the model. Satisfaction theory suggests that customers who have positive experiences are more likely to buy again and remain loyal over time (Almofeez et al., 2024; Fu et al., 2018). Customer satisfaction fosters loyalty through emotional attachment and positive brand experiences (Clara, 2023a; El-Adly, 2019; Matsuoka, 2022; Song et al., 2019). Thus, **H9**: Customer satisfaction positively affects customer loyalty. Lastly, a strong brand image cultivates customer loyalty through positive associations and differentiation (Büyükdağ, 2021; Song et al., 2019; Tahir et al., 2024; Xu et al., 2022). Meanwhile, brand image theory posits that a strong and favorable brand image differentiates the brand, establishes trust, and reinforces customer commitment (Gazi et al., 2024). This leads to **H10**: Brand image positively affects customer loyalty.

As shown in Figure 1, the indirect relationships in this study are outlined as follows: High service quality enhances customer satisfaction, which in turn strengthens loyalty (Abd-El-Salam et al., 2013; Konuk, 2019). This confirms the mediating role of satisfaction between service quality and loyalty (**H11**). Similarly, a favorable price perception increases satisfaction, leading to greater loyalty (Almanwari et al., 2024; Ryu & Han, 2010), with customer satisfaction acting as a mediator (**H12**). Positive brand perceptions, shaped by superior service quality, reinforce loyalty (Gazi et al., 2024; Rastogi et al., 2024; Tahir et al., 2024), suggesting brand image as a mediator (**H13**). Likewise, a strong brand image resulting from fair pricing fosters trust and loyalty (Malarvizhi et al., 2022; Rutsaert et al., 2024; Santos & Schlesinger, 2021) (**H14**). Furthermore, effective social media marketing enhances brand image, strengthening customer relationships and loyalty (Bilgin, 2018) (**H15**). The proposed framework suggests that customer satisfaction and brand image mediate the relationship between the antecedent variables and customer loyalty.
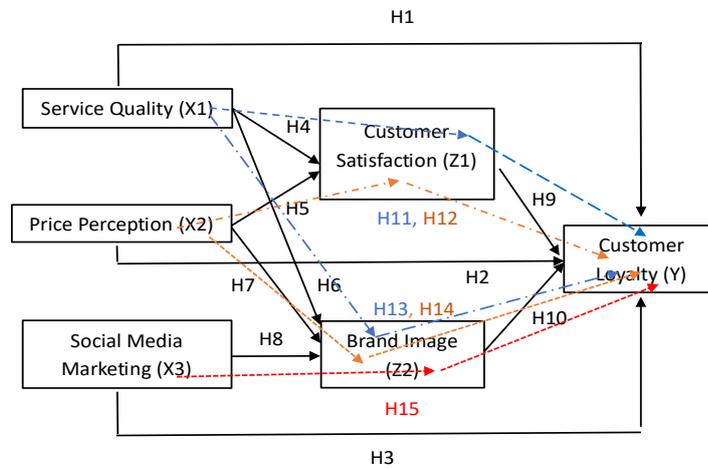
Figure 1. Conceptual Framework

Note:
Dashed lines indicate indirect relationships: blue for "Service Quality → Customer Loyalty, mediated by Customer Satisfaction" (H11) and "Brand Image" (H13); orange for "Price Perception → Customer Loyalty, mediated by Customer Satisfaction" (H12) and "Brand Image" (H14); red for "Social Media Marketing → Customer Loyalty, mediated by Brand Image" (H15).

3. METHOD

This study employed a quantitative approach to investigate the influence of service quality, price perception, and social media marketing on customer loyalty, with brand image and customer satisfaction as mediating variables. The research was conducted in Palembang between January and March 2025, targeting coffee shop customers who actively use social media and have prior experience visiting such establishments. To ensure that the respondents were relevant to the study objectives, purposive sampling was applied using clearly defined inclusion criteria. Participants were required to be residents of Palembang, aged 18 years or older, and have visited a coffee shop at least once in the past three months. In addition, respondents needed to be active social media users and possess prior experience engaging with or following coffee shop content online. Only individuals who had visited at least one of the selected coffee shop outlets included in the research scope were eligible to participate. These criteria ensured that all respondents had sufficient knowledge and experience to provide meaningful and accurate evaluations of service quality, price perception, social media marketing, brand image, satisfaction, and loyalty. Primary data were collected through a structured questionnaire using a Likert scale as shown in

Table 1, while secondary data were obtained from previous studies, industry reports, and relevant literature.

