



# The Impact Of Product Quality On Customer Loyalty Through Customer Satisfaction Among Generation Z Consumers Of Kopi Kenangan In Makassar City

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**Abstract:** This study investigates the effect of product quality on customer loyalty with customer satisfaction serving as a mediating variable among Generation Z consumers of Kopi Kenangan in Makassar City. The study was motivated by the increasing competition within Indonesia's coffee shop industry and the declining Top Brand Index of Kopi Kenangan despite its strong brand recognition among Generation Z consumers. Grounded in Consumer Behavior Theory and Expectancy Disconfirmation Theory, this research employed a quantitative explanatory approach to examine the relationships among product quality, customer satisfaction, and customer loyalty. Data were collected from 110 Generation Z consumers who had purchased Kopi Kenangan products at least three times within the previous two months. Respondents were selected using purposive sampling, and data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS version 4.0.9.9. The measurement model demonstrated satisfactory validity and reliability, with all factor loadings exceeding 0.70, Average Variance Extracted (AVE) values above 0.50, and Composite Reliability values above 0.90. The structural model revealed that product quality has a positive and significant effect on customer satisfaction ( $\beta = 0.772, p < 0.001$ ) and customer loyalty ( $\beta = 0.241, p = 0.009$ ). Customer satisfaction also exerts a positive and significant influence on customer loyalty ( $\beta = 0.598, p < 0.001$ ). Furthermore, mediation analysis confirmed that customer satisfaction partially mediates the relationship between product quality and customer loyalty ( $\beta = 0.462, p < 0.001$ ), with a Variance Accounted For (VAF) value of 65.79%. These findings indicate that improving product quality enhances customer satisfaction, which subsequently strengthens customer loyalty. Therefore, maintaining consistent product quality and customer satisfaction is essential for sustaining long-term loyalty among Generation Z consumers in the highly competitive coffee shop industry.

**Keywords:** Product Quality, Customer Satisfaction, Customer Loyalty, Generation Z, Coffee Shop Industry.

## INTRODUCTION

The rapid growth of the food and beverage (F&B) sector in major urban areas reflects significant changes in the lifestyles of modern societies, which are becoming increasingly complex and lifestyle-oriented. Indonesia's social and economic transformation, characterized by the expansion of the middle class, rapid urbanization, and the widespread adoption of digital technologies, has fundamentally reshaped the way people perceive consumption. Consumption is no longer limited to fulfilling basic needs; rather, it has evolved into a means of self-expression, emotional experience seeking, and social identity construction.



According to Purnomo et al. (2021), this phenomenon is reflected in the increasing expenditure of urban households on recreational activities such as culinary experiences, shopping malls, and entertainment, which are increasingly packaged as lifestyle-based consumption activities. Alongside these societal developments, coffee shops have emerged as an integral component of contemporary consumer culture. Mario (2024) argued that coffee shops are no longer merely places where beverages are purchased but have transformed into modern public spaces where young people engage in social interactions, remote working activities, and self-image construction through social media platforms.

