The Relationship between Brand Equity, Customer Satisfaction, and Brand Loyalty on Coffee Shop: Study of Excelso and Starbucks

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This study investigates the effect of the Brand Equity on the Customer Satisfaction and the Brand Loyalty of Starbucks and Excelso coffee shops' customers. Starbucks is the strongest competitor of Excelso. Data used in this study was primary data which were collected through closed questionnaires with 1-5 Likert scale. A sample of this study was 270 respondents; 135 respondents for each brand. The study used Structural Equation Modelling (SEM) operated by LISREL program to analyze the hypothesis. The results of this study showed that The Physical Quality, the Ideal Self-Congruence, and the Lifestyle Congruence have a positive and significant impact on the Customer Satisfaction on Excelso and Starbucks. Staff behaviour only have a positive and significant impact on the Customer Satisfaction in the Excelso; whereas, brand identification only have a positive and significant impact on the Customer Satisfaction in the Starbucks. However, in both of coffee shop brand, the Consumer Satisfaction have a positive and significant impact on the Brand Loyalty.

Keywords: brand equity, consumer satisfaction, brand loyalty, SEM, Excelso, Starbucks

Penelitian bertujuan menguji dampak *brand equity* terhadap *customer satisfaction* dan *brand loyalty* pada konsumen Kedai Kopi Excelso dan Starbucks. Dalam hal ini, Excelso merupakan kompetitor terkuat dari Starbucks. Penelitian menggunakan data primer yang dikumpulkan melalui pengisian kuesioner tertutup menggunakan skala Likert 1-5. Total responden yang menjadi sampel dalam penelitian ini adalah 270 orang; 135 orang diantaranya merupakan konsumen dari Excelso dan 135 orang merupakan konsumen dari Starbucks. Penelitian ini dilakukan dengan menggunakan Structural Equation Modelling (SEM) dan diolah dengan bantuan Software LISREL. Hasil penelitian menunjukkan bahwa *physical quality*, *ideal self-congruence*, dan *lifestyle congruence* merupakan faktor-faktor yang berpengaruh positif secara signifikan terhadap *customer satisfaction* di Excelso dan Starbucks. *Staff behaviour* hanya memiliki pengaruh positif secara signifikan terhadap *customer satisfaction* di Excelso; adapun *brand identification* hanya memiliki pengaruh positif secara signifikan terhadap *customer satisfaction* di Starbucks. Baik di Excelso maupun di Starbucks, *customer satisfaction* memiliki pengaruh positif secara signifikan terhadap *brand loyalty*.

Kata Kunci: *brand equity*, *consumer satisfaction*, *brand loyalty*, SEM, Excelso, Starbucks

Introduction

Café, coffeehouse, and coffee shop are all terms for an establishment that primarily serves coffee and other hot beverages. As the name suggests, a café/coffeehouse/coffee shop focuses on providing coffee and tea in addition to light snacks. The original coffeehouse was first established in Italy in 1645. Then, in 1652, the coffee-shop trend spread into England and further abroad (Pongsiri, 2013). The coffee shop has become a necessity and habit in modern society. It is frequented by a diverse crowd ranging from professionals and executives to adolescents. The coffee shop sells not only the items in its menu but also an atmosphere that makes people feel comfortable. In order to attract more visitors, a coffe shop may offer amenities such as cable TV, live music, and wireless hotspot access points that provide free internet access for customers who would like to use a laptop while enjoying a cup of drink. As such, there are many reasons why people would like to visit a coffee shop. For some people, coffee is a way to carry out their social lives. The coffee shop is also a way to affirm one's identity and self-esteem (Said, 2012)

Many coffee shops are located in shopping malls spread across the city of Semarang. Known brands include Excelso, Starbucks, Peacock Coffee Gajah Mada, Heritage Coffee, and much more. The rapid growth of the coffee-shop market in Semarang means that every coffee-shop brand marketer needs a thorough understanding of consumer behavior as a basis for making better strategic decisions in terms of target market definition and product positioning, and also better tactical decisions about specific marketing-mix actions. In particular, every marketer in the coffee-shop business should be able to develop marketing programs that align with the customers' desires, thoughts, feelings, images, beliefs, perceptions, and opinions. According to Kotler and Keller (2009), the value of a strong brand lies in its power to capture customer preference and loyalty. A well-managed brand tends to increase its market share (O' Neill and Xiao, 2006). When a brand faces aggressive competition in the market (like in the coffee-shop business), a strong brand identity that can be easily understood and experienced by the customer would help in developing trust and eventually differentiating the brand from the competition. A company (in this case, a coffee shop) needs to establish a clear and consistent brand identity by communicating its brand attributes in a way that can be easily understood by prospective customers. One of the firm's most valuable assets for improving marketing productivity is the customers' pre-existing knowledge of the

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brand from the firm's investment in previous marketing programs (Keller, 1993). According to Keller (1993), the differential effect of brand knowledge upon customers' response to brand marketing is known as brand equity. Brand equity is related to customer satisfaction and brand loyalty (Nam, Ekinci, and Whyatt, 2011). Customer satisfaction is a mediating variable between brand equity and brand loyalty, while brand loyalty itself is the biased (non-random) behavioral response (purchase) expressed over time by some decision-making unit with respect to one or more particular brands out of a set of brands and is a function of psychological processes (Jacoby, 1971). Considering the importance of brand equity in companies' efforts to develop positive customer perception and win the tight competition in their industry by achieving customer satisfaction and loyalty, this study aims to investigate the relationship between brand equity, consumer satisfaction, and brand loyalty in the coffee shop industry, represented by the Starbucks and Excelso coffee-shop brands in Semarang. Starbucks is a global brand, while Excelso is a local brand that competes with Starbucks. The reason for using these two brands as the sample for this research is to see whether, if given a choice of different brands, Indonesian consumers would choose a global brand over an Indonesian brand. The Starbucks Coffee Company, established in 1971, is the world's largest coffee chain with its headquarters located in Seattle, USA. On the other hand, Excelso is a pioneering coffee-shop brand in Indonesia, established in 1991 by the Kapal Api Group. The number of outlets owned by Excelso is comparable to the number of outlets owned by Starbucks. However, competition from foreign coffee-shop brands (e.g. Starbucks) has kept Excelso from going higher than the fifth position in the 2011-2012 top brand index by the Frontier Consulting Group (Senjaya , Semuel, and Dharmayanti, 2013).