Table 1. Measurement Sources, Number of Items, and Scale Justification

Construct	Source (Author–Year)	Number of Items	Description / Indicators Used	Scale Justification
Service Quality (SERVQUAL)	(Parasuraman et al., 1988)	5 items	Five SERVQUAL dimensions: tangibles, reliability, responsiveness, assurance, empathy	A 5–7 point Likert scale is commonly used to capture respondents' perception differences in service performance across SERVQUAL dimensions.
Price Perception	(Do et al., 2023; Guo et al., 2025; Kotler & Keller, 2016))	4 items	Measures affordability, price–quality congruence, perceived benefits, and competitiveness	A Likert scale allows measurement of psychological evaluations related to price fairness and value perception.
Social Media Marketing	(Almohaimmeed, 2019; Bilgin, 2018)	4 items	Covers entertainment, interaction, customization, word of mouth in social media activities	Likert scale is appropriate for capturing attitudes toward social media content and engagement.
Brand Image	(Keller & Swaminathan, 2020)	6 items	Reflects brand associations, uniqueness, favorability, quality, superiority, emotional resonance, and strength of image	A Likert scale captures evaluative judgments and associative perceptions effectively.
Customer Satisfaction	(Fakfare, 2021; Juwaini et al., 2022; Wan et al., 2023)	6 items	Measures overall satisfaction, expectation alignment, repeat patronage, and willingness to recommend, perceived performance, promote the brand	Satisfaction is effective and attitudinal; a Likert scale captures intensity of feelings effectively.
Customer Loyalty	(Büyükdağ, 2021; Lee & Han, 2022; Sun et al., 2024)	6 items	Includes repurchase intention, repeated purchases, positive word of mouth, recommendation, resistance to competitor offerings, and commitment	Attitudinal loyalty is best measured using Likert-type responses indicating agreement or intention.

The study used a cross-sectional design and collected data through purposive sampling, yielding 130 valid responses. The survey included closed-ended questions to measure all key constructs using established indicators. Service quality was assessed using five SERVQUAL dimensions, price perception included affordability, quality congruence, benefit alignment, and competitiveness, while social media marketing was measured through content creation, sharing, connection, and community development. Brand image and customer satisfaction were treated as mediators, and customer loyalty was the outcome variable. Data was analyzed using Structural Equation Modeling (SEM) to examine the relationships among variables and test mediation effects.

4. RESULTS AND DISCUSSION

Results

Measurement Model

As shown in Figure 2, all outer loadings exceed the recommended threshold of 0.70, indicating strong indicator reliability across all constructs. Specifically, indicators for Brand Image (BI1–BI6) range from 0.775 to 0.890, while those for Customer Loyalty (CL1–CL6) range from 0.748 to 0.874. Customer Satisfaction (CS1–CS6) shows loadings from 0.803 to 0.914, reflecting excellent convergent validity. Indicators for Price Perception (PP1–PP4), Social Media Marketing (SMM1–SMM4), and Service Quality (SQ1–SQ5) also demonstrate high loadings, ranging from 0.827 to 0.916. All indicators show significant t-statistics (t > 1.96) and p-values < 0.001, confirming their statistical significance and reliability in measuring their respective latent constructs.
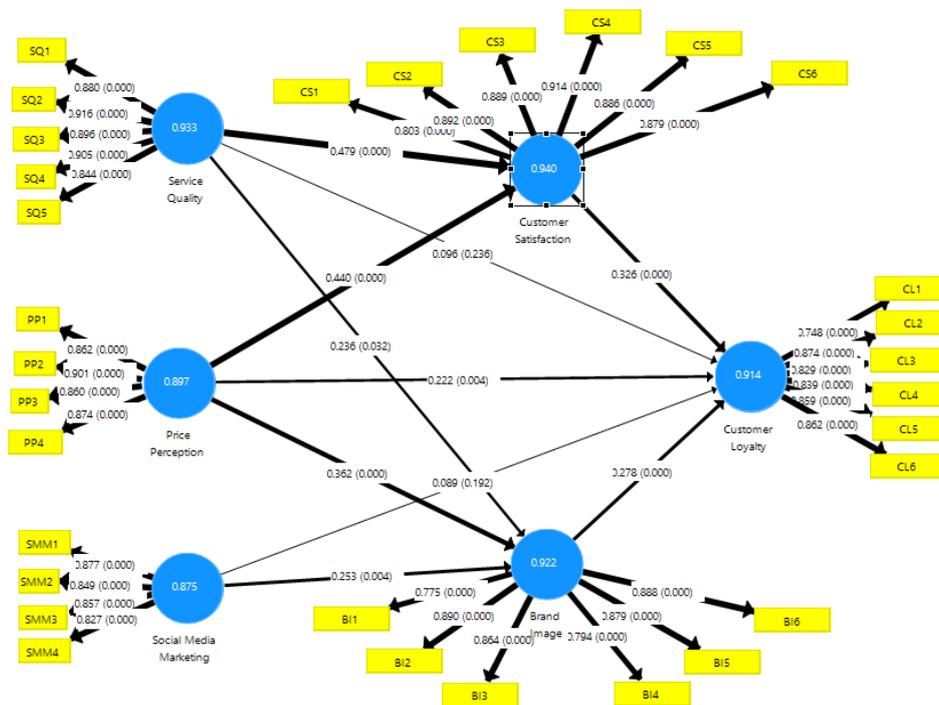