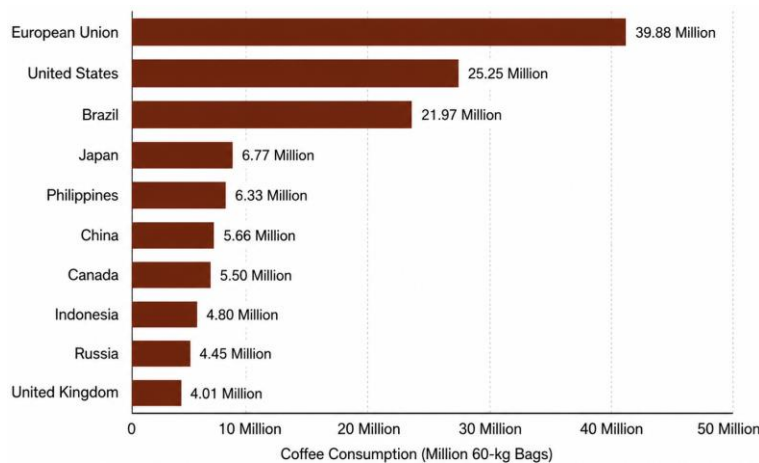


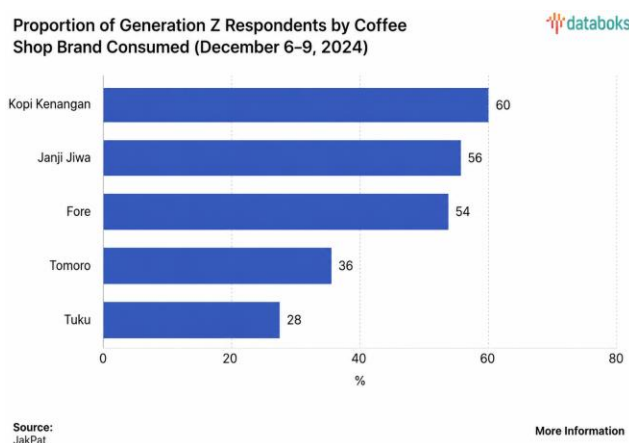
Figure 1. Top 10 Coffee-Consuming Countries in the World, 2024/2025  
Source: United States Department of Agriculture (USDA)

Based on projections from the United States Department of Agriculture (USDA, 2025), global coffee consumption reached 166.5 million bags of 60 kilograms each during the 2024/2025 marketing year. During this period, the European Union recorded the highest coffee consumption globally, accounting for 39.88 million bags or approximately 24% of total global coffee consumption. Indonesia ranked eighth worldwide, with coffee consumption reaching 4.8 million bags. Coffee consumption in Indonesia has shown a consistent upward trend over the past five years, indicating a growing public interest in coffee products.

The increasing popularity of coffee consumption has created substantial economic opportunities for the coffee shop industry. Based on the author's observations, this phenomenon is particularly evident in Makassar City, where coffee shops have experienced rapid growth and increasingly dominate traditional coffee stalls by offering additional value through aesthetic



environments, comfort, and dedicated working spaces that cater to the needs of urban consumers. Interestingly, this trend is largely driven by Generation Z, a demographic group known for its dynamic lifestyle, openness to new experiences, and tendency to perceive coffee shops not only as places to enjoy beverages but also as venues for social gatherings, work activities, and community engagement (Siregar et al., 2023). This generation tends to be more critical regarding product quality, service quality, and store concepts, thereby encouraging business operators to continuously innovate.



**Figure 2.** *Kopi Kenangan as the Most Frequently Consumed Coffee Shop Brand Among Indonesian Generation Z*  
Source: Katadata Databoks

According to a survey conducted by Jakpat and published through Databoks (Katadata, 2025), 896 out of 1,115 Generation Z respondents reported consuming coffee. Among these respondents, 316 individuals (35%) consumed coffee purchased from coffee shop chains. Kopi Kenangan emerged as the most consumed coffee shop brand, accounting for 60% of Generation Z consumers who regularly purchased coffee from coffee shops. These findings were reported in the *Gen Z Characteristics and Behaviors* report (Katadata, 2025), which examined the consumption behavior of Generation Z in Indonesia.

Kopi Kenangan represents a successful example of a local brand that has effectively capitalized on the market gap between traditional coffee stalls and global brands such as Starbucks. Its business strategy focuses on service efficiency, local flavor adaptation, and the utilization of digital technologies. The company has adopted a technology-driven approach through mobile application ordering systems, cashless payment methods, and Customer Relationship Management (CRM) systems to establish and maintain relationships with younger consumers.



Suryono and Natalia (2024) noted that Kopi Kenangan has successfully integrated high product quality with strong digital branding strategies that align with Generation Z preferences. Furthermore, its rapid expansion across major Indonesian cities demonstrates effective distribution strategies and a strong ability to adapt to evolving consumer behavior. Currently, Kopi Kenangan operates more than 1,000 outlets across 67 cities in Indonesia. In Makassar City alone, the company operates 17 outlets, including seven outlets located in shopping malls and ten outlets distributed throughout the city (Kopi Kenangan, 2025).