The rest of the paper is structured as follows. The next section describes the literature review and is followed by the discussion of the research methodology. The results are discussed subsequently. Finally, the theoretical and managerial implications and the limitations of the study are presented in the conclusion, along with possible directions for future research.

Literature Review

The term "brand equity" has become one of the most important marketing concepts since the 1980s. The concept of brand equity has been discussed in many different ways. Previous research has divided brand equity into three categories, i.e the customer-based perspective (Aaker, 1991), the financial perspective (Simon and Sullivan, 1993), and the combined perspective (Anderson, 2007). Aaker (1991) defines brand equity as a set of brand assets and liabilities linked to a brand, its name, and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers. According to Keller (1993), customer-based brand equity is defined as the differential effect of brand knowledge upon consumer response to the marketing of the brand. There are three important concepts in this defi-

nition, i.e. differential effect, brand knowledge, and consumer response to marketing. Differential effect is determined by comparing customer response to the marketing of a brand with the response to similar marketing from a fictitiously named or unnamed version of the product or service. Brand knowledge is defined in terms of brand awareness and brand image and is conceptualized according to the characteristics and relationships of brand associations described previously. Customer response to marketing is defined in terms of customer perceptions, preferences, and behavior arising from marketing-mix activities (e.g., brand choice, comprehension of copy points from an ad, reactions to coupon promotions, or evaluations of a proposed brand extension). Lassar , Mittal, and Sharma (1995) defines brand equity as the enhancement in perceived utility and desirability that a brand name confers in a product. On the other hand. Chirstodoulides and de Chernatony (2010) define brand equity as a set of perceptions, attitudes, knowledge, and behavior on the part of consumer that results in increased utility and allows a brand to earn greater volume or greater margins than it could without the brand.

Brand equity can be measured through several elements/ dimensions. Aaker (1991) equates brand equity with the dimensions of brand loyalty, brand awareness, perceived quality, brand association, and other proprietary brand assets. According to Keller (1993), there are two basic approaches to measuring customer-based brand equity, *i.e.* the indirect approach and the direct approach. The indirect approach attempts to assess potential sources of customer-based brand equity by measuring brand knowledge, i.e. brand awareness and brand image (characteristics of brand associations); whereas the direct approach attempts to measure customer-based brand equity more directly by assessing the impact of brand knowledge on consumer response to different elements of the firm's marketing programs. According to Yoo and Donthu (2001), and Washburn and Plank (2002), brand equity, specifically consumer-based brand equity, can be measured through four dimensions: brand loyalty, brand awareness, perceived quality, and brand association. According to Washburn and Plank (2002), the dimension of other proprietary brand assets is not appropriate for measuring consumer-based brand equity. Consumer-based brand equity consists of cognitive and behavioral brand equity at the individual consumer level that can be measured through a consumer survey (Yoo and Donthu, 2001). So, according to Aaker (1991), Keller (1993), Yoo and Donthu (2001), and Washburn and Plank (2002), there are five dimensions that can be used to measure brand equity: brand loyalty, brand awareness, perceived quality, brand association, and proprietary brand assets (although Washburn and Plank (2002) asserts that this dimension is inappropriate for the measurement of consumer-based brand equity). This study conceptualizes brand equity -- particularly consumer-based brand equity – according to the model from Nam et al (2011). Therefore, the dimensions of consumer-based brand equity in this paper consist of physical quality, staff behavior, ideal self-congruence, brand identification, and lifestyle congruence. This study chooses the dimensions of consumer-based brand

equity proposed in Nam et al (2011) over the others due to a similarity in the research object, namely the service industry. Nam et al (2011) used five dimensions of brand equity—physical quality, staff behavior, ideal self-congruence, brand identification and lifestyle-congruence—to measure consumer-based brand equity in the hotel and restaurant industry, while this study uses those same five dimensions to measure consumer-based brand equity in the coffee shop. Since the coffee-shop industry is also a part of the service industry and particularly the food service industry (Ko and Chiu, 2006), it is possible to reuse the elements from the measurement of consumer-based brand equity in Nam et al (2011). In measuring customer-based brand equity in a restaurant, Nam et al (2011) elaborates upon the relationship of brand association with the dimensions of ideal self-congruence, brand identification, and lifestyle congruence since successful brands are designed to satisfy not only consumers' functional needs but also their symbolic needs (Dall' Olmo Riley and de Chernatony, 2000; O'Loughlin and Szmigin, 2006). As in the case of hotels and restaurants, the dimensions of self-congruence, brand identification and lifestyle congruence are included here to capture the symbolic consumption of coffee shop brands (e.g. Bachman and Wilkins, 2014). Nam et al (2011) also further explores the perceived quality through the dimensions of physical quality and staff behavior since these are the two most influential dimensions within the service industry (e.g, Ekinci, Dawes, and Massey, 2008; Gronroos, 1984).

Physical Quality, Staff Behavior, and Customer Satisfaction

Ekinci (2008) has developed a highly reliable multidimensional and multi-level model of service quality for hospitality firms. According to the author, service quality consists of primary and secondary dimensions. Two primary dimensions have been distinguished, *i.e.* output quality and interaction quality. Both dimensions are split up into secondary dimensions. Output quality consists of physical quality and product quality, while interactive quality is made up of staff behavior and responsiveness. Depending on the type of hospitality service being researched, each secondary dimension can be split up into specific attributes that can be measured.