Figure 2. Measurement Model and Structural Model

Source: Research Data Processed

The construct validity and reliability analysis (Figure 2) confirms that all measurement constructs meet recommended thresholds. Cronbach's Alpha and rho_A values exceed 0.70 (range: 0.875–0.940), indicating strong internal consistency. Composite reliability scores

(0.914–0.953) and AVE values (0.699–0.789) demonstrate adequate reliability and convergent validity. Discriminant validity is also confirmed, with all HTMT values below the 0.90 threshold (highest: 0.833), supporting the distinctiveness and robustness of the measurement model.

Table 2. Validity and Reliability Construct

Construct	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (Ave)
Brand Image	0.922	0.925	0.939	0.722
Customer Loyalty	0.914	0.921	0.933	0.699
Customer Satisfaction	0.940	0.941	0.953	0.771
Price Perception	0.897	0.898	0.928	0.764
Service Quality	0.933	0.934	0.949	0.789
Social Media Marketing	0.875	0.876	0.914	0.727

Source: Research Data Processed

Structural Model

As shown in Table 3 and Figure 2, the hypothesis testing results reveal significant findings in both direct and indirect relationships. Among the direct effects, service quality does not significantly influence customer loyalty ($\beta = 0.096$, $p = 0.236$), leading to the rejection of **H1**. Conversely, price perception has a significant positive effect on customer loyalty ($\beta = 0.222$, $p = 0.004$), supporting **H2**, while social media marketing does not directly affect customer loyalty ($\beta = 0.089$, $p = 0.192$), resulting in the rejection of **H3**. Additionally, both service quality ($\beta = 0.479$, $p < 0.001$) and price perception ($\beta = 0.440$, $p < 0.001$) significantly enhance customer satisfaction, confirming **H4** and **H5**. Similarly, service quality ($\beta = 0.236$, $p = 0.032$), price perception ($\beta = 0.362$, $p < 0.001$), and social media marketing ($\beta = 0.253$, $p = 0.004$) positively influence brand image, supporting **H6**, **H7**, and **H8**, respectively. Furthermore, both customer satisfaction ($\beta = 0.326$, $p < 0.001$) and brand image ($\beta = 0.278$, $p < 0.001$) significantly contribute to customer loyalty, confirming **H9** and **H10**.

Regarding indirect effects, service quality ($\beta = 0.156$, $p = 0.005$) and price perception ($\beta = 0.144$, $p = 0.001$) influence customer loyalty through customer satisfaction, supporting **H11** and **H12**. Additionally, price perception ($\beta = 0.101$, $p = 0.001$) and social media marketing ($\beta = 0.070$, $p = 0.027$) significantly impact on customer loyalty via brand image, confirming **H14** and **H15**. However, service quality does not significantly affect customer loyalty through brand image ($\beta = 0.066$, $p = 0.092$), leading to the rejection of **H13**.

