

# Forging Loyalty in the Experience Economy: The Mediating Role of Satisfaction between CX, CRM, and Loyalty in the Coffee Shop Industry

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**Abstract:** This study aims to investigate a comprehensive mediation model that links customer experience (CX) and customer relationship management (CRM) to customer loyalty through the mechanism of customer satisfaction, specifically within the highly competitive coffee shop industry. A quantitative survey was conducted, gathering data from 170 coffee shop patrons in North Central Timor Regency, Indonesia. The conceptual model and its hypotheses were tested using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results confirm that both CX and CRM have a significant positive influence on customer satisfaction and customer loyalty. Furthermore, customer satisfaction was found to be a significant mediator for the effect of both CX on loyalty (t-statistic = 2.269, p-value = 0.023) and CRM on loyalty (t-statistic = 1.982, p-value = 0.048). The model explained 29.7% of the variance in customer loyalty and 21.9% in customer satisfaction. Theoretically, this study reinforces the Theory of Planned Behavior by demonstrating that satisfaction (a positive attitude) is a crucial mechanism translating firm strategies (CX and CRM) into behavioral intentions (loyalty). Practically, managers in the service sector are advised to orchestrate a holistic customer experience and integrate it with relationship management strategies to foster genuine satisfaction, which is a key driver of loyalty. This research contributes by simultaneously testing the effects of both CX and CRM within a unified mediation framework, providing a more holistic understanding of the drivers of loyalty in the burgeoning and highly competitive coffee shop sector.

**Keywords:** *Customer Experience, Customer Relationship Management, Customer Loyalty, Customer Satisfaction.*

## 1. Introduction

The contemporary service landscape, often termed the experience economy, has compelled businesses to shift their focus from mere transactional exchanges to building enduring, emotionally resonant customer relationships. Within this paradigm, the global coffee shop industry has evolved from a simple beverage provider into a vital "third place" for social and professional life, making customer loyalty a critical determinant of sustainable competitive advantage (Griffin, 2002). However, achieving this loyalty is increasingly challenging due to low customer switching costs and a high saturation of market players. Consequently, understanding the core drivers of customer loyalty is of paramount importance for both academic researchers and industry practitioners.

Two strategic pillars have emerged as central to fostering loyalty: Customer Experience (CX) and Customer Relationship Management (CRM). CX is understood as a customer's holistic perception formed from a variety of rational, physical, and emotional interactions with a firm throughout their journey (Firdaus & Azwar, 2024; Shaw & Hamilton, 2016). In contrast, CRM represents a strategic approach, often supported by technology, to manage and analyze customer interactions and data throughout the customer lifecycle (Kotler & Keller, 2016; Tjiptono et al., 2014). While a substantial body of research has independently affirmed the positive impact of CX (Eka Wardhana, 2016) and CRM (Hayati et al., 2020) on loyalty, there remains a gap in understanding how these two powerful antecedents function in tandem and through which psychological mechanisms their influence is channeled.

Customer satisfaction is widely theorized as the primary mediating variable in this process. This aligns with the Theory of Planned Behavior (TPB), which posits that an individual's positive attitude toward a behavior (satisfaction) strengthens their intention to perform that behavior (loyalty). While previous studies have explored parts of this relationship, research testing a unified model where satisfaction mediates the effects of both CX and CRM on loyalty is limited, especially in high-involvement service contexts like specialty coffee shops. The observed fluctuation in customer visits at such establishments underscores the urgency of determining which strategic path—the orchestration of a memorable experience or the implementation of a structured relationship program—more effectively cultivates the satisfaction that ultimately cements loyalty.

To address this research gap, the present study develops and empirically tests a model examining the simultaneous influence of Customer Experience and Customer Relationship Management on Customer Loyalty,

mediated by Customer Satisfaction. By grounding the research in the vibrant coffee shop sector in Indonesia, this study aims to provide a more nuanced and comprehensive model of loyalty formation, offering significant theoretical insights and actionable managerial guidance.

## **2. Literature Review and Hypothesis Development**

### **2.1. Theoretical Foundation: Theory of Planned Behavior (TPB)**

The Theory of Planned Behavior (TPB) suggests that behavioral intention is the most immediate antecedent of actual behavior. This intention is shaped by three core components: attitude toward the behavior, subjective norms, and perceived behavioral control. In the context of this study, TPB provides a relevant theoretical lens. A positive customer experience (CX) and effective CRM can cultivate a favorable attitude (customer satisfaction) toward the café, which in turn strengthens the intention to be loyal (e.g., revisit, recommend).

