# A STUDY OF MICRO COFFEE SHOPS: UNPACKING THE DIMENSION OF PERCEIVED VALUE IN BUILDING BRAND LOYALTY WITH CUSTOMER SATISFACTION AS MEDIATOR

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## ABSTRACT

*This study aims to examine the dimensions of perceived value; emotional value, social value, functional value (value for money), and functional value (quality) in influencing brand loyalty with customer satisfaction as a mediating variable among micro coffee shop customers in Bali. The research focuses on three micro coffee shops in three cities with most coffee shop population in Bali; Courtside Bre (Denpasar), Pesona by The Bay (Badung), and Selesai Coffee & Memory (Gianyar). The sample consists of 108 respondent's selected using purposive sampling, targeting individuals who have visited these coffee shops at least twice. The data were analyzed using the Partial Least Squares-Structural Equation Modelling (PLS-SEM) method with SmartPLSsoftware.The results reveal that emotional value and social value have a significant and positive impact on customer satisfaction, which in turn strongly influences brand loyalty. Moreover, customer satisfaction effectively mediates the relationship between emotional and social values and brand loyalty. Conversely, functional value both value for money and quality does not have a significant effect on customer satisfaction or brand loyalty, either directly or through mediation. These findings suggest that micro coffee shop customers in Bali are primarily driven by emotional and social experiences rather than rational or price-based considerations. Therefore, enhancing emotional engagement, creating a comfortable atmosphere, and fostering social interaction are key strategies for building customer satisfaction and brand loyalty in the micro coffee shop industry.*

**Keywords:** *Perceived Value, Emotional Value, Social Value, Functional Value, Customer Satisfaction, Brand Loyalty, MSME Coffee Shops, Bali*

## A. INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are the backbone of Indonesia's economy. With their number reaching 99% of all business units, MSMEs have become the sector that dominates the structure of Indonesia's economy. In Bali Province, MSMEs play a significant role of regional economy. The number of MSMEs in Bali province has experienced a significant increase over the past year. Quoted fromAli et al., (2021), In December 2024 there were 448,434 MSMEs recorded in Bali. This number represents an increase of around 1.9 percent compared to the previous year. Approximately there are 800,000 MSMEs that operates in various sector such as crafts, tourism, trade, and culinary (Ririen, 2024). The culinary industry is among the fastest-expanding MSME sectors in Bali, showing considerable potential. Among various culinary sector, coffee shops have become one of the fastest-growing subsectors. According to Giantari & Sukawati, (2023)MSMEs coffee shop is a culinary business, focusing in coffee drinks together with product innovation offered by baristas for consumers.

| City | Listing | Percentage |
|---|---|---|
| Denpasar City | 1,916 | 31,22% |
| Badung Regency | 1,538 | 25,06% |
| Gianyar Regency | 731 | 11,91% |
| Buleleng Regency | 553 | 9,01% |
| Tabanan Regency | 535 | 8,72% |
| Jembrana Regency | 278 | 4,53% |
| Karangasem Regency | 198 | 3,23% |
| Klungkung Regency | 175 | 2,85% |
| Bangli Regency | 157 | 2.56% |
| Kabupaten Buleleng | 3 | 0,05% |

**Figure 1. Report Coffee Shop in Bali**

According to report conduct by Poidata (2025) in figure 1, there are approximately 6,137 units coffee shop establish in Bali, including: 1,916 units in Denpasar city, 1,538 units in Badung regency, 731 units in Gianyar regency, 553 units in Buleleng regency, 535 units in Tabanan regency, 278 units in Jembrana regency, 198 units in Karangasem regency, 175 units in Klungkung regency, and 57 units in Bangli regency. Denpasar City become are with most coffee shops, accounts for approximately 31.22% of all coffee shops in Bali.