Table 3. Hypothesis Testing

Direct Effect	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	P Values	Decision
H1 (Service Quality → Customer Loyalty)	0.096	0.089	0.081	0.236	**H1 Rejected**
H2 (Price Perception → Customer Loyalty)	0.222	0.224	0.076	0.004	H2 Accepted
H3 (Social Media Marketing → Customer Loyalty)	0.089	0.092	0.068	0.192	**H3 Rejected**
H4 (Service Quality → Customer Satisfaction)	0.479	0.479	0.071	0.000	H4 Accepted
H5 (Price Perception → Customer Satisfaction)	0.440	0.438	0.066	0.000	H5 Accepted
H6 (Service Quality → Brand Image)	0.236	0.233	0.110	0.032	H6 Accepted
H7 (Price Perception → Brand Image)	0.362	0.358	0.085	0.000	H7 Accepted
H8 (Social Media Marketing → Brand Image)	0.253	0.252	0.088	0.004	H8 Accepted
H9 (Customer Satisfaction → Customer Loyalty)	0.326	0.325	0.091	0.000	H9 Accepted
H10 (Brand Image → Customer Loyalty)	0.278	0.280	0.075	0.000	H10 Accepted
Indirect Effect	**Original Sample (O)**	**Sample Mean (M)**	**Standard Deviation (STDEV)**	**P Values**	**Hypotheses**
H11 (Service Quality → Customer Satisfaction → Customer Loyalty)	0.156	0.157	0.055	0.005	H11 Accepted
H12 (Price Perception → Customer Satisfaction → Customer Loyalty)	0.144	0.142	0.043	0.001	H12 Accepted
H13 (Service Quality → Brand Image → Customer Loyalty)	0.066	0.067	0.039	0.092	**H13 Rejected**
H14 (Price Perception → Brand Image → Customer Loyalty)	0.101	0.098	0.032	0.001	H14 Accepted
H15 (Social Media Marketing → Brand Image → Customer Loyalty)	0.070	0.071	0.032	0.027	H15 Accepted

Source: Research Data Processed

The results emphasize customer satisfaction as the primary driver of customer loyalty, with brand image playing an important mediating role in linking price perceptions and social media marketing to loyalty outcomes. Although service quality strengthens customer satisfaction and brand image, its direct and indirect effects on customer loyalty remain limited. Thus, businesses should focus on optimizing pricing strategies, social media engagement, and

service quality improvements to enhance customer satisfaction and brand image, ultimately fostering long-term customer loyalty.

Table 4. Model Fit

Fit Model	Saturated Model	Estimated Model
SRMR	0.064	0.068
d_ULS	2.051	2.312
d_G	1.364	1.386
Chi-Square	961.289	964.230
NFI	0.769	0.768
Model	**Adjusted R Square**	**P Value**
Brand Image	0.492	0.000
Customer Loyalty	0.725	0.000
Customer Satisfaction	0.660	0.000
Relationship	**f Square**	**Effect Size Interpretation**
Brand Image → Customer Loyalty	0.145	Medium (borderline)
Customer Satisfaction → Customer Loyalty	0.125	Small (approaching medium)
Price Perception → Brand Image	0.171	Medium
Price Perception → Customer Loyalty	0.082	Small
Price Perception → Customer Satisfaction	0.389	Large
Service Quality → Brand Image	0.061	Small
Service Quality → Customer Loyalty	0.015	Very small (below threshold)
Service Quality → Customer Satisfaction	0.459	Large
Social Media Marketing → Brand Image	0.082	Small
Social Media Marketing → Customer Loyalty	0.017	Very small (negligible)

Source: Research Data Processed

Model Fit Assessment

Table 4 shows that the structural model demonstrates an acceptable fit. The SRMR value of 0.068 is below the 0.08 threshold, and both d_ULS (2.312) and d_G (1.386) are close to the saturated model, indicating minimal residuals. The small Chi-square difference (961.289 vs. 964.230) further supports model adequacy. Although the NFI (0.768) is below the ideal 0.90, it remains acceptable for exploratory models. Overall, the model fit is satisfactory, validating the structural relationships and supporting the robustness of the findings.

The R^2 values demonstrate that the model explains 72.5% of the variance in customer loyalty, indicating a strong predictive power. Additionally, 66.0% of the variance in customer satisfaction and 49.2% of the variance in brand image are explained by their respective predictors. These results confirm that the model is robust and the construction of service quality, price perception, and social media marketing meaningfully contribute to customer outcomes, particularly loyalty.