### **2.2. The Effect of Customer Experience (CX)**

Customer Experience encompasses every aspect of a company's offering—the quality of customer care, advertising, packaging, product and service features, ease of use, and reliability (Japariato & Nugroho, 2020). When customers have a positive experience, it generates an emotional connection and a memorable impression, leading to repeat business (Sahir, 2020). This positive affective response builds a foundation for loyalty that transcends mere transactional satisfaction. Previous empirical studies have consistently found a significant and direct link between a superior customer experience and higher levels of customer loyalty (Eka Wardhana, 2016). Therefore, we hypothesize:

- H<sub>1</sub>: Customer Experience has a positive and significant effect on Customer Loyalty.

A positive experience is also a primary driver of satisfaction. Satisfaction is an evaluative judgment following a consumption experience. A well-designed and pleasant CX, from the café's ambiance to the staff's friendliness, directly contributes to a customer's feeling of contentment and fulfillment, thereby enhancing their overall satisfaction. This relationship is well-supported in the literature. Thus, we propose:

- H<sub>3</sub>: Customer Experience has a positive and significant effect on Customer Satisfaction.

### **2.3. The Effect of Customer Relationship Management (CRM)**

CRM is a holistic process of identifying, attracting, and retaining valuable customers to build strong, long-term relationships (Tjiptono, 2014). Effective CRM strategies allow companies to understand customer needs better and offer personalized services, which enhances the customer's perception of value and fosters a sense of being recognized and appreciated. This relational bond is a powerful driver of loyalty, as customers who feel valued are less likely to switch to competitors. Prior research confirms a strong positive relationship between CRM initiatives and customer loyalty (Hayati et al., 2020). Accordingly, we hypothesize:

- H<sub>2</sub>: Customer Relationship Management has a positive and significant effect on Customer Loyalty.

By managing customer information effectively, CRM enables firms to tailor their offerings and interactions to meet or exceed customer expectations. This personalization and proactive service lead directly to higher levels of customer satisfaction, as customers' needs and desires are more accurately met. Numerous studies have demonstrated that robust CRM practices are a significant antecedent to customer satisfaction (Zahro & Prabawani, 2018). Therefore:

- H<sub>4</sub>: Customer Relationship Management has a positive and significant effect on Customer Satisfaction.

### **2.4. The Relationship between Satisfaction and Loyalty**

Customer satisfaction is widely regarded as a crucial antecedent to customer loyalty (Setyawati, 2015). Satisfaction represents a customer's overall feeling of contentment derived from their experiences with a product or service. This positive affective state reduces the motivation for customers to seek alternatives and reinforces their decision to continue patronizing the same provider. A satisfied customer is more likely to engage in repeat purchases and

spread positive word-of-mouth, which are core components of loyalty (Bagus Nyoman Udayana et al., 2022). This direct link is one of the most established relationships in marketing literature. We thus hypothesize:

- H<sub>5</sub>: Customer Satisfaction has a positive and significant effect on Customer Loyalty.

## 2.5. The Mediating Role of Customer Satisfaction

Building on the relationships above, it is plausible that the effects of CX and CRM on loyalty are not entirely direct. Instead, their impact is channeled through customer satisfaction. A memorable experience (CX) (Amrullah, 2018) or a personalized interaction (CRM) (Zahro & Prabawani, 2018) first leads to a state of satisfaction, and it is this feeling of satisfaction that subsequently solidifies into long-term loyalty. Satisfaction acts as the immediate psychological outcome of the firm's strategic efforts, which then translates into the behavioral intention of loyalty. This mediating pathway is crucial for understanding how firm strategies create loyal customers. Therefore, we propose our final two hypotheses:

- H<sub>6</sub>: Customer Satisfaction mediates the effect of Customer Experience on Customer Loyalty.
- H<sub>7</sub>: Customer Relationship Management mediates the effect of Customer Relationship Management on Customer Loyalty.