Brand	2023	2024	2025
Janji Jiwa	39.50%	44.80%	42.10%
Kopi Kenangan	39.70%	39.00%	39.30%
Kulo	7.50%	6.90%	9.50%
Fore	6.30%	5.40%	3.70%

*Table 1. Top Brand Index of Coffee Shop Brands, 2023–2025*  
*Source: Top Brand Award (2025)*

As shown in Table 1, Kopi Kenangan ranked first in Indonesia's coffee shop category in 2023, achieving a Top Brand Index (TBI) score of 39.70%. However, its TBI declined to 39.00% in 2024 and remained relatively stagnant at 39.30% in 2025. Consequently, Kopi Kenangan dropped to second place behind Janji Jiwa, which achieved the highest TBI score of 42.10% in 2025. This shift suggests that Kopi Kenangan's dominance as the leading coffee shop brand is no longer absolute, as its market position has begun to be challenged by key competitors.

This phenomenon indicates that Kopi Kenangan may be facing challenges related to customer loyalty. Although the company has successfully established strong brand awareness, such achievement does not automatically guarantee customer loyalty. Customer loyalty remains one of the primary objectives of contemporary marketing strategies because loyal customers are more likely to engage in repeat purchases, resist switching to competing brands, and provide positive word-of-mouth recommendations (Kusumawati & Adhilla, 2019). The changing behavior of consumers, particularly Generation Z, who tend to be highly selective and critical in evaluating product quality, makes them more likely to switch brands when their expectations are not met. This situation suggests that marketing strategies should not rely solely on popularity or brand recognition but must also emphasize customer satisfaction as a foundation for building long-term loyalty.



Customer satisfaction serves as a critical variable linking product quality and customer loyalty. Satisfied customers are more likely to make repeat purchases, exhibit greater tolerance toward minor product shortcomings, and recommend products to others (Wiratama et al., 2025). Within the context of Generation Z consumers, satisfaction is not solely derived from product taste or functional attributes but also encompasses emotional experiences, service quality, and brand relevance to their lifestyles. Consequently, customer satisfaction plays a crucial mediating role in fostering customer loyalty.

Product quality remains a fundamental determinant of both customer satisfaction and loyalty. A product is considered high-quality when it consistently fulfills customer needs and expectations in terms of taste, ingredients, packaging, and presentation (Yulisetiari et al., 2024). Generation Z consumers are widely recognized for being highly selective and critical when evaluating product quality; therefore, any negative experience may directly influence both satisfaction and loyalty. Products that meet or exceed customer expectations are more likely to generate satisfaction, which subsequently increases customers' willingness to remain loyal and engage in repeat purchasing behavior (Juliano et al., 2025). Accordingly, companies are expected not only to produce high-quality products but also to convince consumers that their products embody superior quality and a strong brand image (Arif & Syahputri, 2021).

According to Consumer Behavior Theory, customer loyalty is influenced by psychological processes involving perception, motivation, attitudes, and consumer experiences, in which product quality serves as the initial stimulus shaping consumers' value perceptions (Schiffman & Wisenblit, 2019). Similarly, Expectancy Disconfirmation Theory (EDT), proposed by Oliver (1980), posits that customer satisfaction occurs when product performance meets or exceeds customer expectations, whereas dissatisfaction arises when performance falls below expectations. Consequently, product quality that fulfills or surpasses customer expectations is expected to enhance customer satisfaction, ultimately leading to repeat purchases and stronger customer loyalty.