In line with research conducted by Nam et al (2011), this study only uses two service quality dimensions (physical quality and staff behavior) for the consumer-based brand equity model. The ability of the physical surroundings to influence behavior and to create an image is particularly apparent for service businesses such as hotels, restaurants, professional offices, banks, retail stores, and hospitals (Baker, 1987; Binter, 1986; Raajpoot, 2002; Ryu and Jang, 2008). Since services are mainly intangible and often require the customer to be present during the process, the physical environment can have a significant impact on perceptions of the overall quality of the service encounter, which in turn affects customer satisfaction (Bitner, 1990, 1992, Brady and Cronin, 2001; Parasuraman, Zeithaml, and Berry, 1988; Ryu and Jang, 2008). Physical environment can give customers a

good experience that may influence them to repeat their service demand, recommend the service to their friends, and stay and spend more than initially planned (Ryu and Jang, 2008). Moreover, good experience stimulates customer loyalty and customer satisfaction (Ryu and Jang, 2008).

An organization's staff or employees are an important factor in shaping customer's perception and satisfaction, since they are the persons ultimately responsible for providing a qualified service that meets the customer's expectations (Zeithaml, Berry, and Parasuraman, 1996). According to Lemmink and Mattsson (2002), every customer has experienced positive and negative emotions during service delivery. They found that low-skilled contact staff may not be able to cope with emotional situations when the entire image of the service firm is at stake. Because emotions are intangible, difficult to control, and instantaneous, any lack of skill among the contact staff can have both short-term and long-term effects upon customer perception. Hensley and Sulek (2007) and Law, Hui, and Zhao (2004) found that staff behavior affected consumer's overall satisfaction, showing that these factors have an impact on consumer experience. Hensley and Sulek (2007) examined the explicit service attributes and found that staff attentiveness and courtesy also have an effect on consumer satisfaction.

So, based on the relationship between physical quality, staff behavior, and customer satisfaction from the research conducted by Bitner (1990, 1992), Brady and Cronin (2001), Hensley and Sulek (2007), Law et al (2004), Parasuraman et al (1988), and Ryu and Jang (2008) this study proposes that:

H1: Physical quality (as one of the dimensions of customer-based brand equity) has a positive effect on customer satisfaction

H2: Staff behavior (as one of the dimensions of customer-based brand equity) has a positive effect on customer satisfaction

Ideal Self-Congruence and Customer Satisfaction

In marketing literature, the self-congruence theory suggests that a cognitive contrast between customers' self-concept and the image of a certain object (*e.g.* brand, product, store, people) can partially determine their responses (Sirgy 1985; Sirgy, Grewal, and Mangleburg, 2000). Self-congruence appears when people perceive that their self-concept matches the image of the object. The process of buying or consuming products and brands consumers believe to possess symbolic images similar and/or complementary to the image they hold about themselves is known as image congruence. Previous studies indicating that brand self-congruity could be used to predict customer satisfaction include those by by He and Mukherjee (2007), Ibrahim and Najjar (2007), Jamal and Al-Marri, (2007), Jamal and Goode (2001), and Nam et al (2011). He and Mukherjee (2007) noted that self-congruity is an important determinant of customer satisfaction because self-congruence has long been recognized as an important facet in explaining and predicting various aspects of consumer behavior. The customers would

be satisfied if their needs and expectation are fulfilled and the products can enhance their image. Therefore, brand self-congruity could lead to satisfaction. Jamal and Goode (2001) indicated that consumer satisfaction could be a result of brand self-congruity. A positive congruence between self-image and brand image may lead to a positive and high degree of satisfaction. Ibrahim and Najjar (2007) also investigated the effect of brand self-congruity on consumer attitude, preference, and satisfaction and showed that brand self-congruity has a greater impact upon satisfaction than the other two variables. Accordingly, it is likely that customers would exhibit positive responses to a coffee shop when they feel that the coffee shop's atmosphere (drawn from the image of other customers) is consistent with their self-image. So, on the basis of the relationship between self-congruence and customer satisfaction from the previous research conducted by He and Mukherjee (2007), Ibrahim and Najjar (2007), Jamal and Al-Marri, (2007), Jamal and Goode (2001), and Nam et al (2011), this study proposes that:

H3: Ideal self-congruence (as one of the dimensions of customer-based brand equity) has a positive effect upon consumer satisfaction

Brand Identification and Customer Satisfaction

Identification is defined as how an individual relates him- or herself to a social entity (Bergami and Bagozzi, 2000). It can also be seen as "a cognitive measure of overlap and an entity" (Carlson, Donavan, and Cumiskey, 2009). Lichtenstein, Drumwright and Braig (2004) stated that strong identification may increase customer spending and customer patronization. According to Kuenzel and Halliday (2008), a customer with a high level of brand identification will feel proud to be the owner of the brand or satisfied when consuming the particular brand's products. The positive effect of brand identification on customer satisfaction is further supported by the expectation-disconfirmation theory of customer satisfaction (Oliver, 1980; Oliver, 1993). According to this theory, customers are more likely to be satisfied when the actual brand performance meets the prior-purchase/consumption expectations (Yi and La, 2004). Prior research conducted by He, Li, and Harris (2012), Hosseini, Delafrooz, and Fadaei (2014), Katigari and Monsef (2015), Nam et al (2011), and Shirazi and Mazidi (2013) showed that brand identity has a significant relationship with customer satisfaction. Brand identification provides a more favorable framework for customers to react to brand-function experiences in comparison to prior expectations. When the brand performance expectatons are met, the customers who identify more with the brand feel even more satisfaction. As a result, the customers enhance their psychological dependence to brand that in turn improves their self-esteem (He and Li, 2011). And when expectations about brand functions are not met, customers who identify more closely with the brand feel less dissatisfaction because they (a) have more affective attachment to the brand (Chaudhuri and Holbrook, 2001) and (b) show greater flexibility in relation to bad news and experiences about the brand (Bhattacharya and Sen, 2003). Thus, when customers identify more closely with the brand, they are more likely to be satisfied with the focal brand. So, based on the relationship between brand identification and customer satisfaction from the previous research conducted by He et al (2012), Hosseini et al (2014), Katigar et al (2015), Nam et al (2011), and Shirazi and Mazidi (2013), this study proposes that:

H4: Brand identification (as one of the dimensions of customer-based brand equity) has a positive effect on customer satisfaction

