Article

THE INFLUENCE OF DIGITAL MARKETING AND SERVICE QUALITY ON CONSUMER PREFERENCES FOR COFFEE SHOPS IN MALANG CITY

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ABSTRACT
The coffee shop industry has experienced heightened competitiveness, propelled by the consistent growth in coffee consumption and production. Evolving beyond mere purveyors of coffee, these establishments have become significant social hubs, especially among student communities. This study aims to explore the impact of digital marketing and service quality on consumer preferences within the coffee shop landscape in Kota Malang, Indonesia. The evaluation of service quality employs the “SERVQUAL” theory, encompassing five dimensions, while digital marketing, utilizing technology and social media for product promotion, is grounded in the 4P theory. Employing nonprobability sampling, the study gathered responses from 162 participants aged 12-27 residing in Malang City, frequenting various coffee shops. Utilizing the Smart PLS 3.0 program, the data underwent rigorous analysis, passing validity, reliability, normalcy, linearity, and multicollinearity tests. The study investigates the influence of digital marketing (X1) and service quality (X2) on customer preferences through path analysis (Y). The findings indicate that both digital marketing and service quality exhibit partial yet significant effects on customer preferences. Simultaneously, when considered together, these variables exert a noteworthy positive influence on customer preferences, with service quality emerging as the most impactful determinant.

KEYWORDS:
Coffee Shop, Digital Marketing, Service Quality, Consumer Preferences

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INTRODUCTION

Indonesia, along with Brazil, Vietnam, and Colombia, is often regarded as one of the world’s top coffee producers (Szenthe, 2019). The country’s ideal geographical and climatic conditions promote the possibility of producing high-quality coffee beans such as robusta, arabica, eksela, and liberika kinds. National coffee output reached 660 thousand tons in 2021 (bps, 2022), with coffee consumption increasing steadily throughout the years (Rohmah & Subari, 2021). The rise in coffee production by 11% in 2022, totaling 794.8 thousand tons, solidified Indonesia’s position as one of the world’s leading coffee producers (As’ad & Aji, 2020). In Indonesia, coffee consumption is more than 2.5 cups per person per day, and the International Coffee Organization (ICO) reported a considerable growth in coffee consumption for the 2020/2021 timeframe (Mahmudan, 2022).

Coffee shop culture has grown in popularity in Indonesia, attracting individuals from all walks of life, notably students, who frequent these places for a variety of purposes such as discussions, information exchange, work, and social gatherings (Hakim & Amir, 2022) to find out the change in the meaning of a coffee shop as a space for socio-cultural entities, and to find out the change in the meaning of a coffee shop as an effective political tool. This paper uses a naturalistic (qualitative. Hanging out at coffee shops has been a common trend in Indonesia, with coffee shops not only providing a venue to enjoy
coffee but also smoothly blending into modern society. According to Hakim and Amir (2022) to find out the change in the meaning of a coffee shop as a space for socio-cultural entities, and to find out the change in the meaning of a coffee shop as an effective political tool. This book chapter uses a naturalistic (qualitative, hanging out in coffee shops can boost mood and concentration, particularly during work hours.

Furthermore, Andrew P. Smith (2008) discovered that caffeine ingestion from coffee can reduce fatigue and improve cognitive performance in persons engaged in long-term professional tasks. However, excessive coffee use, on the other hand, can pose several health hazards, including an increased risk of cardiovascular disease, addiction, and insomnia (Smith, 2008). Aside from physical benefits, spending time in coffee shops has been shown to improve mental and social well-being, with higher subjective well-being and good social connections that aid in stress and anxiety reduction (Hwang & Choi, 2020).

The booming coffee production and consumption have led to heightened competition in the coffee shop industry. Coffee shop owners are vying to provide comfortable environments for customers to retain their market share. Additional facilities, such as free Wi-Fi and co-working spaces, play critical roles in influencing consumer preferences (Be, 2021). The availability of such additional services can become a determining factors in selecting coffee shops, especially for customers seeking convenient internet access and comfortable workspaces.

In line with these developments, the number of coffee shops in Kota Malang has been steadily increasing in recent years. While this growth is indicative of a thriving coffee culture, it has also resulted in intensified competition, leading some coffee shops to face closure (Mazda, 2019). Being a university town, Kota Malang is filled with academic and non-academic activities that contribute to its unique identity. Gisella Andari Wijaya’s study (2017) shows that coffee shops have become highly sought-after places for students in Malang, serving as popular spots for hanging out, studying, and socializing.

