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Measuring customer satisfaction of a café and coffee shop colony at a traditional market

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ABSTRACT

Consumer behavior within a traditional market has received a lack of scholarly attention. This study aims to examine the impact of product quality, service quality, and price on customer satisfaction within a traditional market in Indonesia. The participants were visitors of a café and coffee shop colony at a traditional market, in Jakarta. Data were collected at Pasar Santa, a traditional market in South Jakarta that has been modified into a new concept for attracting younger patrons. Data were analyzed using exploratory and confirmatory factor analyses, and structural equation model. As a result, product quality, service quality, and price insignificantly affected customer satisfaction. In addition, this current study offers three modified models to explore the role of each predictor variable. This study helps to enhance our knowledge toward the consumer behavior engaging in the traditional markets.

KEYWORDS

Customer satisfaction; service quality; product quality; perceived price; traditional market

Introduction

Generally speaking, a traditional market could be basically defined as a physical place where buyers and sellers meet in order to create exchanges (Kotler, Wong, Saunders, & Armstrong, 2005). It is acknowledged that traditional markets are very significant tourist attractions for both domestic and international tourists (Wongleedee, 2015). It is apparent that most business practitioners had never realized that the services improved in traditional markets could assist to sell more products in such markets (Wang, Kim, Ko, & Liu, 2016).

However, traditional markets in most city areas in Indonesia, open daily. Their existence was threatened by modern markets that invaded dwelling areas as a consequence of market liberalization (Suryadarma, Poesoro, Akhmadi, Rosfadhila, & Suryahadi, 2010). The number of traditional markets in Jakarta is 150 sites in five regions and all of them are managed by the Provincial Government of Jakarta (Satu Data Indonesia, 2012).

In general, these traditional markets are a permanent two-storey building or higher. Unfortunately, for several years, most of the higher floors of the market buildings have been unable to attract visitors. As a result, many kiosks were closed by the tenants (Santosa, 2016). In 2014, an innovation to develop a colony of eateries was implemented at Pasar Santa, one of the traditional markets in South Jakarta. In English, pasar means market. In total, this market
has 1,150 units of kiosks. On one floor, the kiosks are leased to a group of young people and divided into a colony of cafés, boutiques, and coffee shops with an innovative concept (Sutanudjaja, 2015) including vintage and industrial designs. Further, by optimizing social media platforms, these new tenants have promoted their place and within the first 3 months, the colony attracted thousands of visitors across Jakarta (Irawan, 2016). The number of visitors increased when mainstream media also published and broadcasted the development occurring at Pasar Santa.

Visitor behavior of cafés, restaurants, shopping centers, and other modern markets has been widely researched (Rahman, Wong, & Yu, 2016; Suhud & Wibowo, 2016). Accordingly, there is a paucity of studies relating to consumer behavior within a traditional market, particularly of a café and coffee shop colony at a traditional market. Furthermore, prior studies included product quality, service quality, and price to predict customer satisfaction. These three predictor variables are considered as ‘input’ or cognitive that could influence ‘process’ or affective (Schiffman & Wisenblit, 2015). In this study, the authors build three other modified models by modifying the same variables to understand the role of each variable in influencing other variables. In these attempts, price, product quality, and service quality were changed to perceived price, perceived product quality, and perceived service quality, respectively (Bei & Chiao, 2001). When a variable was treated as an input, the others were as processes.

Therefore, this study aims to examine the impact of product quality, service quality, and price on customer satisfaction relating to a café and coffee shop colony at Pasar Santa, Jakarta. Understanding customer satisfaction is important for retailers as it will lead to repurchase intention and customer loyalty (Alegre & Garau, 2010; Ivanauskienė & Volungėnaitė, 2014; Kheng, Mahamad, & Ramayah, 2010; Saidani & Arfin, 2012; Suhud & Wibowo, 2016). The current study may be theoretically valued by raising the awareness of the characteristics of traditional market customers. This could broaden the scope of service, hospitality and tourism studies.