Lifestyle Congruence and Customer Satisfaction

According to Solomon (2002), brands and brand settings are an expression of lifestyles. Lifestyle refers to the specific manner in which consumers conduct their lives (Peter and Olson, 2008). Lifestyle is a statement about who one is in society and who one is not (Solomon, Bamossy, Askeegaard, Hogg, and Longman, 2006). The brand is built and reinforced by portraying desired experiences and lifestyles while using the product (Casswell and Maxwell 2005). The greater the degree that a brand image fits into a consumer's personal lifestyle, the greater is the consumer satisfaction with brand experience. Sarki, Bhutto, Arsad, and Khuhro (2012) found out that buying is more emotional than rational. Their research also found that there are many different things that effect buying (including culture and lifestyle) and drive consumers towards the product that they actually buy. Based on this insight, lifestyle marketing aims to develop customer satisfaction with brands by developing a brand that matches the customer's identified lifestyle (Solomon, 2002). Previous researches conducted by Kyungnam (2011), Nam et al (2011), and Rabie, Ooshaksaraie, and Chirani (2015) also showed the significant positive relationship between lifestyle congruence and customer satisfaction. So, based on the relationship between lifestyle congruence and customer satisfaction from the previous research conducted by Kyungnam (2011), Nam et al (2011), and Rabie et al (2015), this study proposes that:

H5: Lifestyle-congruence (as one of the dimensions of customer-based brand equity) has a positive effect on customer satisfaction

Customer Satisfaction and Brand Loyalty

Loyalty is a strong attachment to the brand evidenced by such behavior as remaining attached to the company, recommending its products, purchasing additional products or services from it, and so on (Crosby, 2002). There are numerous definitions for brand loyalty in the marketing literature. One of the first definitions of brand loyalty was given by Jacoby and Kyner, (1973). Brand loyalty is the biased (i.e., nonrandom) behavioral response (i.e., purchase) expressed over time by some decision making unit with respect with one or more alternative brands out of a set of such brands, and is a function of psychological (decision-making, evaluative) process. This definition is one that is broadly shared across the literature (Bozzo, Merunka, and Moulins, 2003). Another definition of brand loyalty is given by Giddens (2002) and other researchers. Gidden (2002) asserts that brand loyalty exists when a consumer is willing to pay a high price for a certain brand within the same product group and recommends that brand to the people around them. Brand loyalty is also expressed as a deeply held commitment to rebuy or patronize a pre-
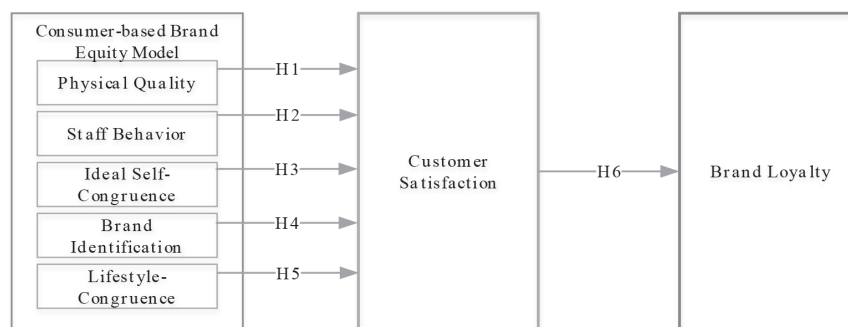
Figure 1. Conceptual model of this study

ferred product/ service consistently in the future, thereby causing repetitive brand purchase (Oliver, 1999; Knox and Walker, 2001). Practical studies illustrated that satisfaction is the predecessor of brand loyalty (Anderson and Sullivan, 1993; Awan and Rehman, 2014; Ene, and Özkaya, 2014; Fornell, 1992; Nam et al 2011). Brand loyalty can be increased by satisfying the customer, which leads to the repeat purchase of the same product or service (LaBarbera and Mazursky, 1983). Satisfaction and loyalty are not replacements for each other (Bloemer and Kasper, 1995; Oliver, 1999). Satisfaction is a key indicator in winning customer loyalty to a specific brand in the long run (Mittal and Kamakura, 2001), and it is a determinant in long-term business. In other words, satisfaction and loyalty are two distinct stages in the customer's response to the company's offerings. Satisfaction is an initial stage in the customer's response to a company's offering whereas loyalty is the following stage in such a response (Torres-Moraga, Vasquez-Parraga, and Zamora-Gonza'lez, 2008). So, based on the relationship between customer satisfaction and brand loyalty from previous studies conducted by Anderson and Sullivan (1993), Awan and Rehman (2014), Ene, and Özkaya (2014), Fornell (1992), LaBarbera and Mazursky (1983), and Nam et al 2011, this study proposes that:

H6: Customer satisfaction has a positive effect on brand loyalty

Conceptual Model

Based on the six hypotheses above, the conceptual model of this study can be seen in Figure 1.

Methods

Based on the problem and objectives, this study can be categorized under the explanatory type. As such, this study aims to obtain an explanation of the relationship between the variables of customer-based brand equity, customer satisfaction, and brand loyalty through hypothesis testing. Hypothesis testing is part of the basic methodological toolkit of social and behavioral scientists. Hypothesis testing is one of the most widely used, and some may say abused, methodologies in statistics. Formally, the hypotheses are specified, an α-level is chosen, a test statistic is calculated, and it is reported whether the proposed hypothesis is accepted or rejected. This study uses 0.05 as α-level.

Sample

The research was done in Semarang, Central Java, Indonesia. The number of 135 samples for each brand (Excelso and Starbucks) was chosen to meet the prerequisites of variance-based Structural Equation Modeling with the LISREL software. As the population frame could not be properly defined during the data collection period with regard to the actual number of Starbucks and Excelso customers, the researcher had to approach customers who were available at the targeted coffee shops at the time questionnaires or data were collected. This study uses non-probability purposive sampling. Hence the selection of respondents in the sample was based upon certain appropriate characteristics for sample members, *i.e.* people of ages 18 to 50 who have visited the Starbuck and/or Excelso outlets in Semarang at least 3 times in the last three months.