Article The Rise of Coffee Shops stated that there are several factors that can influence the rise of coffee culture in Bali. The first one is, island's strong tradition of coffee cultivation, for example is in regions like Kintamani. It is well-known as the producer of high-quality of Arabica beans. Secondly, the rise of coffee culture in Bali is highly influence by tourism, digital nomads, and expatriates that has contributed to the growth of the coffee culture (Noethera, 2024). Moreover, according to article *Bisnis kopi: Produksi, tren gaya hidup, dan tantangan kompetisi* (2025) stated that the growth of coffee business is also evident in the MSME sector. Starting from independent coffee shops to mobile coffee vendors that are increasing rapidly in various cities(Purwanto, 2025). Ministry of Industry in 2024, reported that there is significant increase of more than 30 percent in micro and medium enterprise in the coffee sector over the past five years. In that article, it is mentioned some factors that influencing it, including urbanization, increased income among younger generation, and the rise popularity of coffee.

A coffee shop business serves not only beverages but also atmosphere, comfort, and social interaction with the customers. In the context of MSMEs coffee shops in Bali, customer perceived value is especially important due to the high level of competition of service industry. Generally, perceived value refers to the total amount that customers pay to receive the benefits of owning or using a product or service (Kotler & Amstrong, 2022). Customers of micro coffee shops tend to evaluate their overall experience when visiting the coffee shops. This includes their experience with the product's quality, product's pricing, coffee shop's ambiance, or brand authenticity. When micro coffee shops are able to deliver strong perceived value, they can better satisfy customer expectations, encourage visit retention, and build brand loyalty. This is essential for micro coffee shop's growth to compete in such competitive market environment. Customer satisfaction is the result of comparing what consumers experience with what they expect (Khoironi et al., 2018). Having a strong perceived value can lead consumers to feel satisfied with a brand (Devi & Yasa, 2021).

Customer satisfaction is widely recognized as a key factor that leads to loyalty and effective way to retain customers.Azizan & Yusr (2019)also stated that in today's competitive market, fostering customer loyalty to a brand has become a vital part of the marketing process. Kotler & Keller, (2020) suggest that the strength of a brand is determined by its ability to attract customer preference and loyalty. Brand loyalty refers to deep commitment consumers have to consistently purchasing products or services from particular brand, even when situational factors and market conditions that may lead to changes in consumer behavior (Revaldi et al., 2022). Meanwhile, Devi & Yasa (2021) describe brand loyalty as a positive attitude demonstrated by loyal customers includes repeatedly purchasing products, going out their way to find items from a specific brand, even if it's far, and no longer considering other brands expect the ones they often purchase. Agu et al. (2024) mentioned factors that influencing brand loyalty, including customer satisfaction, perceived value, brand image, and trust. Moreover, customers are more likely to show strong loyalty to a brand who they perceived as reliable, trustworthy, and aligned with their personal values. In this study, three MSME coffee shops in three different cities in Bali are selected to be sample of research.

This study aims to fill the gaps on limited research of multidimensional approach for customer perceived value (emotional, social, quality, and value for money) towards customer satisfaction and building royalty. Many existing studies analyze customer perceived value as single variable, without breaking it down into its dimensions. Examining each dimension of customer perceived value is essential because each dimension represent different aspect of the customer experience. This allowing researcher and businesses to identify which dimension is the strongest in influencing customer satisfaction. This research also investigates the relationship between customer perceived value dimensions influence customer satisfaction and brand loyalty, particularly in micro coffee shop context. Most empirical research focuses on large corporation such as Ge et al. (2021) that investigate perceived value in Starbucks Reserve coffee shops in Shanghai and research by Devi & Yasa (2021) that conduct research how perceived value influence brand loyalty of Lion Air. Devi & Yasa (2021) mentioned those customers who are satisfied with a brand will likely to remain loyal and less likely switching to other brands. The use of customer satisfaction as mediating variable also supported through previous research by Devi & Yasa (2021) who found that customer satisfaction can mediate perceived value through brand loyalty. Without analyzing the mediating effect, it is challenging to identify whether perceived value impacts brand loyalty directly or it is primarily influence through customer satisfaction.