**Literature review**

**Product quality and customer satisfaction**

It could be argued that customer satisfaction on product quality is one of the most crucial elements in supporting and enhancing the competitive position of an organization, particularly in the business-to-business market (Cantarello, Filippini, & Nosella, 2012). Accordingly, Hallencreutz and Parmler (2019, p. 1) postulate that “A high level of customer satisfaction is argued to lead to stronger company image, protection of current market share, increased customer loyalty, decreased customer complaints and strengthened financial performance”. Dahlgaard-Park (2012) states that firms typically employ the measurement of customer satisfaction as the criteria to adjust their service behaviors. Whereas, So, King, Sparks, and Wang (2016) reveal that offering products or services that either enhance customer satisfaction or prevent dissatisfaction is critical for retaining or attracting consumers.

Each product has different characteristics. Therefore, product quality dimensions of a certain type of product would be different from another (Zeithaml, 1988). For example, dimensions of wine quality are influenced by intrinsic (age, harvest, alcohol content,
varieties, tastes, aroma, and color) and extrinsic (reputation, region, appellation d’origin, advertising and propaganda, distribution channels, bottling and labeling, brand, and price) factors (Jover, Montes, & Fuentes, 2004). Food quality dimensions according to Shaharudin, Mansor, and Elias (2011), included freshness, presentation, taste, and innovative food.

Prior studies evidenced that food quality is an important factor in influencing customer satisfaction within hospitality settings (Adi & Yoestini, 2012; Liu, Lee, & Hung, 2017; Runtunuwu, Oroh, & Taroreh, 2014; Ryu & Han, 2010). In general, product quality can influence reputation, intention to switch, repurchase intention, service quality, loyalty, and customer satisfaction (Peng, Scott, Prybutok, & Sidorova, 2014; Saidani & Arifin, 2012; Wang, Lo, & Hui, 2003; Yuen & Chan, 2010). In this study, product quality is linked to customer satisfaction.

Elsewhere, Ryu and Han (2010) studied the impact of food quality, service quality, and quality of physical environment on customer satisfaction and its implication on purchase intention. Using a regression analysis, they found that all the path testing significantly affected customer satisfaction.

Another study was conducted by Saidani and Arifin (2012). They tested Indonesians’ intention to repurchase at a modern market by employing product quality, service quality, and customer satisfaction as predictor variables. There were no dimensions of product quality employed. They found that product quality and service quality significantly affected customer satisfaction as well as repurchase intention. Further, they found a significant relationship between customer satisfaction and repurchase intention. Allan (2016) explores the local food consumption motivations and their relationship with intentional loyalty for international tourists in the context of Jordan. He further found that the cultural experience is the main motivation for tourists to experience local food and it revealed that the excitement motivation was the high significant predictor of the behavioral intention (loyalty). In a further study in Bandung, Indonesia, Djatmiko, Saragih, and Purbaningrum (2015) investigated satisfaction of a brand of motorcycle customers. They employed product quality, service quality, and price as predictor variables. They found that only product quality and service quality had a significant impact on satisfaction. Therefore, the first hypothesis within the current study is:

\[ H_1 – Product\ quality\ will\ have\ a\ significant\ impact\ on\ customer\ satisfaction \]

**Service quality and customer satisfaction**

Overall, market is changing rapidly, and this is now the time of a prospering globalized service industry that stresses the depth and extent of service as well as service quality (Chien & Chi, 2019). However, Service quality is connected to various customer outcomes: profits, customer satisfaction, attitudinal loyalty, and purchase intentions (Miranda, Tavares, & Queiró, 2018; Zeithaml, Bitner, & Gremler, 2013).

Differential characteristics of retail business include perceptions of service quality, transaction channels, and size (Venkatesan, Mehta, & Bapna, 2006). However, although prior studies (Tey et al., 2014) demonstrated the precision of these dimensions, there are other scholars who modified them. For example, Tan, Oriade, and Fallon (2014)
mentioned in their study that the dimension of Chinese fast food restaurant service quality consisted of assurance and empathy, cleanliness, food quality, reliability, responsiveness, and tangible elements.