In addition to the empirical phenomenon described above, this study seeks to address inconsistencies within the existing literature. Several previous studies have reported conflicting findings regarding the relationships among product quality, customer satisfaction, and customer

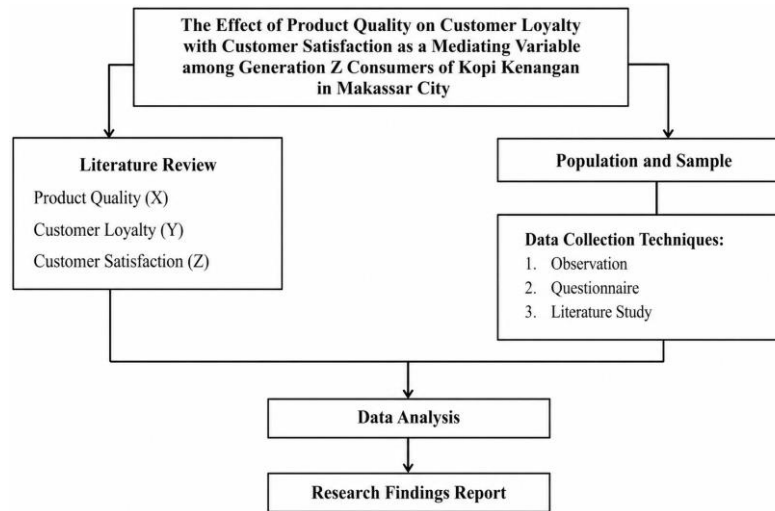


loyalty. For instance, Soetiyono and Alexander (2025) found that product quality does not directly influence customer loyalty, whereas Saputra and Nurlinda (2024) reported a positive and significant relationship between the two variables. Similar inconsistencies have been observed regarding customer satisfaction. Izzuddin and Muhsin (2020) concluded that product quality does not significantly affect customer satisfaction, while Hanif and Prakoso (2023) found the opposite result. These contradictory findings highlight the need for further investigation within a specific context, namely Generation Z consumers of Kopi Kenangan in Makassar City. Based on the aforementioned background, this study aims to examine the effect of product quality on customer loyalty with customer satisfaction as a mediating variable among Generation Z consumers of Kopi Kenangan in Makassar City.

## **METHOD**

### **Research Design**

This study employed a quantitative research approach using an associative-explanatory design to examine the causal relationships among the research variables. Quantitative research was selected because the data collected were numerical in nature and subjected to statistical analysis to test the proposed hypotheses objectively (Sugiyono, 2022). The associative-explanatory approach aims to investigate the relationships and causal effects among variables and to explain how one variable influences another, either directly or indirectly (Singarimbun & Effendi, 2019). Specifically, this study examined the effect of product quality on customer loyalty, with customer satisfaction serving as a mediating variable among Generation Z consumers of Kopi Kenangan in Makassar City. The proposed conceptual framework is presented in Figure 3.



*Figure 3. Research Framework*  
Source: Developed by the authors (2025)

### Population and Sample

The target population consisted of Generation Z consumers of Kopi Kenangan residing in Makassar City. Since the exact population size could not be determined, a non-probability sampling technique was employed. Specifically, purposive sampling was utilized to select respondents who met predetermined criteria relevant to the objectives of the study. The inclusion criteria for participation were as follows:

1. Residing in Makassar City;
2. Belonging to Generation Z, defined as individuals born between 1997 and 2012 (aged 13–28 years);
3. Having purchased Kopi Kenangan products at least three times within the previous two months.

The sample size was determined based on the recommendation of Hair et al. (2010), who suggested that the minimum sample size for Structural Equation Modeling (SEM) should range from five to ten times the number of observed indicators. Given that this study employed 22 measurement indicators, the minimum required sample size ranged from 110 to 220 respondents. Consequently, a total of 110 valid respondents were included in the final analysis.

