INTERIOR DESIGN AT COFFEE SHOP AS A FACTOR INFLUENCING CUSTOMER RETENTION AND MEDIATING ROLE OF PERCEIVED CUSTOMER SATISFACTION

Misbahuddin Azzuhri, Andre Damarizal Tanjung
Faculty of Economics and Business, Universitas Brawijaya

Abstract: This research aims to determine the effect of Interior Design, Perceived Customer Satisfaction and Customer Retention on objects which is Captain Coffee Malang in simultaneously and mediation. This study describes the causal relationship between the variables through hypothesis testing. This research collect data with techniques by using questionnaires and literature study. This study used 120 samples are consumers and customers of Captain Coffee Malang. Sampling using purposive sampling. Test equipment used to test the research instruments namely validity, reliability, and classical assumption. The analytical method used is the path coefficient analysis. Hypothesis testing using t test using SPSS program. These results indicate that the interior design has a significant influence on customer retention. The interior design also has a significant effect on perceived customer satisfaction. Customer retention also has significant direct effect on customer retention. Interior design significantly affects customer retention through perceived customer satisfaction.

Keywords: interior design, perceived customer satisfaction, and customer retention

Indonesia is one of the largest coffee producing country in the world. Hence coffee in Indonesia has become one of products are exported to other countries. Most of Indonesian are also a coffee lovers, even this has become their culture to consume beverage of coffee every day. Enjoying coffee culture has become a trend called hang out and drink coffee. Especially among youngsters’ people who really likes to hang out and drink coffee with their friends. Until now, drinking coffee culture has become a lifestyle for the people of Indonesia. Therefore, it is common to find a place to enjoy a cup of coffee from a small shop that has a cheap price to coffee shop that has an expensive price for a cup of coffee.

Coffee shop is established for people who want to enjoy a cup of coffee. Most coffee shops provide various types and methods of brewing coffee starting from plain coffee until the specialty coffee that is usually owned by the coffee shop producing its own homemade coffee by blending its own coffee. Coffee shop usually gives free internet connection and common marketing strategies like discount, free drink, merchandise, and etc. In addition, some coffee shops change the atmosphere of the café by upgrading property and stuff to get customers’ attention by giving them comfortable and cozy place.

Nowadays, café as a place for eating is known as a master concept of coffee shop that is developed into a sub concept that is café as a place of hanging out. In more detail, café is demanded to have specific theme like a specific interior design concept. A room that is already

*Corresponding Author.
e-mail: misbah@ub.ac.id (Misbahuddin Azzuhri)
arranged neatly and has a specific theme would look very attractive to consumers than a room that does not have any character of design. Interior design has an effect to human psychology that makes customers feel comfortable and feel like at home. Therefore, the main goal of the interior design is the development of function, aesthetic enrichment, and improvement in psychological space. The consideration in interior design is thinking about interoperability aspects of a property. Café business owners prefer durable properties rather than perishables properties.

The interior design also requires good placement of the right light because the light provides an atmosphere of different interest in a room. The most important key in the choice of interior design is done by identifying the physical space and room before putting any property. Promotion and advertising is not too effective or maybe even a waste of time when the attempts made is not in line with the store in terms of the way of putting the merchandising products effectively. A good design and in-store promotions are one of the keys to give store themes and help customers to find the items being advertised.

The purpose of interior display is to develop desire for the merchandise, show what is available, and encourage both impulse, show what is available, and encourage both impulse and planned buying (Bastow-Shoop, Zetocha, & Passewitz, 1991). There are many situations where people try to influence other people's mood by altering the atmospheric of the environment. Store atmospheric has more immediate effects on a customer's in-store behavior than do other marketing tools and techniques like advertising, which are not present at the point of sale. Every stimulus that happen around can act as an environmental variable, which then causes a specific behavior like music or scent in a store may provoke a certain reaction (Ebster & Garaus, 2011). Developing an attractive environment atmospheric is an important retail strategy to induce certain positive emotional responses and ultimately affect consumer purchase behavior (El-Adly & Eid, 2016). Customer satisfaction, in turn to be influenced by perceived value. Perceived value, as it has been defined herein, is the ratio of benefits received from providers relative to the costs sacrificed by customers (Yang & Peterson, 2004). Customer satisfaction is the evaluation of the customer’s emotional that describes the level of customer trust to a service that provides positive feelings. Further, the importance of satisfaction on retention is so well recognized that some major economies now measure satisfaction at the industry level using large sample surveys to predict customer retention and future financial performance. The more satisfied customers are, the greater is their retention (Fornell, 1992). Retained customers will intent to repurchase a needed product or service from the same place and/or brand in the future. In contemporary marketing, it’s argued that satisfaction is influenced by cognitive judgments, such as expectations and disconfirmation, and emotions derived from the pre, during, and post consumption experiences (Oliver, 1994).