Service quality is reported to have a significant impact on product quality, intention to switch, reputation, customer satisfaction, and price (Peng et al., 2014; Saidani & Arifin, 2012; Venkatesan et al., 2006; Wang et al., 2003). In this study current, service quality is linked to customer satisfaction.

Further to the above discussion, Orel and Kara (2014) investigated the impact of customer loyalty of Turkish consumers toward a supermarket chain. They applied the dimensions of service quality including functionality, enjoyment, security/privacy, assurance, design, convenience, and customization. These scholars found that service quality significantly influenced customer satisfaction and customer satisfaction significantly influenced loyalty. Prior studies, such as Djatmiko et al. (2015), Malik, Ghafoor, and Iqbal (2012), Mahmud and Jusoff (2013), Kaiman and Zani (2013), and Valaei and Baroto (2017) supported this finding. Therefore, the second hypothesis to be tested in the current study is:

\[ H_2 \] – Service quality will have a significant impact on customer satisfaction

**Price and customer satisfaction**

There are many considerations regarding the influence of prices on customer satisfaction. For example, scholars have considered how price fairness, price consciousness, and perceived price influence customer satisfaction. Wilson, Zeithaml, Bitner, and Gremler (2008) reveal that some determinants of customer satisfaction could encompass product and service quality, price, personal and situational factors.

In this study, the authors focus on price. Price can influence customer satisfaction, service quality, product quality, and trust (Adi & Yoestini, 2012; Haghighi, Dorosti, Rahnama, & Hoseinpour, 2012; Kusumanegara & Sutopo, 2012; Runtunuwu et al., 2014). In this current study, price is linked to customer satisfaction.

Haghighi et al. (2012) measured the loyalty of restaurant visitors. In their study, food quality, price, and service quality were linked to customer satisfaction. In addition, restaurant location and restaurant atmosphere were linked to customer trust while trust and satisfaction were linked to loyalty. They found that customer satisfaction was significantly affected by food quality, price, service quality, and restaurant atmosphere. Additionally, trust was significantly affected by food quality, price, and service quality. Lastly, loyalty was affected by customer satisfaction. In a similar study, Runtunuwu et al. (2014) assessed customer satisfaction of café visitors in Manado, Indonesia by applying the predictor variables of product quality, price, and service quality. Using a regression analysis, these researchers found that these three predictor variables significantly affected customer satisfaction. Other studies included price in their study and found price significantly impacted customer satisfaction. For example, Djatmiko et al. (2015), Malik et al. (2012), and Kaiman and Zani (2013). Therefore, the third hypothesis to be tested in this current study is:

\[ H_3 \] – Price will have a significant impact on customer satisfaction
Theoretical framework

Based on the above discussion, this study has adopted the theoretical framework (Figure 1), consisting of three variables. Firstly, the impact of perceived quality on customer satisfaction. Secondly, the impact of product quality on customer satisfaction. Lastly, the impact of price on customer satisfaction.

In addition to the above model, there are three modified competing models, modified from the main model. Bei and Chiao (2001) discuss that product quality will affect perceived product quality, service quality will affect perceived service quality, and price will affect perceived price. Further, perceived product quality, perceived price, and perceived service quality predicted customer satisfaction and loyalty. Based on these findings, the below models will be tested. In the first modified model (Figure 2), service quality is linked to perceived product quality and perceived price. Further, perceived product quality

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**Figure 1.** The theoretical framework.

**Figure 2.** The first modified model.
and perceived price are linked to customer satisfaction (Bei & Chiao, 2001; Kassim, Igau, Harun, & Tahajuddin, 2014; Ngoc & Uyen, 2015; Sumaedi, Bakti, & Metasar, 2011).

$H_4$ – Service quality will have a significant impact on perceived product quality

$H_5$ – Service quality will have a significant impact on perceived price

$H_{11}$ – Perceived product quality will have a significant impact on customer satisfaction

$H_{12}$ – Perceived price will have a significant impact on customer satisfaction

In the second modified model (Figure 3), price is linked to perceived service quality and perceived product quality while perceived service quality and perceived product quality are linked to customer satisfaction (Bei & Chiao, 2001; Kassim, Igau, Harun, & Tahajuddin, 2014; Ngoc & Uyen, 2015; Sumaedi, Bakti, & Metasar, 2011).
quality are linked to customer satisfaction (Bei & Chiao, 2001; Kassim et al., 2014; Malik, 2012; Ngoc & Uyen, 2015; Sumaedi et al., 2011; Tam, 2004).