The f² analysis reveals that price perception and service quality strongly influence customer satisfaction, with large effect sizes. Price perception also has a moderate impact on brand image and a small effect on loyalty. Service quality shows minimal direct effects on brand image and loyalty, indicating its influence is mostly indirect through satisfaction. Satisfaction and brand image slightly to moderately affect loyalty, confirming their mediating roles. Meanwhile, social media marketing shows limited explanatory power, with only small effects on brand image and negligible impact on loyalty.

Discussion

This study shows that customer satisfaction is important for building trust, keeping customers, and supporting long-term growth (Ali et al., 2022; Fakfare, 2021; Juwaini et al., 2022). It reflects the alignment between expectations and perceived value, consistent with the principles of Social Exchange Theory (Gensler et al., 2015; Wan et al., 2023). Building on this, the current study confirms that satisfaction is the strongest predictor of loyalty, supporting the SET. Although the effect of satisfaction is moderate, it remains important for maintaining long-term customer relationships. This signal its strategic importance for firms with a strong market orientation (Matsuoka, 2022).

Price perception strongly affects both satisfaction and brand image. This supports the idea that how customers perceive value is important (Konuk, 2019) and its critical role in consumer evaluations. As discussed earlier, price perception reflects consumers' subjective assessment of value relative to cost (Ryu & Han, 2010) and encompasses key dimensions such as affordability, perceived quality, benefit alignment, and competitiveness (Do et al., 2023; Guo et al., 2025). According to Social Exchange Theory, customers are more likely to stay loyal to a brand when they perceive its value positively (Malarvizhi et al., 2022; Santos & Schlesinger, 2021). Price strongly affects satisfaction and brand image. Good pricing helps customers see value and feel more connected and trusting toward the brand (Li et al., 2025).

As previously discussed, brand image and customer satisfaction play pivotal mediating roles in shaping consumer behavior (Ali et al., 2022; Tahir et al., 2024). A strong brand image enhances emotional connection and perceived credibility, fostering loyalty and advocacy (Büyükdağ, 2021; Tahir et al., 2024).In line with this, the current study finds that brand image contributes moderately to loyalty and mediates the effects of price perception and social media marketing. Consistent with brand equity theory (Keller & Swaminathan, 2020), brand image helps build emotional and value connections, making other factors more effective in shaping loyalty.

While service quality has long been seen as a key factor in customer retention, perceived value, and loyalty (Juwaini et al., 2022; Ragab et al., 2024), the current findings reveal that its

direct and indirect effects on loyalty are weak and statistically insignificant. This may reflect changing customer expectations, where good service is expected by default and no longer sets one business apart in competitive settings. According to (Lajante & Ladhari, 2019), service quality becomes a weaker driver of loyalty when it does not differ meaningfully across providers and must be complemented by emotional or value based elements to have a substantial impact.

The rejected hypotheses in this study, particularly those related to the insignificant effects of service quality and social media marketing on customer loyalty. This may be explained by several contextual and methodological factors. First, in the context of Palembang's increasingly saturated coffee shop market, service quality has become highly standardized across coffee shops, reducing its ability to function as a differentiating factor. When most outlets deliver comparable levels of reliability, responsiveness, and ambiance, customers no longer perceive service quality as a key driver of loyalty, a pattern also noted in mature service industries (Clara et al., 2025). Second, differences in consumer characteristics may help explain the findings. Younger customers, who represent a large share of the coffee shop market in Palembang, tend to place greater emphasis on price fairness, convenience, and social experiences than on service related attributes, thereby reducing the relative importance of service quality in fostering loyalty (Do et al., 2023).

Although social media marketing is widely recognized for enhancing brand communication, engagement, and loyalty (Almohaimmeed, 2019; Bilgin, 2018; Büyükdağ, 2021), the present study finds its influence to be minimal. This contrasts with prior literature and suggests a possible disconnect between digital promotional efforts and actual perceived value, particularly when not reinforced by consistent service quality or fair pricing. These findings point to the importance of gaining a deeper understanding of how social media marketing works alongside core service elements in fostering customer loyalty, as emphasized in prior research. The insignificant effect of social media marketing may reflect the character of digital engagement in Palembang, where consumers primarily use social media for passive consumption and entertainment rather than as a basis for purchase decisions. This aligns with findings from previous studies suggesting that social media content enhances visibility and customer engagement but does not necessarily translate into behavioral loyalty unless it delivers perceived value or authenticity (Ao et al., 2023). Furthermore, the dominance of visually oriented and trend driven content may weaken consumers' perceptions of social media activities as substantive brand communication. Environmental factors also play a role. In an environment characterized by rising competition, high coffee shop turnover, and changing consumer preferences, customers may be more inclined toward exploratory and variety seeking behavior (Indriana, 2022), reducing their likelihood of forming strong loyalty bonds, regardless of service

quality or promotional activities. This dynamic environment weakens the direct effects of variables traditionally associated with loyalty.