Based on this background, then arranged some research objectives. First, to know the significant and direct effect of interior design toward customer perceived satisfaction. Second, to know the significant and direct effect of perceived customer satisfaction toward customer retention. Third, to know the significant and direct effect of interior design toward customer retention. Last, to know the significant and
direct effect of interior design toward customer retention through perceived customer satisfaction.

METHOD

This research uses quantitative approach focusing on hypothesis testing that aims at knowing the relationship between independent variable toward dependent variable through intervening variable. This type of research is explanatory research which explains the causal relationship between one variable with other variables through hypothesis testing. The location of this research is done in Captain Coffee Malang with the number of respondents 120 people. The sampling technique used in this study is purposive sampling where the specified criteria are respondents who have had experience of the coffee shop Captain Coffee Malang.

Data were collected using a questionnaire which the instrument research tested with validity and reliability. Data were analyzed using SPSS version 21 to determine the characteristics of respondents and the distribution of responses. Furthermore, hypothesis testing is done by using path analysis.

RESULTS

Respondent Characteristic

Based on the results of collecting data, the respondents had male sex as many as 79 people or 65.83%, while the women as many as 41 people or 34.17%. This result indicates that the respondent of Captain Coffee is experience by both sexes. On age categories, the result showed that the majority of customer and consumer in Captain Coffee is in the age between 17-23 years old, which is 38.33% this means that the younger adult people are more likely to spend their time to drink coffee in a café and hang out with friends. People in adult age are not really spend their time in coffee shop. However, sometimes they looking a new atmosphere to relax outside and drink coffee in a coffee shop.

Furthermore, the local visitor becomes dominant that totaling 115 respondents or 95.83%, while the rest are foreigners who visited Captain Coffee. Meanwhile, 5 foreign visitors are exchange students from college that located near Captain Coffee. The highest is in category Rp1,000,000–Rp2,000,000 with 35.83% from all because in Captain Coffee mostly visitor is youngster or young adult people who just finished their school and had a standard salary. Student has the most that the respondent with as many as 39 respondents or 32.50%, followed by entrepreneurship respondent or 32 by 26.6% of all respondents. Both of occupation have become the most dominant respondents as the respondent had plenty of time to spare. The majority of educational background of visitors from Captain Coffee is high school. The characteristic of respondent can be seen at Figure 1 and 2.

![Figure 1. Characteristic of Respondent Based on Age](image)

Source: Primary Data Processed (2016)
Validity Test

Validity test is a technique to test questionnaire as the instrument used in a research to get the data which can be considered as valid or not. The researcher analyses the validity of research instrument by entering the items of respondents per each variable to put into calculation of validity analysis program named SPSS 21 for Windows (Sekaran & Bougie, 2013). The testing of validity instrument in this research are by using Pearson’s Product Moment. It will determined the item if it is valid or invalid with significance level of 5% as the critical value. The sig. r indicator each question is smaller than 0.05 (â = 0.05), which means that each indicator variable is valid, so it can be concluded that these indicators can be used to measure the research variables.

Reliability Test

The reliability of measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across time and across the various items in the instruments. In other words, the reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the goodness of a measure (Sekaran & Bougie, 2013). By using Cronbach Alpha test, an instrument could be said reliable if the score is greater than > 0.6. Cronbach Alpha measuring the internal consistency reliability of a group of items. It is measures how well a set of variables or items measures a single, uni-dimensional latent construct (Andrew, Pedersen, & McEvoy, 2011). The value of the Cronbach alpha for all of the variables is greater than 0.6. From the provisions mentioned then all the variables used for the study has been reliable.

Normality Test

Check the normality of the data is the first step that must be done for each particular multivariate analysis, if the purpose is inference. If there is normality, and therefore the residual will be independent and normally distributed. The difference between the value of predictions with the actual score or error will be distributed as a symmetry around the value of the means equal zero. Therefore, the only way to detect the normality of the data was by way of Kolmogorov-Smirnov test (Ghozali, 2011). According to the calculation, the sig. result obtained is 0.352 and 0.993 or greater than 0.05; then the provisions is stated that the normality assumption is fulfilled.