## 3. Research Methods

### 3.1. Research Design and Sampling

This study employed a quantitative approach with a cross-sectional survey design. The population for this research comprised all customers of the "Kopi Dari Hati & Eden Kitchen" café in North Central Timor Regency, Indonesia, the exact number of whom is unknown. A non-probability convenience sampling technique was utilized, where respondents who were accessible and willing to participate were included in the study. The sample size was determined based on the number of indicators in the model (17 indicators), multiplied by 10, resulting in a final sample of 170 respondents (Ferdinand, 2012).

### 3.2. Data Collection and Measurement

Primary data was collected directly from respondents using a structured questionnaire (Sugiyono, 2017). The questionnaire consisted of items measuring the four latent constructs: Customer Experience (X1), Customer Relationship Management (X2), Customer Loyalty (Y), and Customer Satisfaction (Z). All items were measured on a Likert scale.

### 3.3. Data Analysis Technique

The collected data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the SmartPLS 4 software. PLS-SEM was chosen as it is suitable for predictive research models and is robust with non-normal data distributions. The analysis involved a two-step process: (1) assessment of the measurement model (outer model) to ensure the reliability and validity of the constructs, and (2) assessment of the structural model (inner model) to test the hypothesized relationships.

## 4. Result and Discussion

### 4.1. Result

#### 4.1.1. Measurement Model (Outer Model) Assessment

The measurement model was evaluated for reliability and validity.

- Convergent Validity: All indicator loadings exceeded the recommended threshold of 0.7. Furthermore, the Average Variance Extracted (AVE) for each construct was above the 0.5 benchmark (CX = 0.574; CRM = 0.775; Customer Satisfaction = 0.671; Customer Loyalty = 0.650), confirming convergent validity.

- **Discriminant Validity:** The cross-loading analysis showed that each indicator loaded more highly on its own construct than on any other construct. Additionally, the Heterotrait-Monotrait Ratio (HTMT) values between all pairs of constructs were below the conservative threshold of 0.90, satisfying the criteria for discriminant validity.
- **Reliability:** The reliability of the constructs was confirmed as Cronbach's Alpha and Composite Reliability values for all variables were above the 0.7 threshold.

4.1.2. Structural Model (Inner Model) Assessment

After confirming the measurement model's quality, the structural model was assessed.

- **Coefficient of Determination (R<sup>2</sup>):** The model explained 29.7% of the variance in Customer Loyalty (Y) and 21.9% of the variance in Customer Satisfaction (Z). These values indicate moderate explanatory power.
- **Model Fit:** The Standardized Root Mean Square Residual (SRMR) value was 0.074, which is below the recommended maximum of 0.08, indicating a good model fit.
- **Collinearity:** The Variance Inflation Factor (VIF) values for all indicators ranged from 1.430 to 2.717, well below the threshold of 5, indicating that multicollinearity was not an issue in the model.
- **Hypothesis Testing (Bootstrapping):** The results of the bootstrapping analysis are presented below. All direct effect hypotheses (H<sub>1</sub>-H<sub>5</sub>) and indirect effect hypotheses (H<sub>6</sub>-H<sub>7</sub>) were supported, with p-values below 0.05 and t-statistics above the critical value of 1.96.

Table 1: Summary of Regression Analysis Results

<i>Path</i>	<i>Original Sample</i>	<i>T-Statistic</i>	<i>P-Value</i>	<i>Hypothesis</i>	<i>Result</i>
<b>Direct Effects</b>					
CX -> Loyalty (Y)	0,188	2,531	0,011	H <sub>1</sub>	Supported
CRM -> Loyalty (Y)	0,226	3,134	0,002	H <sub>2</sub>	Supported
CX -> Satisfaction (Z)	0,226	3,672	0	H <sub>3</sub>	Supported
CRM -> Satisfaction (Z)	0,364	3,869	0	H <sub>4</sub>	Supported
Satisfaction (Z) -> Loyalty (Y)	0,258	2,915	0,004	H <sub>5</sub>	Supported
<b>Indirect Effects</b>					
CX -> Satisfaction -> Loyalty	0,058	2,269	0,023	H <sub>6</sub>	Supported
CRM -> Satisfaction -> Loyalty	0,094	1,982	0,048	H <sub>7</sub>	Supported

Source: Primary Data Analysis (2025)

4.2. Discussion

4.2.1. Interpretation of Findings

This study set out to examine the interconnected roles of CX, CRM, and customer satisfaction in fostering customer loyalty within the coffee shop industry. The findings confirm that all proposed hypotheses are supported, providing a comprehensive picture of the loyalty formation process.