### Data Collection Procedures

Data were collected using a combination of observation and questionnaire survey techniques. Observation was conducted to obtain contextual insights into consumer behavior within the coffee



shop environment. Meanwhile, the questionnaire survey was employed to collect structured responses regarding the constructs under investigation. The questionnaire was developed based on established theoretical constructs and previous empirical studies. All measurement items were operationalized into closed-ended statements and assessed using a four-point Likert scale ranging from 1 (“strongly disagree”) to 4 (“strongly agree”). The use of a four-point scale was intended to reduce neutral responses and encourage respondents to express clear opinions regarding each statement.

### **Instrument Development and Validation**

Prior to the main survey, a pilot test (pretest) was conducted involving 30 respondents who possessed characteristics similar to those of the target population. The pilot study aimed to evaluate item clarity, comprehensibility, and content appropriateness. Feedback obtained from the pretest was used to refine the questionnaire before full-scale data collection. The research instrument consisted of three latent constructs:

1. **Product Quality (X)**, measured using ten indicators;
2. **Customer Satisfaction (Z)**, measured using six indicators;
3. **Customer Loyalty (Y)**, measured using six indicators.

Following the pilot study, validity and reliability assessments were performed to ensure the adequacy of the measurement instrument. Validity testing was conducted to verify whether each measurement item accurately represented the intended construct, whereas reliability testing was performed to assess the internal consistency of the instrument (Sugiyono, 2022).

### **Data Analysis Technique**

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS version 4.0.9.9. PLS-SEM was selected because it is suitable for predictive and exploratory research, accommodates relatively small sample sizes, and is effective in analyzing complex relationships involving latent variables (Hair et al., 2021). The analysis was conducted in two stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model).

### **Measurement Model Assessment**

The measurement model was assessed through the following procedures:



1. **Convergent Validity**, evaluated using factor loadings and Average Variance Extracted (AVE). Factor loading values above 0.70 and AVE values above 0.50 indicate satisfactory convergent validity (Hair et al., 2021).
2. **Discriminant Validity**, assessed using cross-loadings and the Heterotrait–Monotrait Ratio (HTMT). HTMT values below 0.90 indicate adequate discriminant validity among constructs (Henseler et al., 2015).
3. **Reliability Assessment**, measured using Composite Reliability (CR) and Cronbach’s Alpha. Values exceeding 0.70 indicate acceptable internal consistency reliability (Hair et al., 2021).

### Structural Model Assessment

The structural model was evaluated through:

1. **Coefficient of Determination ( $R^2$ )** to assess the explanatory power of the endogenous constructs;
2. **Predictive Relevance ( $Q^2$ )** to evaluate the model’s predictive capability using the blindfolding procedure;
3. **Model Fit Assessment**, including the Standardized Root Mean Square Residual (SRMR);
4. **Hypothesis Testing**, performed through the bootstrapping procedure to examine the significance of direct, indirect, and total effects among variables.

The significance of the hypothesized relationships was determined based on a significance level of 5%, where hypotheses were accepted if the p-value was below 0.05 and the t-statistic exceeded 1.96 (Hair et al., 2021). Through these analytical procedures, the study examined both the direct effect of product quality on customer loyalty and the indirect effect mediated by customer satisfaction among Generation Z consumers of Kopi Kenangan in Makassar City.

## RESULTS AND DISCUSSION

### Result

#### Data Collection and Respondent Profile

This study was conducted among Kopi Kenangan customers in Makassar City through the distribution of questionnaires and direct visits to eleven Kopi Kenangan outlets located throughout the city. Data collection was carried out over a two-month period using an online questionnaire consisting of ten items measuring Product Quality (X), six items measuring Customer Loyalty (Y),



and six items measuring Customer Satisfaction (Z). All measurement items were assessed using a four-point Likert scale to capture respondents' perceptions and evaluations regarding each statement.

A total of 119 questionnaires were collected. After the screening process, nine responses were excluded because they did not meet the predetermined criteria. Consequently, 110 valid questionnaires were retained and analyzed in accordance with the established sampling requirements. The study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS version 4.0.9.9. The analytical procedure consisted of three stages, namely measurement model evaluation (outer model), structural model evaluation (inner model), and hypothesis testing.