Instruments and Measures

Twenty-five items were selected to test the relationship between customer-based brand equity, customer satisfaction, and brand loyalty. Out of these twenty-five items, seven were used to measure physical quality, three were used to measure staff behavior, three to measure ideal self-congruence, three to measure brand identification, three to measure lifestyle congruence, three to measure customer satisfaction, and three to measure brand loyalty. All of these items were adapted from Nam et.al (2011)'s questionnaire about physical quality, staff behavior, ideal self-congruence, brand identification, lifestyle congruence, customer satisfaction, and brand loyalty. In this study, the items used to measure physical quality and customer satisfaction are more detailed than those in Nam et al (2011). This is done to further investigate the physical characteristics that form important metrics in the coffee-shop industry (such as the food and beverages served or the availability of a Wi-Fi connection) and to further delve into the satisfaction factors perceived by consumers. According to Burge (2013), the quality of coffee and food are the most important aspects for branded coffee shops, whether for domestic or for international brands. Then, according to Hampton and Gupta (2008), Wi-Fi (i.e., wireless high-speed Internet technology) has significantly impacted café social life. Said (2012) noted that one of the reasons why people like to visit a coffee shop is free internet access services for those who would like to use a laptop while enjoying a cup of drink. In this case, visitors can meet up with friends

Table 1. Respondent Characteristics

Characteristics	Category	%	
		Excelso	Starbucks
Age	18 – 26	34.81%	39.26%
	27 – 34	41.48%	34.81%
	35 – 42	16.30%	14.81%
	43 – 50	7.41%	11.11%
Gender	Male	57.78%	56.30%
	Female	42.22%	43.70%
Source of information about the place	Friend	35.85%	33.95%
	Social media	24.53%	29.01%
	Advertising	15.09%	9.88%
	The coffee shop has a strategic location	20.75%	27.16%
	Family	3.77%	0.00%
Frequency of visits	3 times	37.78%	54.81%
	4 times	27.41%	14.81%
	5 times	17.04%	7.41%
	> 5 times	17.78%	22.96%
Purpose of visits	Relaxation	21.43%	16.41%
	Socializing	33.16%	30.77%
	Spending one's free time	16.33%	17.44%
	Business	23.98%	15.90%
	Others	5.10%	5.64%

and colleagues while using a laptop and having lunch in addition to accessing the internet. In 2004, forty-two percent of adults in the United States aged 18-34 purchased their coffee at a coffee shop with 48% consuming the beverage on the premises. These numbers seem to indicate that the coffee shop's appeal doesn't lie solely with the coffee; and that the venue may have significance in itself (Waxman, 2008).

The items used to measure the variables investigated in this study are detailed in Table 3. Additionally, this study uses a 5-point Likert scale for its questions, where 1 indicates that the respondent strongly disagrees and 5 indicates that the respondent strongly agrees with the statement.

Data Analysis Tools

The research was carried out through Structural Equation Modelling (SEM) with the aid of the Linear Structural Relationships (LISREL) Program. The SEM is a second generation data analysis technique for estimating complex relationships among multiple constructs (Byrne, 2010). The SEM differs from traditional statistical methods (e.g., regression, ANOVA, LOGIT) in several important ways (Gefen, Straub, and Boudreau, 2000). Where traditional statistic methods can only test pairwise relationships between observed variables, the SEM can construct latent variables (abstract concepts that cannot be measured directly) and assess complex (e.g., hierarchical, recursive) causal paths among such variables. Therefore, the SEM technique has seen increasing use in the social sciences, behavioral sciences, and management science, especially for modelling complex and multivariate relationships.

Results and Discussion

Respondent Characteristics

The characteristics of the respondents who completed this study's questionnaire are described in Table 1. The majority of respondents for both brands (Excelso and Starbucks) are male, and most are 18 to 34 years old. Less than one-fourths

of the respondents are more than 34 years old. Respondents are most likely to have found out about the coffee shop (Excelso and/or Starbucks) from their friends, followed by social media, and finally due to the fact that the coffee shop occupies a strategic location. Less than one-sixths of the respondents learned about the place from the advertising. A large proportion of respondents for both brands had visited the respective coffee shop 3 times in the last 3 months. In this case, Starbucks had more respondents who had visited the coffee shop more than 3 times in the last 3 months than Excelso did. In Excelso's case, most respondents had visited the coffee shop exactly 3 times in the last 3 months, followed by 4 times in the last 3 months as the second-largest category, then more than 5 times in the last 3 months, and 5 times in the last 3 months. In Starbucks, the largest group of respondents is once again those who had visited the coffee shop exactly 3 times in last 3 months, but the second-largest group had visited more than 5 times in the last 3 months, followed by those who had come 4 times in the last 3 months, and finally 5 times in the last 3 months. For both brands, more than one third of the respondents visited the coffe for the purpose of socializing with others. The second most important purpose in Excelso's case is business, followed by relaxation, spending some free time, and others. For Starbucks, the second most common purpose is to spend some free time, then relaxation, business, and others.

Test of Model Fit

In this study, eleven criteria that belong to the Goodness of Fit Indices (GOF Indices) are used to determine the consistency of the theoretical model as a whole with the empirical data. The results for the eleven criteria in the GOF Indices can be seen in Table 2.

The first criterion is Normed χ2 (normed chi-square), where the chi-square is adjusted by the degrees of freedom to assess model fit (Jöreskog, 1969). Models with adequate fit should have a norm chi-square of less than 2.0 or 3.0 (Carmines and McIver, 1981). A good-fit model must demonstrate a normed chi-square greater than 1.00 but less than 2.00 (Hair, Anderson, Tatham, and Black,

Table 2. Results of model goodness-of-fit tests

GOF Indices	Result		Cut-off value	Meaning	
	Excelso	Starbucks		Excelso	Starbucks
Normed χ²	1.85	2.15	1<normed χ2≤ 2 or 2<normed χ2≤ 3	Good Fit	Reasonable Fit
RMSEA	0.054	0.072	≤ 0.05 0.05<RMSEA≤0.05	Adequate fit	Adequate fit
ECVI	3.68* 4.55** 50.77***	4.27* 4.85** 70.77***	ECVI model < ECVI saturated and independence	Good Fit	Good Fit
CFI	0.98	0.98	≥ 0.90	Good Fit	Good Fit
GFI	0.88	0.80	≥ 0.90	Marginal Fit	Marginal Fit