The significant direct effects of CX and CRM on loyalty (H<sub>1</sub> and H<sub>2</sub>) align with established marketing literature, confirming that both the quality of the consumption experience and structured relationship-building efforts are potent strategies for retaining customers. Interestingly, in this context, the path coefficient for CRM's effect on loyalty (0.226) was slightly higher than that of CX (0.188), suggesting that while the in-store experience is vital, personalized recognition and relationship management may provide a slightly stronger direct impetus for loyalty.

Furthermore, the results strongly support the foundational role of customer satisfaction. Both CX and CRM were significant predictors of satisfaction (H<sub>3</sub> and H<sub>4</sub>), with CRM having a notably larger effect (0.364) than CX (0.226). This suggests that while a positive experience makes customers happy, a well-executed CRM strategy that

makes customers feel recognized and valued is a more powerful driver of overall satisfaction. As expected, satisfaction, in turn, strongly predicted loyalty (H<sub>5</sub>), reinforcing its status as a critical precursor to long-term customer commitment.

The most crucial finding of this study is the confirmation of satisfaction as a significant mediator (H<sub>6</sub> and H<sub>7</sub>). The results show that the influence of CX and CRM on loyalty is not just direct; it is significantly channeled through the creation of a satisfied customer base. This indicates that the ultimate goal of orchestrating a great experience or implementing a CRM program should be to generate satisfaction, as it is this satisfied state that translates into loyal behaviors.

#### 4.2.2. Theoretical Implications

This research contributes to marketing theory in several ways. First, by integrating CX and CRM into a single model, it provides a more holistic view of loyalty antecedents than studies that examine them in isolation. Second, it provides strong empirical support for the Theory of Planned Behavior (TPB) in a service consumption context. The findings illustrate how firm-level strategies (CX, CRM) influence customer attitudes (satisfaction), which subsequently drive behavioral intentions (loyalty). Finally, the study empirically validates the mediating mechanism of satisfaction, clarifying how strategic inputs are converted into desirable relational outcomes.

#### 4.2.3. Managerial Implications

The findings offer several actionable insights for managers of coffee shops and other service-based businesses:

- **Adopt a Dual Focus:** Managers should not choose between investing in a great in-store experience (CX) or a technology-driven relationship program (CRM). Both are crucial. The findings suggest a synergistic approach is best.
- **Prioritize Satisfaction as a Key Performance Indicator (KPI):** While loyalty is the ultimate goal, satisfaction is the more immediate and controllable outcome. Efforts should be directed at maximizing customer satisfaction, as it is the gateway to loyalty.
- **Leverage CRM for Personalization:** Given CRM's strong impact on satisfaction, managers should use customer data not just for mass promotions but to offer personalized rewards, remember customers' favorite orders, and create a sense of individual recognition.
- **Orchestrate the Experience:** The significant impact of CX means that every touchpoint matters—from the cleanliness of the facilities and the background music to the warmth and expertise of the baristas.

#### 4.2.4. Limitations and Future Research Directions

This study has several limitations that open avenues for future research. First, the use of convenience sampling and the focus on a single café location in one region of Indonesia limit the generalizability of the findings. Future research should aim to replicate this model with larger, more diverse samples across different geographical and cultural contexts. Second, the cross-sectional design captures a snapshot in time; a longitudinal study could better track the evolution of loyalty and the impact of CX and CRM over time. Finally, future models could incorporate other relevant variables, such as brand trust or perceived value, to provide an even more comprehensive understanding of customer loyalty.

## 5. Conclusion

In an increasingly competitive service environment, fostering customer loyalty is non-negotiable for business survival. This study successfully demonstrated that both Customer Experience and Customer Relationship Management are significant drivers of loyalty in the coffee shop industry. Crucially, their influence is significantly mediated by customer satisfaction. This highlights that strategic investments in creating memorable experiences and building strong relationships are most effective when they successfully generate a genuinely satisfied customer

base. For managers, the path to loyalty is paved with consistent, positive experiences and personalized recognition that together cultivate deep-seated customer satisfaction.

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## Informed Consent

The authors declare that informed consent was not required as there were no human participants involved.

## Conflict of Interest

The authors declare that there is no conflict of interest.

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