### Measurement Model Assessment (Outer Model)

#### *Convergent Validity*

The measurement model was first evaluated by examining indicator reliability through factor loadings. The results demonstrated that all indicators achieved loading values greater than 0.70, indicating satisfactory indicator reliability and convergent validity (Hair et al., 2021). The factor loading values ranged from 0.763 to 0.898 across all constructs, confirming that each indicator adequately represented its respective latent variable. Convergent validity was further assessed using the Average Variance Extracted (AVE). According to Hair et al. (2021), AVE values exceeding 0.50 indicate that a latent construct explains more than half of the variance of its indicators. The AVE values obtained were as follows:

<b>Construct</b>	<b>AVE</b>
Customer Satisfaction	0.726
Product Quality	0.671
Customer Loyalty	0.766

*Table 2. AVE values obtained*

All AVE values exceeded the recommended threshold of 0.50, indicating that convergent validity was successfully established for all latent constructs.

#### *Discriminant Validity*

Discriminant validity was evaluated using both Cross-Loadings and the Heterotrait-Monotrait Ratio of Correlations (HTMT). The cross-loading assessment revealed that each



indicator loaded more strongly on its intended construct than on any other construct within the model. This finding confirms that the indicators possess sufficient discriminant validity and effectively distinguish one construct from another. To further verify discriminant validity, HTMT analysis was performed. Hair et al. (2021) suggested that HTMT values should remain below 0.90 to indicate adequate discriminant validity. The HTMT values obtained were:

Construct Relationship	HTMT Value
Product Quality – Customer Satisfaction	0.822
Product Quality – Customer Loyalty	0.840
Customer Satisfaction – Customer Loyalty	0.742

**Table 3.** HTMT values obtained

Because all HTMT values were below 0.90, discriminant validity was confirmed, indicating that the constructs measured distinct conceptual domains.

#### *Reliability Assessment*

Construct reliability was assessed using Composite Reliability (CR) and Cronbach’s Alpha coefficients. The Composite Reliability values were:

Construct	Composite Reliability
Customer Satisfaction	0.941
Product Quality	0.953
Customer Loyalty	0.952

**Table 4.** Composite Reliability values

All CR values exceeded the recommended threshold of 0.70, indicating excellent internal consistency reliability.

In addition, Cronbach’s Alpha coefficients were examined to assess internal consistency among indicators.

Construct	Cronbach’s Alpha
Customer Satisfaction	0.925
Product Quality	0.945
Customer Loyalty	0.939

**Table 5.** Cronbach’s Alpha coefficients

All Cronbach’s Alpha values were substantially above the minimum criterion of 0.70, demonstrating excellent reliability. These results indicate that all indicators consistently measure their respective latent constructs and are therefore suitable for further structural analysis.

#### **Model Fit Assessment**



The overall model fit was evaluated using the Standardized Root Mean Square Residual (SRMR), which provides an indication of the discrepancy between the observed and predicted correlation matrices.

The model fit results are presented below:

Fit Index	Saturated Model	Estimated Model
SRMR	0.046	0.046
d_ ULS	0.537	0.537
d_ G	0.428	0.428
Chi-square	249.403	249.403
NFI	0.886	0.886

*Table 6. model fit results*

According to Henseler et al. (2014), SRMR values below 0.08 indicate a good model fit. The SRMR value obtained in this study was 0.046, suggesting that the proposed model demonstrates an acceptable and satisfactory fit with the empirical data.

### Structural Model Assessment (Inner Model)

After establishing the adequacy of the measurement model, the analysis proceeded to the evaluation of the structural model. This stage aimed to examine the predictive capability of the model and the relationships among latent constructs.

#### *Coefficient of Determination (R<sup>2</sup>)*

The coefficient of determination (R<sup>2</sup>) was used to evaluate the explanatory power of the model.