$H_6$ – *Price will have a significant impact on perceived service quality*

$H_7$ – *Price will have a significant impact on perceived product quality*

$H_{10}$ – *Perceived service quality will have a significant impact on customer satisfaction*

In the third modified model (Figure 4), product quality is linked to perceived service quality and perceived price (Bei & Chiao, 2001), whereas perceived service quality and perceived price are linked to customer satisfaction (Bei & Chiao, 2001; Malik, 2012; Ngoc & Uyen, 2015; Sumaedi et al., 2011; Tam, 2004).

$H_8$ – *Product quality will have a significant impact on perceived service quality*

$H_9$ – *Product quality will have a significant impact on perceived price*

**Methods**

**Participants**

Research participants of this current study were visitors of Pasar Santa, Jakarta. They were approached conveniently and asked whether they would be happy to fill out a self-administered questionnaire. In total, 200 participants completed the survey. As suggested by Hair Jr., Black, Babin, Anderson, and Tatham (2006), minimal of 200 participants are needed if factor loadings of each factor of 0.4 and greater. The sample consisted of 109 males (54.5%) and 91 females (45.5%). Predominantly, participants were students (155 participants; 77.5%), followed by employees (36 participants; 18%), self-employed (9 participants; 4.5%), and others. Regarding their marital status, 198 participants (99.9%) were unmarried.

Further, participants revealed how frequently they had visited Pasar Santa. Almost 60% of the participants (119) have visited that place once and/or twice. About 30% of the participants (59) claimed that they have visited more than three times whereas 11% of them (22) have visited the market more than five times.

**Instrument development**

To develop the research instrument, the authors intentionally applied indicators that have been used by previous studies as they have been tested and validated. Indicators from Runtunuwu et al. (2014) were adopted and adapted to measure service quality and customer satisfaction. Indicators from Kusumanegara and Sutopo (2012) were to measure price. Further, indicators from Adi and Yoestini (2012) were adapted and used to measure product quality. All these items are also used to measure perceived product quality, perceived price, and perceived service quality. A 5-point Likert scale was applied in this study.
**Data analysis**

Exploratory factor analysis (EFA) is applied to validate the instrument as well as the collected data. By calculating EFA, each variable will be inspected from dimensions if any and retain items with factor loadings of 0.4 and greater. Furthermore, for testing the hypotheses, confirmatory factor analysis and structural equation model are applied. A fitness can be achieved with a probability score of 0.05 (Schermelleh-Engel, Moosbrugger, & Müller, 2003), CMIN/DF score of ≤2 (Tabachnick & Fidell, 2007), CFI score of ≥0.97 (Hu & Bentler, 1995), and RMSEA score of ≤0.05 (Hu & Bentler, 1999).

Research model and research hypotheses were tested by using SPSS 21.0 and AMOS 20.0. Descriptive statistical analysis, Cronbach’s α, AVE, confirmatory factor analysis, and structure model were analyzed by using SPSS 21.0 and AMOS 20.0.

**Results and discussion**

**Exploratory factor analysis**

Exploratory factor analysis produced five factors, including service quality, with two dimensions retained: assurance (six items) with a Cronbach’s alpha score of 0.922 and tangible (six items) with a Cronbach’s alpha score of 0.792; product quality (nine items) with a Cronbach’s alpha score of 0.885; customer satisfaction (five items) with a Cronbach’s alpha score of 0.699, and price (two items) with a Cronbach’s alpha score of 0.612. Insignificant items were dropped during the analysis. Table 1 provides the results of exploratory factor analysis.

**Hypotheses testing**

This fitted model had a probability score of 0.069, CMIN/DF score of 1.144, CFI score of 0.982, and RMSEA score of 0.027. The paths between product quality and customer satisfaction, service quality and customer satisfaction, and price and customer satisfaction have standardized regression weight scores of 0.462, 0.232, and 0.226, respectively. The structural equation model used in the study is presented in Figure 5.