## B. RESEARCH METHOD

This study employs quantitative method using PLS-SEM as an application and utilizes primary data in its data collection process. Quantitative data consist of numerical information that is collected and analyzed to describe patterns, make predictions, and test casual relationship between variables. This research will be conducted in three cities with most coffee shop population in Bali, including: Denpasar, Badung, and Gianyar. Focusing on individuals who have visited micro coffee shops at least twice out of three coffee shop that become the sample of this study (Courtside Brew, Pesona by The Bay, and Selesai Coffee & Memory). The age of respondent is at least 17 years old. The sample acts as a reflection of the overall population's structure and size (Sugiyono, 2019. This study used purposive sampling with

non-probability. According to Sugiyono, (2019) purposive sampling involves selecting participants based on specific criteria aligned with the goals of the study. Representative sample size can be obtained by multiplying the number of indicators by a factor of 5 to 10, according to the study by (Hair et al., 2021) The number of samples used in this study is: 108. Furthermore, the Partial Least Square-Structural Equation Model (PLS-SEM) analysis technique is applied in the second stage for inferential analysis. Since this study employs a causality or influence relationship model, the proposed hypotheses are tested using PLS-SEM approach. As a variance-based method for analyzing structural equation models, PLS-SEM allows simultaneous testing of both the measurement model and the structural model, thereby confirming causality and validity. The subsequent data analysis process is carried out using SmartPLS software.

## C. RESEARCH RESULT AND DISCUSSION

This section presents the results of data analysis and discusses the findings in relation to the research objectives. The analysis includes the evaluation of the model's strength through the R-Square values and the examination of relationships among variables using the path coefficient test. The findings provide insights into how emotional, social, and functional values influence customer satisfaction and brand loyalty in micro coffee shops in Bali.

The R-Square value is used to determine the strength of the model. A high R-Square value indicates a strong model. A value of 0.75 represents a very strong model, 0.50 indicates a moderate model, and 0.25 indicates a weak model(Ghozali & Latan, 2022).

**Table 1. R-Square**

|     | R-square | R-square adjusted |
| --- | --- | --- |
| BL  | 0,646 | 0,643 |
| CS  | 0,769 | 0,760 |

Based on the results in Table 1, the R-Square value for Brand Loyalty (BL) is 0.646, and for Customer Satisfaction (CS) is 0.769. According to Ghozali& Latan (2022), an R-Square value of 0.75 indicates a very strong model, 0.50 a moderate model, and 0.25 a weak model. Therefore, the R-Square value of 0.769 for Customer Satisfaction shows that the independent variables (emotional value, social value, functional value–value for money, and functional value–quality) explain 76.9% of the variance in Customer Satisfaction, which means the model has a very strong explanatory power. Meanwhile, the R-Square value of 0.646 for Brand Loyalty indicates that 64.6% of the variance in Brand Loyalty can be explained by Customer Satisfaction and the dimensions of perceived value. This means the model's explanatory power for brand loyalty is moderate to strong. In other words, the proposed research model is statistically reliable and capable of explaining the relationships among variables in the context of MSME coffee shops in Bali.

The next evaluation measurement is the path coefficient test, which aims to examine whether a variable has a positive or negative relationship with another variable. There are threshold values in the Path Coefficient test: if the Path Coefficient value > 0, the variable has a positive relationship with another variable; conversely, if the Path Coefficient value < 0, the variable has a negative relationship with another variable.