Lastly, the rejected hypotheses may partly reflect measurement related limitations. The study uses self reported data and a cross sectional design, along with a relatively small sample. As a result, more subtle behavioral patterns may not be fully captured, especially for service quality and social media engagement, which often require more granular measures. Earlier studies show that the impact of these variables is often clearer when examined through longitudinal or experience focused approaches (Zeithaml et al., 2020). Therefore, future research may benefit from expanding measurement depth or incorporating behavioral data to enhance explanatory power.

Importantly, when interpreted within the unique context of Palembang's coffee shop industry, the model reveals how local consumer behavior shapes these relationships. Palembang's coffee shop market features intense competition, similar service formats, price conscious young customers, and strong social media engagement that focuses more on visuals than on communicated value. These conditions help explain why service quality shows limited influence, because most coffee shops already meet a similar standard, while price perception becomes the primary differentiator that drives satisfaction and brand evaluations. Likewise, the relatively weak effect of social media marketing reflects local consumer tendencies to treat online content as entertainment rather than as a basis for purchase decisions. Thus, the model effectively captures the realities of Palembang's market, demonstrating that loyalty is driven less by experiential differentiation and more by perceived fairness, satisfaction, and credible brand positioning.

The novelty of this study lies in its integrated framework, which assesses the combined influence of service quality, price perception, and social media marketing on customer loyalty, with customer satisfaction and brand image treated as mediating factors. Rather than focusing solely on direct relationships, this study examines how value driven perceptions influence loyalty. The findings suggest that in increasingly competitive and commoditized markets, firms should move beyond assuming service quality and digital presence as standalone loyalty drivers. Instead, businesses should focus on delivering fair pricing and maintaining customer satisfaction, as these factors have the strongest influence on brand attachment and repeat visits. When the value offered matches customer expectations, emotional connections are more likely to grow, which supports customer loyalty over time.

5. CONCLUSION

This study answers the research question by confirming that customer satisfaction is the most influential driver of customer loyalty, with brand image mediating the effects of price perception and social media marketing. While service quality strengthens satisfaction and brand image, its direct influence on customer loyalty appears limited, indicating the need to rethink how service quality is positioned within loyalty building strategies. The findings indicate that businesses should prioritize pricing strategies that align with customer expectations, enhance satisfaction through consistent value delivery, and utilize social media to reinforce brand positioning. Service quality should be maintained as a foundation for satisfaction rather than relied upon as a direct loyalty lever.

Theoretically, this study extends existing models by demonstrating that loyalty is shaped more by customer perceptions and mediated pathways than by direct service delivery alone. The rejected hypothesis regarding the direct influence of service quality on loyalty reveals a gap where future research could explore moderating factors such as customer involvement, service type, or emotional attachment. Moreover, the weak indirect effect of service quality through brand image points to a contextual limitation that may be particularly relevant in commoditized or low contact service settings. Future studies may overcome these limitations by examining different service settings and including experiential or relational variables to provide deeper insight into the link between service quality and loyalty.

This study acknowledges several limitations that should be considered when interpreting the findings. First, the sample was restricted to 130 respondents in Palembang, which limits the generalizability of the results to other regions with different coffee shop cultures, competitive dynamics, or consumer characteristics. Future research should expand the geographic scope or employ a larger and more diverse sample to strengthen external validity. Second, the use of self reported data collected at a single point in time may not fully reflect how consumer perceptions evolve or translate into real behavioral patterns. Longitudinal designs or behavioral data (such as transaction records or loyalty program usage) are recommended to obtain deeper insights. Third, although the study employed validated measurement scales, the constructs of service quality and social media marketing may require more granular indicators to better reflect contemporary consumer experiences in digitally driven coffee shop settings. Finally, the model did not include several potentially relevant variables, such as perceived convenience, store ambience, product quality, or customer experience design which may further explain loyalty behavior in competitive coffee shop markets. Future studies are encouraged to

integrate these factors or test alternative mediating mechanisms to develop a more comprehensive understanding of customer loyalty formation.

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