Table 2 shows results summarizing the theoretical framework testing. As presented, the path of product quality on customer satisfaction had a C.R. score of 1.096 while of service quality on customer satisfaction had a C.R. score of 0.377. The last path had a C.R. score of 0.753. All these scores were considered insignificant. Therefore, all hypotheses are rejected.

**The first modified model: product quality as the independent variable**

In the first modified model, product quality was treated as a dependent variable. A fitted model was obtained with a probability score of 0.050, CMIN/DF score of 1.161, CFI score of 0.989, and RMSEA score of 0.028. The structural equation model of the first modified model is presented in Figure 6.

As presented in Table 3, three paths in the third model have a C.R. score greater than 1.96 including the impact of product quality on service quality and price, and the impact of service quality on customer satisfaction. Another path, the impact of price on customer satisfaction has a C.R. score less than 1.96.
The second modified model: price as the independent variable

The second modified model (Figure 7) with price as the dependent variable obtained a fitness with a probability score of 0.067, CMIN/DF score of 1.281, CFI score of 0.979, and RMSEA score of 0.030.

Table 4 shows results of the hypotheses testing for the second modified model. Three paths, including H3, H4, and H7, had a C.R. score of 6.971, 7.751, and 2.265, respectively. Another path, H9, had a C.R. score of 1.960. All paths are considered significant.

The third modified model: service quality as the independent variable

The third model (Figure 8) uses service quality as the dependent variable and achieves a fitness with a probability score of 0.050, CMIN/DF score of 1.161, CFI score of 0.980, and RMSEA score of 0.028.

Table 5 shows that all paths tested had a C.R. score greater than 1.96. The first path, the impact of service quality on perceived product quality, had a C.R. score of 8.566. The second path, the impact of service quality on perceived price, had a C.R. score of 5.842. The third path, the impact of perceived product quality on customer satisfaction

had a C.R. score of 4.541. Lastly, the impact of perceived price on customer satisfaction had a C.R. score of 2.451.

Discussion

Product quality

The first hypothesis predicts the impact of product quality on customer satisfaction. With a C.R. score of 1.096, product quality has an insignificant impact on customer satisfaction. This finding is insignificant with existing studies (Djatmiko et al., 2015; Ryu & Han, 2010; Saidani & Ariffin, 2012). Wang et al. (2016) suggest that for traditional market consumers, a high level of outcome quality is one of the most significant factors to make them satisfied and repurchase. Nevertheless, Kim and Shim (2017) indicate that Coffee shop customers put importance on the elements of price, discount systems, taste, and freshness, but more on courteous and kind services of coffee shop employees or relaxed and calming atmosphere of inner spaces.

In the first modified model, product quality was linked to perceived service quality and perceived price. This attempt produced C.R. scores of 8.628 and 6.545, respectively, that indicated significance. In the second and third modified models, product quality was

Table 2. Results of summary of hypotheses testing.

<table>
<thead>
<tr>
<th></th>
<th>C.R.</th>
<th>P</th>
<th>Results</th>
</tr>
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<tbody>
<tr>
<td>H1</td>
<td>Product quality → Customer satisfaction</td>
<td>1.096</td>
<td>0.273</td>
</tr>
<tr>
<td>H2</td>
<td>Service quality → Customer satisfaction</td>
<td>0.377</td>
<td>0.706</td>
</tr>
<tr>
<td>H3</td>
<td>Price → Customer satisfaction</td>
<td>0.753</td>
<td>0.452</td>
</tr>
</tbody>
</table>

Figure 5. Structural model of hypotheses testing.
adapted as perceived product quality and it was linked to customer satisfaction. The path had C.R. scores of 1.960 and 4.541, respectively, that showed significances. Quality of the products offered at Pasar Santa did not help satisfying visitors. However, this quality worked well to influence perceptions of service and price.

**Service quality**

The second hypothesis predicts the impact of service quality on customer satisfaction. With a C.R. score of 0.753, this hypothesis is rejected. This finding is insignificant with prior studies (Djatmiko et al., 2015; Kaiman & Zani, 2013; Kim & Shim, 2017; Orel & Kara, 2014).