The advancement of information technology has brought significant changes to the business world, altering the way companies
manage information and conduct their processes (Cinar & Enginkaya, 2014). This progress has also affected the coffee shop industry, with many establishments adopting technology to enhance their services. Utilizing social media, launching ordering applications, implementing digital payment systems, and introducing automated coffee machines are some of the techniques implemented by local coffee shops like Janji Jiwa, Pesan Kopi, and Tanamera. These initiatives have enabled these coffee shops to build a strong brand image and become preferred choices for consumers. However, some coffee shops have faced closure due to various reasons, including insufficient technological innovations and low customer satisfaction regarding taste and price, despite adequate facilities and services (Haristianti, 2021). Hence, it is essential to investigate the relationship between digital marketing, service quality, and consumer preferences in coffee shops in Kota Malang.

This research employs a quantitative research method to gather data on the relationship between digital marketing and service quality and their impact on consumer preferences in coffee shops in Kota Malang. The study’s primary objective is to gain a deeper understanding of how digital marketing and service quality influence consumer preferences in choosing coffee shops.

Existing studies have shown the relevance and influence of digital marketing on consumer preferences. Gede Wisnu Saputra and I Gusti Agung Ketut Sri Ardani (2020) found a significant effect of digital marketing and service quality on purchase decisions. Meanwhile, Desie Wijayanti, Suyanto, and Sukses (2023) reported a positive relationship between digital marketing and purchase decisions, while service quality exhibited a negative association. Furthermore, digital advertising, as part of marketing, has an impact on consumer behavior, such as consumer concerns about products and brands (Alamsyah et al., 2021).

This research will refer to several relevant theories and concepts, including the Theory of 4P in marketing (Product, Price, Place, Promotion) developed by marketing expert Jerome McCarthy (1960). McCarthy discussed these four elements as the main components of the marketing mix that marketers should consider to achieve success.
in marketing products or services. Additionally, this study will be based on the “SERVQUAL” theory proposed by Valarie Zeithaml, A. Parasuraman, and Leonard Berry (Parasuraman et al., 1988). This theory encompasses five dimensions of service quality: reliability, responsiveness, assurance, empathy, and tangibles.

Based on the conducted literature review, research specifically investigating the effect of digital marketing and service quality on consumer preferences for coffee shops is still limited. This study aims to contribute to filling this knowledge gap and provide valuable insights for coffee shop entrepreneurs and other relevant parties.

THEORETICAL REVIEW

4p Marketing Theory

Andreas Kaplan and Michael Haenlein (2010) defined digital marketing as a modern business practice that involves marketing products and services using digital media. In this concept, digital media includes electronic devices such as computers, smartphones, and tablets, as well as the internet as the primary medium to reach the target market. Utilizing digital media opens up various possibilities for marketing strategies, including through social media, email, SEO, and other digital approaches (Kaplan & Haenlein, 2010).

Digital marketing has evolved from McCarthy’s (1960) 4P theory in marketing. The 4P theory is a widely used framework for developing effective marketing strategies, comprising four elements:

a. Product: This element involves developing and offering products or services that meet customer needs and desires. It includes determining product features, quality, branding, design, and packaging to be presented to the market.

b. Price: This element relates to setting the appropriate price for the products or services offered. Price determination should consider production costs, desired profit margins, competitor pricing, and the value provided by the products or services to customers.

c. Place: This element concerns the distribution of products or services to customers. It includes selecting the right
distribution channels, product placement strategies in the market, supply chain management, and product availability in easily accessible locations for customers.

d. Promotion: This element involves promotional efforts to introduce, advertise, and effect the target market to be interested in purchasing the products or services. Promotion includes various activities such as advertising, personal selling, sales promotions, and other marketing activities aiming to achieve effective communication with customers.

According to Philip Kotler and Kevin Keller (Kotler, 1997), digital marketing is the utilization of digital technology and online platforms to design, promote, deliver, and retain value for customers through various marketing activities. Digital marketing involves using the internet, mobile devices, social media, search engines, email, and other digital technologies to achieve marketing goals.

**Service Quality**

Customer satisfaction is the feeling of pleasure or disappointment that arises after comparing the perceived performance of a product to the expected performance (Apriyani, 2017). According to Zeithaml, Bitner, and Gremler (Alan et al., 2016), service quality is based on the concept of customer satisfaction, which is the feeling of pleasure or disappointment that results from evaluating products or services. Customer satisfaction is the evaluation customers make regarding whether the products or services meet their needs and expectations. Therefore, service quality is defined as the extent to which services meet or exceed customer expectations.