**Table 2. Path Of Coefficient**

| Variable | Original sample | T statistics | P values |
|---|---|---|---|
| CS -> BL | 0,804 | 9,463 | 0,000 |
| EV -> CS | 0,493 | 4,220 | 0,000 |
| FVP -> CS | 0,024 | 0,216 | 0,829 |
| FVQ -> CS | 0,178 | 1,514 | 0,130 |
| SV -> CS | 0,258 | 2,490 | 0,013 |
| EV -> CS -> BL | 0,396 | 3,858 | 0,000 |
| FVP -> CS -> BL | 0,019 | 0,220 | 0,826 |
| FVQ -> CS -> BL | 0,143 | 1,518 | 0,129 |
| SV -> CS -> BL | 0,208 | 2,411 | 0,016 |

Based on the results of hypothesis testing, this study reveals that emotional value and social value play a significant role in influencing customer satisfaction, while both dimensions of functional value for money and quality do not show a significant impact. Specifically, emotional value demonstrates a strong and positive effect on customer satisfaction, indicating that the higher the emotional connection and pleasant experiences perceived by customers, the greater their satisfaction with micro coffee shops in Bali. This finding supportsPrebensen & Xie (2017), who emphasize that emotional value is a key driver of satisfaction in service-oriented industries. Similarly, social value also significantly affects customer satisfaction, suggesting that the sense of belonging, recognition, and social interaction customers experience while visiting coffee shops contribute to their overall satisfaction. This reflects that micro coffee shops serve not only as places to enjoy coffee but also as social spaces where customers can express identity and connection.Conversely, functional valueboth in terms of value for money and qualitydoes not significantly affect customer satisfaction. This result indicates that customers of micro coffee shops in Bali tend to prioritize emotional and experiential aspects over rational price considerations or product quality. Although quality and price are essential, they are perceived as basic expectations rather than differentiating factors. Customers may perceive that most coffee shops offer similar product quality, making emotional experiences, ambiance, and atmosphere more influential in shaping satisfaction levels.

Furthermore, the study shows that customer satisfaction has a highly significant effect on brand loyalty, confirming that satisfied customers are more likely to revisit, recommend, and remain consistent with their favorite coffee shop. This aligns with Oliver, (1999) satisfaction loyalty model, which states that satisfaction serves as a strong predictor of customer loyalty. In addition, customer satisfaction significantly mediates the relationship between emotional value and brand loyalty. This means that when customers experience positive emotions such as comfort, joy, and relaxation during their visits, they tend to feel more satisfied, which in turn enhances their loyalty to the brand. Similarly, customer satisfaction also mediates the relationship between social value and brand loyalty, implying that social connections and interactions experienced within the coffee shop environment contribute to stronger loyalty through increased satisfaction.

In contrast, customer satisfaction does not mediate the relationship between functional value (value for money and quality) and brand loyalty, indicating that loyalty is not primarily formed through perceptions of economic value or product excellence. Instead, micro coffee shop customers in Bali develop brand loyalty through emotional attachment

and social experiences rather than rational or utilitarian judgments. Overall, these findings highlight that emotional and social values are the main determinants of customer satisfaction and brand loyalty in the micro coffee shop context, while functional values play a relatively minor role.

## D. CONCLUSION

Based on the results of the hypothesis testing, this study concludes that emotional value and social value are the most influential dimensions of perceived value in shaping customer satisfaction and brand loyalty among micro coffee shop customers in Bali. Both emotional and social values significantly enhance customer satisfaction, which in turn has a strong and positive impact on brand loyalty. Furthermore, customer satisfaction serves as a significant mediator between emotional and social values and brand loyalty, indicating that positive emotions and social experiences drive customer loyalty primarily through satisfaction.In contrast, functional value both value for money and quality does not significantly affect customer satisfaction or brand loyalty, either directly or indirectly. This suggests that micro coffee shop customers in Bali are less motivated by rational considerations such as price fairness or product quality. Instead, they are driven by experiential and emotional aspects, such as ambiance, comfort, and social interaction. Overall, the findings emphasize that customer satisfaction plays a crucial role as a bridge between perceived value and brand loyalty in the context of micro coffee shops.

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