In the first and second modified models, service quality was adapted as perceived service quality and it was linked to customer satisfaction. These two paths had C.R. scores of 4.822 and 2.265 that showed significances. Therefore, H11 was accepted. In the third modified model, service quality could not be linked to customer satisfaction due to insignificance. Therefore, service quality was only linked to perceived product quality and perceived price with C.R. scores of 8.566 and 5.842, respectively. These paths were significant. This finding alarms the market that respondents were not satisfied with inadequate service. However, the service quality given was valued rising respondents’ perception toward quality of product as well as price.

*Figure 6. Structural model of the first modified model.*
Price

The third hypothesis predicts the impact of price on customer satisfaction. This path has a C.R. score of 0.377. Therefore, H₃ is rejected. This finding is insignificant with prior studies conducted by Haghighi et al. (2012), Kaiman and Zani (2013) and Runtunuwu et al. (2014). In the first and third modified models, price was adapted as perceived price (H₁₂). In the first modified model, the path owned a C.R. score of 1.838 showing insignificance. On the other hand, in the third model, it had a C.R. score of 2.451 signaling a significance. In the second modified model, price was linked to perceived service quality and perceived product quality. The path had C.R. scores of 6.971 and 7.751, respectively, that show significances. Price could not affect customer satisfaction directly (H₃). However, when it was linked to perceive service quality (H₆) and perceived product quality (H₇), price had a positive and significant influence. Visitor of Pasar Santa might argue that price was not right for creating their satisfaction. However, when the price was mediated by perceived service quality and perceived product quality, their perception about the price was better.

Furthermore, when product quality significantly affected perceived price in the third modified model (H₈), perceived price insignificantly affected customer satisfaction (H₁₂) in the first modified model. On the other hand, when service quality significantly affected perceived price (H₅), perceived price significantly affected customer satisfaction (H₁₂). In this case, there were different roles between service quality and product quality.
influencing perceived price. Product quality was considered more important giving a significant influence than service quality on customer satisfaction. Moreover, visitors
of Pasar Santa might think that product quality was more important than service quality.

**Conclusion**

This study aimed to measure the impact of product quality, price, and service quality on customer satisfaction. Visitors of a traditional market with a face and coffee shop colony were chosen as samples. Based on the calculation of structural equation model, these three variables failed to predict customer satisfaction. Therefore, the authors built another three modified models to understand the role of each variable. Following the consumer behavioral theory, ‘input’ cannot affect another ‘input’. Thus, product quality, price, and service quality were adapted as perceived product quality, perceived price, and perceived service quality in the modified models. In this case, perceived product quality, perceived price, and perceived service quality were considered as ‘processes’.

These findings have important implications for traditional market management, particularly the Pasar Santa management. However, perceived product quality, perceived price, and perceived service quality are the most significant elements which most traditional markets offer and eventually impact the overall customer satisfaction and experience. The innovative idea of making a colony of café and coffee shop evidently could attract visitors, not just in number, but also those who are younger and living far away from Pasar Santa location. These findings also broaden literature relating to consumer behavior of traditional markets. Therefore, it presents opportunities for future research. In particular, the study could be replicated in other settings to consider whether there are variables within this particular case study that have influenced the results. Additionally, future research could concentrate on enhancing the product and service quality of traditional markets.

Data were collected in 2015 when Pasar Santa was at a peak in popularity. The findings might be different if the same study is repeated in the situation that the number of visitors decreases. However, future studies may consider factors that might influence behavioral intention to revisit this kind of market and also include market atmospherics. According to Kotler (1973), an attractive atmosphere can be used as a marketing tool. This idea is supported by Mehrabian and Russell (1974) who argued that atmosphere can influence a person’s emotion and mood. Also, to include psychographic aspects, such as sensation seeking, variety seeking, and novelty-seeking personalities as what was occurring at Pasar Santa was a phenomenon. Furthermore, as the trend of visitors to the market decreased lately, it is also important to explore customers’ barriers for returning.

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