Linearity Test

According to Cooper &Schindler (2008) linearity is an assumption of correlation analysis, that the collection of data can be described by a straight line passing through data array. The method used in testing the linearity is test curve estimation. The second relationship is said to be linear if the value of the variable significance test is smaller than the alpha (5%) used. Based on the calculation is known that significant value for all variable linearity is 0.00,
which means under 0.05. With these results, the data concluded that the model meets the linearity assumption.

Path Model Diagram

Based on the relationship between variables in this study, the model hypothesis data is described as follows.

![Path Model Diagram](image)

**Figure 3. Path Model**

Description:
- X = Interior Design
- Y = Customer Retention
- Z = Perceived Customer Satisfaction
- e1 = Residue Variable (not discussed)
- e2 = Residue Variable (not discussed)


table1

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Standardized Coefficient beta</th>
<th>t count</th>
<th>Probability</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>0.697</td>
<td>10.568</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

R square (R2) : 0.486

Source: Primary Data Processed (2016)

**Table 1 Coefficient Test toward Z Variable**

According to Table 1 and 2, Interior Design have significant effect on Perceived Customer Satisfaction. Table 1 shows beta coefficient by 0.697 indicates that the influence of Interior Design on Perceived Customer Satisfaction, with t count of 10.568 and probability of 0.000 (p<0.05), then the decision of H0 is rejected, means the hypothesis Interior Design significant effect on Perceived Customer Satisfaction accepted. Directions positive relationship indicates that the higher the Interior Design will give rise to the Perceived Customer Satisfaction. The value of determination coefficient was 0.486 or 48.6%. These results indicate that the contribution of Interior Design on Customer Satisfaction Perceived are 48.6%, while the contribution of other variables beyond the study models are 51.4%.

**Coefficient Testing Path on Interior Design toward Customer Retention**

Interior design give a significant effect on customer retention. Table shows the beta coefficient by 0.406 indicates that the influence of the attributes of the Customer Retention, with t count of 4.720 and a probability of 0.000 (p <0.05), then the decision of H0 is rejected, means that the hypothesis Interior Design give a significant effect on Customer Retention accepted. Positive directions relationship indicates that the higher the Interior Design will rise the Customer Retention.

**Coefficient Testing Path on Perceived Customer Satisfaction toward Customer Retention**

Perceived Customer Satisfaction give a significant effect to Customer Retention. Table 2 shows the beta coefficient by 0.403 indicates that the influence of Perceived Customer Satisfaction to Customer Retention, with t count prob-
ability by 4.692 and 0.000 (p <0.05), then the
decision of H0 is rejected, means that the
hypothesis Perceived Customer Satisfaction have
a significant effect to Customer Retention sig-
nificantly are accepted. The coefficient of de-
termination value is 0.556 or 55.6%. These
results indicate that the contribution of Interior
Design and Perceived Customer Satisfaction to
Customer Retention by 55.6%, while the con-
tribution of other variables outside the model
of this study 44.4%.

Path Model Interpretation

In the relationship of Interior Design with
Customer Retention there is a presumption of
variables Perceived Customer Satisfaction as an
intervening variable. The calculation of the in-
fluence of Perceived Customer Satisfaction as
an intervening variable is as follows:

Structural equation:
Y = PYX + (PZX × PYZ)

Direct Effect Interior Design toward Customer
Retention is 0.406
Indirect Effect (IE) = PZX × PYZ
= 0.697 × (0.403)
= 0.281
Total Effect (TE) = PYX+(PZX × PZY)
= 0.406 + 0.281
= 0.687

Testing result on the influence of media-
tion between intervening variables with depen-
dent variable are the influence of Interior De-
sign (X) to the Customer Retention variable (Y)
through intervening Perceived Customer Satis-
faction (Z) is done by Sobel formula calcula-
tion. The results of both tests are summarized
as follows:
P1 = 0.697
Se1 = 0.051
P2 = 0.403
Se2 = 0.060

Thus the value of the t test was obtained as
follows:
\[
\frac{P_{12}}{Se_{12}} = \frac{0.281}{0.047} = 5.994
\]

In addition, t value of 5.994 is bigger than
1.96, which means that the parameters of me-
diation is significant. Thus the model of indirect
influence of variables Interior Design of the
Perceived Customer Satisfaction through Cus-
tomer Satisfaction Perceived can be rejected.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Direct coefficient</th>
<th>Standard of error</th>
<th>Indirect coefficient</th>
<th>Total effect</th>
<th>t count</th>
</tr>
</thead>
<tbody>
<tr>
<td>X, Z, Y</td>
<td>0.697</td>
<td>0.403</td>
<td>0.051</td>
<td>0.281</td>
<td>0.047</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed (2016)
Table 3 is revealed that Perceived Customer Satisfaction is proven as an intervening variable in the relationship between the Interior Design with Customer Retention. This is proven by the results of the calculation of Indirect Effect that is valued 0.281. The total effect of Interior Design toward Customer Retention through Perceived Customer Satisfaction by 0.687. This shows that the improvement Perceived Customer Satisfaction would be a good bridge for relations between Interior Design with Customer Retention.