Service quality, as proposed by Parasuraman, Zeithaml, and Berry (Parasuraman et al., 1988), is known as SERVQUAL. Customer preferences involve evaluating products or services to determine whether they meet customers’ needs and expectations. Hence, companies must deliver good service quality to meet customers’ expectations and needs, thereby increasing customer satisfaction and loyalty. SERVQUAL encompasses five dimensions of service quality: Reliability, which indicates a coffee shop’s ability to provide services consistently, accurately, and reliably; Responsiveness, which refers
to how quickly and effectively a coffee shop responds to customer requests, inquiries, or complaints; Assurance, which reflects the confidence and trust customers have in a coffee shop’s ability to deliver quality services; Empathy, which explain a coffee shop’s ability to understand and respond to individual customer needs and desires; and Tangibles, which involves the physical and material aspects that can influence customers’ perceptions of service quality.

Consumer Preferences

Consumer preferences relate to the priorities consumers have for various choices of products and services (Kotler & Keller, 2016). Consumer preferences are crucial factors in business success. Business operators need to understand consumer preferences and tailor their products or services accordingly. In the context of coffee shop businesses, consumer preferences may be related to brand image, service quality, taste, or modern touches (As’ad & Aji, 2020). According to Kotler and Keller, there are three patterns of preferences:

a. Homogeneous preferences: A market where all consumers roughly have the same preferences for a specific product and brand.

b. Heterogeneous preferences: A market where all consumers roughly have different preferences for a specific product and brand.

c. Clustered preferences: A market where all consumers roughly have different preferences for a specific product and brand, but there are clusters of consumers with similar preferences.

Building consumer preferences, as stated by Kotler and Keller, involves evaluating various brands in a product category to shape consumer preferences for a specific product. Therefore, coffee shop operators need to understand consumer preferences to develop effective and efficient marketing strategies and services (Zhou & Piramuthu, 2014). Five elements of consumer preferences affect consumer choices of products or services (Kotler & Armstrong, 2008):

a. Purchase Intention: This includes the inclination or desire of consumers to purchase a product or use a service from a
specific brand or company. Purchase intention reflects the level of interest consumers have in the offered product or service.

b. Brand Preference: This measures coffee shop how often consumers choose a particular brand over competing brands in the same category. Brand preference is an indicator of how much a specific brand becomes the primary choice for consumers.

c. Customer Satisfaction: This evaluates the level of customer satisfaction with the product, service, or experience provided by a company or brand. Customer satisfaction is an important factor in shaping preferences and customer loyalty.

d. Customer Loyalty: This reflects the extent to which consumers tend to remain loyal customers and repurchase from a specific brand or company. Customer loyalty is the result of repeated positive experiences and high levels of satisfaction.

Intention to Recommend: This measures the willingness of consumers to recommend a product or service from a specific brand or company to others. Intention to recommend indicates the level of trust consumers have in that brand.

MATERIALS AND METHODS

The study took a quantitative approach, gathering measurable data in numerical form and then analyzing it statistically. The convenience sampling approach was utilized to choose the study’s sample, which included 162 Malang City respondents who were willing to participate in the study aged 12 to 27 years (Generation Z). Primary data was collected by distributing questionnaires to individuals who frequently visit coffee shops.

Data analysis is carried out using analytical techniques such as validity, reliability, normality, linearity, and multicollinearity testing using the SmartPLS 3.0 program. This kind of analysis ensures that the data gathered is of high quality and dependable enough to draw
accurate conclusions. The results of this data analysis serve as the basis for making careful and reliable conclusions. The research seeks to offer meaningful and valid data on the impact of digital marketing and service quality on coffee shop consumer preferences using these analytical tools.

RESULTS AND DISCUSSIONS

Measurement Model Evaluation

Based on the assessment of the measurement model of the bootstrapping result on the PLS method, testing against each indicator that reflects the latent variable can be described as follows:

Convergent Validity

<table>
<thead>
<tr>
<th></th>
<th>Cronbach’s Alpha</th>
<th>Rho A</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 Digital Marketing</td>
<td>0.947</td>
<td>0.950</td>
<td>0.594</td>
</tr>
<tr>
<td>X2 Kualitas Pelayanan</td>
<td>0.930</td>
<td>0.931</td>
<td>0.673</td>
</tr>
<tr>
<td>Y Preferensi Konsumen</td>
<td>0.910</td>
<td>0.914</td>
<td>0.615</td>
</tr>
</tbody>
</table>