*=model; ** = saturated; ***= independent

Table 3. Results of validity and reliability test

Dimensions	Items	Excelso			Starbucks		
		Standardized Loading Factor	CR	VE	Standardized Loading Factor	CR	VE
Physical quality (PQ)	This brand has aesthetically pleasing equipment (PQ1)	0.78	0.913	0.601	0.71	0.899	0.562
	This brand offers good Wi-fi connection (PQ2);	0.72			0.70		
	Membership in this brand offers desirable perks (PQ3)	0.71			0.74		
	This brand is visually appealing (PQ4);	0.87			0.84		
	The drinks served by this brand suit my taste (PQ5)	0.74			0.73		
	The foods served by this brand suit my taste (PQ6)	0.75			0.78		
	This brand gives me a visually attractive room so I can relieve my boredom (PQ7).	0.84			0.74		
Staff Behavior (SB)	Employees of this brand always listen to customer complaints (SB1)	0.83	0.880	0.713	0.77	0.815	0.595
	Employees of this brand are helpful, *e. g.* help me in choosing the best menu (SB2)	0.80			0.72		
	Employees of this brand are friendly to the customer (SB3)	0.90			0.82		
Ideal Self-Congruence (ISC)	The typical guest of this brand has an image similar to how I'd like to see myself (ISC1)	0.93	0.866	0.684	0.82	0.821	0.605
	The image of this brand is consistent with how I'd like to see myself (ISC2)	0.80			0.78		
	The image of this brand is consistent with how I would like others to see me (ISC3)	0.74			0.73		
Brand Identification (BI)	If I talk about this brand, I usually say ''we'' rather than ''they'' (BI1)	0.80	0.884	0.721	0.83	0.877	0.706
	If a story in the media criticizes this brand, I would feel embarrassed (BI2)	0.94			0.85		
	When someone criticizes this brand, it feels like a personal insult (BI3)	0.80			0.84		
Lifestyle-Congruence (LC)	This brand reflects my personal lifestyle (LC1);	0.70	0.846	0.645	0.76	0.864	0.680
	This brand is totally in line with my lifestyle (LC2);	0.84			0.88		
	Staying with this coffe-shop brand supports my lifestyle (LC3).	0.86			0.83		
Customer Satisfaction (CS)	Overall, the service provided by the employee of this brand is very satisfactory (CS1)	0.85	0.867	0.684	0.84	0.858	0.668
	Overall, the food and beverages served by this brand are very satisfactory (CS2)	0.79			0.77		
	Overall, the arrangement of rooms and equipment presented by this brand are very satisfactory (CS3)	0.84			0.84		
Brand Loyalty (BL)	I will recommend this brand to someone who seeks my advice (BL1)	0.90	0.867	0.687	0.90	0.882	0.714
	Next time I will stick with this brand (BL2)	0.76			0.78		
	I never switch to other brands if I experience a problem with this brand (BL3)	0.82			0.85		

1998). Values close to 1.0 indicate a good fit although values up to 3.0 may indicate a reasonable fit (Holmes-Smith, 2000). With a normed chi-square of 1.85, the proposed model for Excelso provides a good-fit representation of the data; meanwhile, with a normed chi-squared of 2.15, the proposed model for Starbucks provides a reasonable fit of the data.

The second criterion is RMSEA (root mean square error of approximation). According to Browne and Cudeck (1993), RMSEA values ≤ 0.05 can be considered as a good fit, values between 0.05 and 0.08 as an adequate fit, and values between 0.08 and 0.10 as a mediocre fit, whereas values > 0.10 are not acceptable. Marsh, Hau, and Wen (2004) suggest that 0.08 should be acceptable

Table 4. Result of hypothesis test

Hypothesis	Relationship	Excelso		Starbucks		Result
		Standardized Loading Factor (SLF)	t-value	Standardized Loading Factor (SLF)	t-value	
H1	PQ → CS	0.35	3.29	0.33	2.09	Accepted
H2	SB → CS	0.36	3.58	0.08	0.47	Accepted only for Excelso; not significant for Starbucks
H3	ISC → CS	0.14	2.13	0.21	2.13	Accepted
H4	BI → CS	-0.01	-0.10	0.25	3.01	Accepted only for Starbucks; not significant for Excelso
H5	LC → CS	0.26	2.97	0.19	2.22	Accepted
H6	CS → BL	0.93	14.97	0.94	17.11	Accepted

Significant at a significance level of 0.05

in most circumstances (see also Wijanto, 2008). With a RMSEA of 0.054 and 0.072, the proposed model for Excelso and Starbucks provide an adequate-fit representation of the data.

The third criterion is the expected cross-validation index (ECVI). ECVI is a measure of the discrepancy between the model-implied covariance matrix in the analyzed sample and the covariance matrix that would be expected in another sample of the same size (Jöreskog and Sörbom, 1993). Thus, ECVI evaluates how well a model fitted to the calibration sample would perform in comparable validation samples (Kaplan, 2000). The model has a good fit if its ECVI is smaller than the ECVI for the saturated model and the ECVI for the independence model (Ghozali and Fuad, 2008). Thus, the model for Excelso and Starbucks provide a good fit representation of the data since the ECVI for this model is smaller than the ECVI for the saturated model and the ECVI for the independence model.

The fourth criterion is the Comparative Fit Index (CFI). It ranges between 0 and 1, with values above 0.90 being associated with a good fit (Hair, Black, Babin, and Anderson, 2010; Gerbing & Anderson 1992). With a CFI of 0.98, the proposed model for Excelso and Starbucks provides a good fit representation of the data. The last criterion is Goodness-of-Fit Index (GFI). Values for GFI range from 0 to 1 (>0.8) with higher values being better (Hair, Anderson, Babin, Tatham, and Black, 2007). A value of GFI ≥ 0.8 is presently recognized as indicative of marginal fit (Handley and Benton, 2009). A GFI value of ≥0. 95 is presently recognized as indicative of good fit (Browne and Cudeck, 1993; Verschuren, 1991; Bentler, 1990; Hu and Bentler, 1999), although the conventional cut-off seen in the literature is about 0.90 (Russell, 2002). With a GFI of 0.88 and 0.80, the proposed model for Excelso and Starbucks provide a marginal fit representation of the data. However, according to Table 2, the overall structural fit results of these analyses showed that the model provides a reasonable fit.