The Model Accuracy

The accuracy of the model hypothesis of the research data is measured from a relationship coefficient of determination (R2) in the both equation. The results of the model as follows:

\[
R^2_{model} = 1 - (1 - R^2_{1}) (1 - R^2_{2})
\]

\[
= 1 - (1 - 0.486) (1 - 0.556)
\]

\[
= 1 - (0.514) (0.444)
\]

\[
= 1 - 0.228
\]

\[
= 0.772 \text{ or } 77.18\%
\]

The result of the calculation accuracy of the model by 77.18% explained that the contribution of the structural model to describe the relationship of the three the variables examined is at 77.18%. While the remaining 22.82% is explained by other variables that is not included in this research model.

DISCUSSION

The influence of Interior Design toward Customer Retention

The result of this research shows that the impact of influence of interior design toward customer retention interior design is positive and significant. The impact can be seen from their customers who feel comfortable and willing to spend a lot more time in Captain Coffee because the atmosphere is very comfortable and relaxing. Customer Retention has made customers become loyal and certainly, one of the factors that influence the customer is an interesting interior design and create a cozy atmosphere. As this will make them come back and spend their time in places they like.

In the previous research regarding store environment, few researchers have examined several factors that affect customers such as store atmosphere or physical attractiveness that affects their intentions. The series of store environment factors such as social, design, and ambience is possible to influence the customer in their choice decision. There are some choice decision created by customer like whether they will return to the store, whether they feel comfortable in the store, whether they would recommend the store, etc. (Turhan, 2014).

The influence of Interior Design toward Perceived Customer Satisfaction

Based on the data that has been processed in this study, the result is an interior design provides a significant and positive impact on perceived customer satisfaction. Interior design is one of important elements in a store or a coffee shop, which is beneficial to give interest to the customer. In addition, the interior design also provides comfort to the customers. Interest and enjoyment of customers give influence on customer satisfaction. Some customers have a certain taste of satisfaction levels, so that customer satisfaction is not a fixed thing. Each customers have their own perception on what makes them interested and comfortable. Captain Coffee gives a vintage atmosphere accom-
panied by antique furniture and decoration items. Customers who like antique and love art will certainly feel comfortable with the interior design that has been set by Captain Coffee.

The influence of Perceived Customer Satisfaction toward Customer Retention

Customer satisfaction is a major factor in assessing the quality of service. The higher the quality level the higher the level of customer satisfaction. The results of this study have shown a significant and positive impact on the perceived influence of customer satisfaction on customer retention. The behavior of customers who are willing to spend more time at Captain Coffee and willing to invite other people to go to Captain Coffee can be called as a customer retention. The benefit is a company does not need to spend too much on marketing and advertising, because satisfied customers will continue to spread the good news that they have experienced in Captain Coffee, it can also be referred as positive word of mouth. In addition to the size of customer satisfaction, customer retention also has a very strong influence on the profit, and increasing retention that occurs will result in an increase in profit.

The influence of Interior Design toward Customer Retention through Perceived Customer Satisfaction

The results of studies have shown a positive and significant impact on the influence of interior design to customer retention through perceived customer satisfaction. The influence of interior design has a positive impact on customer satisfaction that will make the customers to come back. The interior design also affects the customer’s purchase decision. When the customer feel satisfied with what they earn or they expect, then it will create customer retention. This has implications for all customers because the object of this study is coffee shop.

There is partial significant relationship between perceived value and store atmospheric stating that interior design has a direct effect on the perceived value customer satisfaction and this is one part of a strategy to create business success. The impact on the effect of atmospheric store is useful to create customer behavior intentions that will result in customer retention. Favorable environment can motivate behavioral approaches, such as the desire to stay, the desire to look around and discover the environment, and to communicate with the people in the environment, while unfavorable environment might have direct approach to the adverse effects of which it is in the form of avoidance behavior (Jalil, Fikry, & Zainuddin, 2016).