Discriminant Validity

The discriminatory validity is measured using a square root of an Average Variance Extracted (\(\sqrt{AVE}\)) of 0.50. If the square root value of the extracted mean-variance for each variable is higher than the AVE value and there is a correlation between the latent variable and the other latent variable, then the variable instrument is deemed to have adequate discriminating validity. The measurement results indicate that the data has been validly verified.
Discriminant Reliability

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Composite Reliability</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Marketing (X1)</td>
<td>0,957</td>
<td>Reliable</td>
</tr>
<tr>
<td>Kualitas Pelayanan (X2)</td>
<td>0,927</td>
<td>Reliable</td>
</tr>
<tr>
<td>Preferensi Konsumen (Y)</td>
<td>0,936</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Composite reliability tests the degree of reliability between the indicators that make up a structure. The result of the composite reliability is considered good when the value exceeds 0.50 (Ghozali, 2015). The results of the test of the compound reliability in this study measurement model show a higher figure than the √AVE value (> 0.5), which indicates that the data was reliable.

Evaluasi Goodness of Fit Model

<table>
<thead>
<tr>
<th>Model Struktural</th>
<th>Model Variabel Dependen</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Preferensi Konsumen (Y)</td>
<td>0,713</td>
</tr>
</tbody>
</table>

The Goodness of Fit Model is a metric used to determine how well a statistical model fits the data that has been collected. One common metric used to improve the Goodness of Fit Model is R-squared (R2), which improves several good models for analyzing data variance. R-squared has a range of 0 to 1, with the higher the number, the better the model’s fit to the data. The data analysis showed that the R Square value was 0,713.

Significance Test

|                         | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|-------------------------|---------------------|-----------------|-----------------------------|-----------------------------|----------|
| X1 Digital Marketing -> Y Consumer Preference | 0,295               | 0,301           | 0,081                       | 3,624                       | 0,000    |
| X2 Service Quality -> Y Consumer Preference      | 0,610               | 0,605           | 0,071                       | 8,605                       | 0,000    |

The testing of the internal model is performed when the relationship model is built in this research by the observation data.
and the overall conformity of the model. (Q-Square). The goal of the research on structural relations models is to understand the relationships between the variables studied. Structural model and hypothesis testing are carried out from the output of the PLS model by looking at the estimated value of a significant path coefficient at α = 0.05.

**Hypothesis Test**

| Original Sample (O) | T Statistics (|O/STDEV|) | P Values | Description |
|---------------------|--------------------------|----------|-------------|
| X1 Digital Marketing | 0.295                    | 3.624    | 0.000       | Significant |
| -> Y Consumer Preference|
| X2 Service Quality | 0.610                    | 8.605    | 0.000       | Significant |
| -> Y Consumer Preference|

Hypothesis testing and path coefficient of direct effect between digital marketing variables and service quality. Of the two direct effects tested, both variables have a positive and significant effect.

**DISCUSSION**

**Digital Marketing has a positive and significant influence on Consumer Preferences**

The test results show that digital marketing has a positive effect on coffee shop consumer preferences with an estimated path coefficient of 0.295 and a positive direction. This means that the more intensive the effort in using digital marketing, the more consumer preference for the coffee shop increases. The significance results are indicated by a p-value of 0.000, which is smaller than α (significance level) of 0.05. This indicates that the effect of digital marketing on consumer preference is statistically significant. Thus, the hypothesis (H1) which states that digital marketing has a positive and significant effect on consumer preferences is accepted. This indicates that coffee shops that are more active in utilizing digital marketing, including the use of social media, have a greater chance of attracting consumer preferences.

Marketing is one of the crucial components in managing a business. Without a good marketing strategy, products or services,
whether in the form of goods or services, will be difficult to reach and attract the attention of consumers. Therefore, it requires continuous efforts in the form of promotion, advertising, and effective interaction with consumers. Through these steps, the product or service can be better recognized, valued, and demanded by the target market, helping to create sustainable business success and growth.

In addition, in the digital marketing variable, there are supporting indicators that can affect consumer preferences. These include the ability of coffee shops to develop products and services, set appropriate prices, determine strategic locations, and increase promotions through digital media. These steps can help coffee shops achieve sales targets and attract more customers. The use of digital media as a marketing tool is supported by the results of previous studies conducted by various researchers, such as (Saputra & Ardani, 2020), (Alamsyah et al., 2021), and (Wijayanti et al., 2023). These studies show that digital marketing has a positive effect on consumer preferences in various contexts.