Validity and Reliability Test

Linn and Stewart stated that validity is the measure of the accuracy of the data used (questionnaire items) in a study (Said, Badru, and Shahid, 2011). To test the validity of each item in the questionnaire, this study used a standardized loading factor of ≥ 0.70 (Wijanto, 2008). Standardized factor loadings showed that all the items in the questionnaire used in this study are well loaded on each latent construct and that the correlation between constructs ranges from 0.71- 0.94.

Reliability is a measure of the internal consistency of the construct indicators, depicting the degree to which they indicate the common latent (unobserved) construct. More reliable measures provide the researcher with greater confidence that the individual indicators are all consistent in their measurements. Reliability was evaluated by examining the Composite Reliability (CR) and average Variance Extracted (VE) from the measures. A commonly used threshold value for CR is 0.70 (Wijanto, 2008). Table 2 shows the CR scores for each of the constructs are well above 0.70, ranging from 0.815 to 0.913, which demonstrates an acceptable level of internal consistency for the construct indicators. Another measure of reliability is the variance extracted measure. This measure reflects the overall amount of variance in the indicators accounted for by the latent construct. Higher VE values occur when the indicators are truly representative of the latent constructs. Recommendations typically suggest that the VE value for a construct should exceed 0.50 (Wijanto, 2008). Table 2 shows that the average VE for our measures range from 0.562 to 0.721, consistently above the accepted value.

Hypothesis Test

The results of hypothesis testing are presented in the Table 3.
- Physical quality had a significant positive effect on customer satisfaction (PQ → CS) for Excelso (SLF = 0.35, t-value >1.96) and Starbucks (SLF= 0.33, t-value>1.96); so hypothesis 1 was supported for both Excelso and Starbucks.
- Staff behavior had a significant positive effect on customer satisfaction (SBCS) for Excelso (SLF = 0.36, t-value >1.96); staff behavior also had a positive effect on customer satisfaction for Starbucks, but not significant (SLF = 0.33, -1,96< t-value <1.96), so hypothesis 2 was only supported for Excelso.
- Ideal self-congruence had a significant positive effect on customer satisfaction (ISC → CS) for Excelso (SLF = 0.14, t-value >1.96) and Starbucks (SLF= 0.21, t-value>1.96); so hypothesis 3 was supported for both Excelso and Starbucks.
- Brand identification had a significant positive effect on customer satisfaction (BI → CS) for Starbucks (SLF = 0.26, t-value >1.96); brand identification also had positive effect on customer satisfaction for Excelso, but not significant (SLF = -0.01, -1,96< t-value <1.96), so hypothesis 4 was only supported for Starbucks.
- Lifestyle congruence had a significant positive effect on customer satisfaction (LC → CS) for Excelso (SLF

= 0.26, t-value >1.96) and Starbucks (SLF= 0.19, t-value >1.96); so hypothesis 5 was supported for Excelso and Starbucks.

- Customer satisfaction had a significant positive effect on brand loyalty (CS → BL) for Excelso (SLF = 0.93, t-value >1.96) and Starbucks (SLF= 0.94, t-value >1.96); so hypothesis 6 was supported for Excelso and Starbucks.

At a significance level of 0.05, this study failed to prove that every dimension of consumer-based brand equity had a positive and significant effect upon customer satisfaction. For Excelso, only physical quality, staff behavior, ideal-self congruence and lifestyle congruence had a positive significant effect on customer satisfaction, while brand identification didn't. This can be attributed to the fact that Excelso is a local brand so customers are not too enthusiastic about identifying and associating themselves with this brand. This brand has less prestige, so the customeres' sense of ownership towards the coffee-shop brand was not a significant factor for satisfaction. Global brands (like Starbuks) provide enhanced self-presentation benefits and will be favored over local brands, especially in the presence of one's peers. Even when the quality and value of the local brand is better than the global brand, it is widely accepted that consumers prefer global brands over local brands because global brands carry more prestige in developing markets (Holt, Quelch, and Taylor, 2004; Son, 2013). For Starbucks, only physical quality, ideal-self congruence, brand identification, and lifestyle congruence had a positive significant effect on customer satisfaction. Meanwhile, staff behavior didn't have significant positive effects on customer satisfaction. This condition can be attributed to the fact that Starbucks staff does not have much contact with the customer. A customer walks into the coffee shop, waits in the line, tells the staff what he/she wants, and then the staff would give the ordered items to the customer. Interaction with the staff decreased even further when Starbucks rolled out a new mobile payment and ordering application that allows customers to walk into a Starbucks store and pick up their order without having to wait in line. Unlike Starbucks, Excelso customers would enter, pick a table, and then wait to be served by the staff. Thus Excelso customers have more contact with the staff than Starbucks customers. As such, customer satisfaction mediates the effects of some brand equity dimensions upon brand loyalty. At Excelso, customer satisfaction only mediates the effects of physical quality, staff behavior, ideal-self congruence, and lifestyle congruence upon brand loyalty; whereas in Starbucks, customer satisfaction only mediates the effect of physical quality, ideal-self congruence, brand identification, and lifestyle congruence upon brand loyalty. For both coffee-shop brands, customer satisfaction mediates the effects of physical quality, ideal-self congruence, and lifestyle congruence upon brand loyalty.