IMPLICATIONS

This study has theoretical implication for future research in the field of marketing of customer satisfaction. The satisfaction of the customer is not out of consumer behavior. Consumer expectations of the goods or services have been formed before consumers buy goods and services. Customer satisfaction was depends on the perceptions and expectations of consumers. Consumer expectations influenced by their experience with what they get. Therefore, this study examines perceive customer satisfaction that the customer experience at a coffee shop named Captain Coffee by using interior design as one factor that makes customers feel satisfied with what they get from
the different atmosphere. Perception of customer satisfaction with interior design influenced by environment that makes them comfortable. This study aimed to improve customer satisfaction not just from the environmental side in Captain Coffee. This study is expected to be the beginning of a search to other factors that affect customer satisfaction to become customer retention.

Most of customers has an interest in interior design of a coffee shop as their interest in buying. Therefore, it can be concluded from this study that the interior design is one factor to attract customers. Design on a place where the customer buys or consumes is a significant thing to keep customers satisfied with the creation of positive feelings and comfortable in a place. Effort to design buying environments to produce specific emotional effects on buyers will enhance reviews their purchase probability. The influence of the physical environment is primarily affective and poorly designed store shopping environment may reduce pleasure. Customer perception in interior design are become more favorable, they will be more satisfied with the store and perceived customer satisfaction will fully mediate the customer retention (Turhan, 2014).

The meaning of customer retention is a customer who has decided to buy a product or service continuation. Therefore, the relationship between customer retention and perceived customer satisfaction is very close to creating customer loyalty to a company. Captain Coffee is one of the new coffee shop in the city of Malang and do not have a lot of repeat customers. So many coffee shop and café in the city of Malang will be a challenge for the new established coffee shop like Captain Coffee to create their own market. Because it must be created by a community or a loyal customer to increase profitability. Customer retention is also a consumer behavior that shows signs that have become loyal customers. When it has created customer retention, then the customer will create word-of-mouth that makes them come back to Captain Coffee and invite other prospective customers.

Customer satisfaction is the most important thing in the business world. Based on research that has been processed, Captain Coffee Customers are satisfied with the existing interior design in Captain Coffee. Satisfaction obtained in this study only covers from the atmosphere and environment in Captain Coffee. For further research, it will be expected to use other factors such as satisfying customer service quality, product quality, social environment, and etc.

The measurement that typically used by managers is customer satisfaction because it covers all types of products and services. The satisfaction of the customer is strongly influenced by the expectations of customers. Even common behavior from a manager is to improve a product and services to find customers’ expectations (Keiningham, Cooil, Aksoy, Andreassen, & Winer, 2007).

Perceived customer satisfaction is the behavior of consumers about their hopes for something that makes them satisfied. When customers are purchasing an item or service that they do not know, then they will have to assume either the mind is good or bad things. Therefore, to get a good feedback, a company must create and meet the desires of what makes customers satisfied. Captain Coffee is a new coffee shop, by consequence to attract customer satisfaction then it should create something that their customers expect, one of them
is a place of comfort. Interior design has an important role in increasing customer expectations in the fields of atmosphere and comfort of customers. When the customer expectations are met, then the higher will be the perceived customer satisfaction.

LIMITATIONS

Although the research findings provide some insights to researcher, these findings should be viewed in light of some limitations. To summarize, the limitations associated with the research findings are: (1) This study is only shown the significance variables then the respondents who fill the questionnaire cannot be decided as loyal customer who doing customer retention. (2) This study only discusses the influence of interior design. Therefore, this study did not mention other factors that may can affect perceive customer satisfaction and customer retention. (3) When filling out questionnaire, respondents were not guided to answering all the question in the questionnaire. Some respondent may fill the questionnaire not from their actual feeling which is can affect to the result of analysis.

CONCLUSION AND SUGGESTION

Conclusion

The results showed that the variables interior design has a direct influence on the perceived customer satisfaction, interior design has positive influence on customer retention, perceived customer satisfaction has positive effect on customer retention, interior design has positive effect on customer retention toward perceived customer satisfaction. Because when customers are interested in interior design that make a comfortable atmosphere for them, then they will not hesitate to spend more time in a place they love and it will be create customer retention for the coffee shop.

Suggestion

It is expected that coffee shop can maintain and improve services towards Interior Design, because the interior design variable has a significant influence on the Perceived Customer Satisfaction and Customer Retention, such as by creating a comfortable atmosphere and good social environment to rise the customer retention. This research is also expected to become a reference for further study to examine the concept of marketing, especially in the field of interior design, perceived customer satisfaction, and customer retention. Researchers also expect future research will be able to discover new things for the development of further research.

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