**Service Quality has a positive and significant influence on Consumer Preferences**

The test results show that service quality has a positive effect on coffee shop consumer preferences. The estimated value of the path coefficient is 0.610 and the direction is positive. This means that the better the quality of service provided by the coffee shop, the higher the consumer preference to visit the coffee shop. The significant results are evidenced by the p-value of 0.000, which is smaller than the significance level (α) of 0.05. This shows that the influence of service quality on consumer preference is statistically significant.

Service is a key foundation that shapes the success of a business. Good service is not just about delivering a satisfactory product or service, but also about creating a positive and memorable experience for consumers. Quality service can differentiate a business from its competitors. When consumers feel well-treated, they tend to be loyal and will come back for more. In addition, consumers who are satisfied with the service are also likely to give positive recommendations to friends and family, which can be a valuable organic promotion.
In addition, good service also creates a strong relationship between businesses and consumers. This allows businesses to better understand consumer needs and preferences, which in turn can be used to improve the products or services offered.

Thus, the hypothesis (H2) which states that service quality has a positive and significant effect on consumer preference is accepted. This indicates that coffee shops that can provide consistent service, responsive to consumer needs, have quality assurance, and empathy towards customers, and are tangible in their services, have a greater chance of becoming a consumer visit preference. This result is also supported by the findings of previous research conducted by Apriyani (2017), Gede Wisnu Saputra and I Gusti Agung Ketut Sri Ardani (2020) that service quality has a positive effect on consumer preference.

**Digital Marketing (X1) and Service Quality (X2), simultaneously influence Consumer Preference (Y)**

Based on the calculation results, the $R^2$ (R-squared) value was found to be 0.713, or equivalent to 71.3%. This indicates that the model used in this study is able to explain 71.3% of the variation in Consumer Preferences. The remaining 28.7% of the variation is explained by other factors not included in this research model. Thus, it can be concluded that the hypothesis (H3) which states that digital marketing and service quality have a positive and significant influence simultaneously on consumer preferences has been proven and can be accepted. These results indicate that digital marketing and service quality play an important role in shaping consumer preferences for coffee shops. However, other factors outside the research model also contribute to consumer preferences.

The result aligns with the current trend, where the role of digital marketing and customer experience is crucial in determining the success of a business, including coffee shops. The results, supported by a relatively high $R^2$ value (71.3%), indicate that the model used can explain a significant portion of the variation in consumer preferences. However, it’s essential to note that approximately 28.7% of the variation remains unexplained by the factors included in this study, suggesting the presence of other factors influencing consumer preferences. Therefore, for a more detailed exploration of these factors
and to strengthen the findings, further research or the inclusion of specific variables may be necessary.

It is also aligns with existing research that indicates there is evidence suggesting both digital marketing and service quality can influence consumer preferences. Digital marketing can have a significant impact on consumer behavior and loyalty (Mukhtar et al., 2023). Personalized marketing communication, in particular, has emerged as a key strategy for internet retailers to establish meaningful relationships with consumers. Companies with a greater number of digital offerings tend to achieve higher customer satisfaction ratings (Dwivedi et al., 2021). Overall, it seems that both digital marketing and service quality can play a role in shaping consumer preferences. However, the effectiveness of personalized marketing can vary significantly among different consumer segments, necessitating further exploration of these dynamics.

CONCLUSIONS

The outcomes of the aforementioned research yield several noteworthy conclusions. Firstly, it is discerned that digital marketing exerts a partial influence on consumer preferences. Secondly, the quality of services, when viewed in isolation, also demonstrates a discernible impact on consumers’ preferences. Most significantly, the research reveals a simultaneous effect when both digital marketing and service quality are considered together, suggesting an intricate interplay between these factors in shaping consumer preferences. These findings provide valuable insights into the intricate dynamics of consumer preferences, shedding light on the nuanced ways in which digital marketing and service quality contribute to the decision-making processes of consumers. The implications of this study extend beyond mere academic discourse, offering practical guidance for companies seeking to enhance their marketing and service strategies. By understanding the individual and combined impacts of digital marketing and service quality, businesses can tailor their approaches to better align with consumer preferences, fostering increased satisfaction and loyalty. Nevertheless, it is essential to acknowledge the inherent limitations of
this research. The study’s foundation and model are confined to the variables under scrutiny within specific research domains. Therefore, it is recommended that future research endeavors encompass a more comprehensive array of factors and extend their reach to broader geographical and contextual landscapes. This approach will facilitate a more holistic understanding of the multifaceted dynamics influencing consumer preferences, thus contributing to the ongoing evolution of marketing and service strategies.

REFERENCES