Although this study refers to the conceptual model of a previous study by Nam et al. (2011), there were some differences in the results obtained from this study compared to Nam et al (2011). The results of hypothesis testing in the study by Nam et al (2011) could prove that every dimension of consumer-based brand equity had

a significant effect on customer satisfaction, while this study couldn't. In this study, the significance of the effect of any given dimension of consumer-based brand equity upon customer satisfaction depends on the brand. However, there are certain similarities in resutls between this study and Nam et al (2011). Both studies could prove the significant effect of customer satisfaction on brand loyalty. The satisfaction affected behavioral intentions directly (Crompton et al., 1995). In the past, different studies have concentrated on the relationship between consumer satisfaction and brand loyalty, with increases in consumer satisfaction leading to increases in attitudinal brand loyalty (Bolton, 1998; Jones & Suh, 2000). The majority of studies also found that satisfaction played a mediating role in the relationship between reliability and customer loyalty and assurance and customer loyalty (Hasan et al, 2013), perceived service quality and customer loyalty (Arichristyna, 2012), service quality and service loyalty (Mosahab et al, 2010), destination images and revisit intentions (Bigne et al., 2011), perceived value and recommendation to others (Chen and Tsai, 2007), service quality and intention to visit (Castro et.al, 2007), destination image and destination loyalty (Chi & QU, 2008), service quality and store loyalty (Naeem & Saif, 010), and motivation and destination loyalty (Yoon and Uysal, 2005). It is possible for a customer to be loyal without being highly satisfied. First of all, customers orient towards the product. The link between customer orientation, perceived service quality, satisfaction, and brand loyalty must be made clear to understand the full process of how brand loyalty works (Andreassen, 1994). Aside from Nam et al (2011), the role of customer satisfaction as a mediating variable in the relationship between brand equity and loyalty is also found in the research conducted by Lei and Chu (2015). The results of this study are also in line with the results of a study conducted by Wijaya et al (2007). According to a study conducted by Wijaya et al (2007), Starbucks achieves the highest top-of-mind brand awareness, has the best brand association with consumers' image, and has the strongest brand loyalty; while Excelso has the best perceived quality.

In relation to previous studies about customer-based brand equity, customer satisfaction, and brand loyalty, the findings of this research suggest that consumer satisfaction with a local brand does not greatly influence the effects of brand identification on brand loyalty. For a local brand, the effects of physical quality, staff behavior, ideal-self congruence, and lifestyle-congruence on brand loyalty are mediated by consumer satisfaction. The findings of the research also suggest that, when there is relatively little contact between the staff and the customer, customer satisfaction does not significantly influence the effects of staff behavior on brand loyalty.

Conclusion

This study aims to investigate the relationship between brand equity, consumer satisfaction, and brand loyalty in the coffee shop industry. The investigation is focused upon Starbucks and Excelso outlets in Semarang. Starbucks is a global brand, whereas Exelso is

local brand and a competitor to Starbucks. The results of hypothesis testing in this study indicate that not all dimensions of consumer-based brand equity have a positive and significant effect on customer satisfaction. At Excelso, brand identification didn't have significant positive effects on customer satisfaction, while at Starbucks staff behavior didn't have significant positive effects upon customer satisfaction. Therefore, we conclude that customer satisfaction fully mediates the effects of these brand equity dimensions on brand loyalty. The effect of brand identification upon customer satisfaction is found to be statistically insignificant at Excelso, while the effect of staff behavior is found to be statistically insignificant at Starbucks. The effect of customer satisfaction on brand loyalty is found to be statisticallly significant for both brands.

The current study presents some limitations that should be considered. First, the study is limited to only two brands of coffee shops. The second limitation relates to the sample size. The sample size of the current study was 135 for each brand. Although this sample size met the minimum requirement, the sample only includes customers from two brands of coffee shops in Semarang. Therefore, the results of the study cannot be generalized to the entire population. It is possible that the results of study have been influenced by the peculiarities of local culture. Future research should attempt to examine brand equity across many different coffee shops operated by both local and global brands and take samples from other geographical areas. This will provide the opportunity to make comparisons between different coffee shops under both local and global brand names and between different geographical areas. This study also didn't include demographic variables like gender, income, age, department, and education of the respondents in differentiating the effects of brand equity upon customer satisfaction and of customer satisfaction upon brand loyalty. It should also be noted that no performance measurements have been included in this study due to our inability to gather the required financial data. Amble, Bhattacharya, Edell, Keller, Lemon, and Mittal (2002) suggest measuring finance-based types of brand equity whenever possible. Including performance measurements for the financial performance (such as revenues) of the relevant coffee shops will further strengthen this study.

In terms of theoretical implication, this study leads to the following conclusions. This study contributes to the existing body of knowledge by examining the effect of customer satisfaction in predicting brand loyalty. Although previous studies (e.g. Nam et al, 2011) suggest that every dimension of brand equity has a direct effect on customer satisfaction, this empirical study has tried to examine differences in the direct effects of the various dimensions of brand equity upon customer satisfaction in two different brands. For local brands, consumer satisfaction seems to have less influence upon the effects of brand identification towards brand loyalty. The effects of physical quality, staff behavior, ideal-self congruence, and lifestyle congruence on brand loyalty to a local brand are mediated by consumer satisfaction. When the staff has little contact with the customer, consumer satisfaction has less influence on the effects of staff behavior upon brand loyalty.

The outcome of this research has given valuable feedback that can be used for designing different strategies to attract customers by emphasizing the brand equity of the products and services. This feedback is important since the trend of coffee drinking requires the service provider to do more than merely providing food and beverages, but also to account for the customer's lifestyle and culture (Pongsiri, 2013). Marketers should remember that there are some factors that influence customer perception towards brand equity. The results from this study suggest that Excelso's marketers should prioritize physical quality, staff behavior, ideal-self congruence, and lifestyle congruence as the main points of their strategy to attract potential customers because these factors show significant direct and indirect effects upon customer satisfaction and brand loyalty. Starbucks marketes, on the other hand, should prioritize physical quality, brand identification, ideal-self congruence, and lifestyle congruence as their strategy to attract potential customers because these are the factors that show significant direct and indirect influence upon customer satisfaction and brand loyalty. With regards to ideal self-congruence and lifestyle congruence, marketers for both coffee shop brands should study the personality characteristics of their brand from the customer's point of view and develop a brand image that matches the customer's ideal self-concept and lifestyle. In this case, Excelso and Starbucks can try to modify the layout and decor of their coffee shops to portray a certain type of personality and to create fantasy-based symbolic consumption. The managers in Excelso and Starbucks should ensure that existing facilities and physical surroundings maintain or upgrade their visual appeal in order to develop a strong brand image and brand loyalty. As a result of this experience, consumers are able to achieve their ideal self-concept and experience a greater sense of enjoyment and entertainment.

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