Endogenous Variable	R <sup>2</sup>	Adjusted R <sup>2</sup>	Interpretation
Customer Satisfaction	0.596	0.593	Moderate
Customer Loyalty	0.639	0.632	Moderate

*Table 7. coefficient of determination*

According to Hair et al. (2021), R<sup>2</sup> values of 0.75, 0.50, and 0.25 indicate substantial, moderate, and weak explanatory power, respectively.

The results indicate that Product Quality explains 59.6% of the variance in Customer Satisfaction, while Product Quality and Customer Satisfaction jointly explain 63.9% of the variance in Customer Loyalty. These findings suggest that the model possesses moderate explanatory capability.

#### *Predictive Relevance (Q<sup>2</sup>)*

Predictive relevance was evaluated using the blindfolding procedure.



Endogenous Variable	Q <sup>2</sup>
Customer Satisfaction	0.589
Customer Loyalty	0.485

**Table 8.** Predictive relevance

Since all Q<sup>2</sup> values exceeded zero, the model demonstrated satisfactory predictive relevance, indicating that it possesses adequate capability to predict endogenous constructs beyond the estimation sample (Ghozali, 2016).

### Hypothesis Testing

Hypothesis testing was conducted to examine the relationships among latent variables through direct effects, indirect effects, and total effects. The significance of each relationship was determined based on the t-statistic and p-value obtained through the bootstrapping procedure. Following the recommendation of Ghozali and Latan (2015), a relationship is considered statistically significant when the t-statistic exceeds 1.645 and the p-value is below 0.05.

#### Direct Effects Analysis

The direct effect analysis was performed to evaluate the immediate influence of the independent variables on the dependent variables. The results of the bootstrapping procedure are presented in Table 9.

Relationship	$\beta$	STDEV	t-value	p-value
Customer Satisfaction → Customer Loyalty	0.598	0.085	7.063	0.000
Product Quality → Customer Satisfaction	0.772	0.034	22.555	0.000
Product Quality → Customer Loyalty	0.241	0.092	2.627	0.009

**Table 9.** Direct Effects

The results indicate that all hypothesized direct relationships are statistically significant.

Product Quality has a positive and significant effect on Customer Loyalty ( $\beta = 0.241$ ,  $t = 2.627$ ,  $p = 0.009$ ). This finding suggests that improvements in product quality directly contribute to stronger customer loyalty among Kopi Kenangan consumers in Makassar City. Product Quality has a significant positive effect on Customer Satisfaction ( $\beta = 0.772$ ,  $t = 22.555$ ,  $p < 0.001$ ). This result indicates that higher perceptions of product quality substantially increase customer satisfaction. Customer Satisfaction significantly influences Customer Loyalty ( $\beta = 0.598$ ,  $t = 7.063$ ,  $p < 0.001$ ). This finding demonstrates that satisfied customers are more likely to remain



loyal to the brand and engage in repeat purchasing behavior. Overall, all direct-effect hypotheses were supported.

*Indirect Effect Analysis*

The indirect effect analysis was conducted to determine whether Product Quality influences Customer Loyalty through Customer Satisfaction as a mediating variable.

Relationship	$\beta$	STDEV	t-value	p-value
Product Quality $\rightarrow$ Customer Satisfaction $\rightarrow$ Customer Loyalty	0.462	0.070	6.560	0.000

**Table 10.** Indirect Effect

The findings reveal that Product Quality exerts a significant indirect effect on Customer Loyalty through Customer Satisfaction ( $\beta = 0.462$ ,  $t = 6.560$ ,  $p < 0.001$ ). These results indicate that customer satisfaction serves as an important mechanism through which product quality enhances customer loyalty. Therefore, improvements in product quality not only influence loyalty directly but also strengthen loyalty indirectly by increasing customer satisfaction.

*Total Effect Analysis*

Total effect analysis was conducted to assess the overall influence of Product Quality on Customer Loyalty, incorporating both direct and indirect effects.

Relationship	$\beta$	STDEV	t-value	p-value
Customer Satisfaction $\rightarrow$ Customer Loyalty	0.598	0.085	7.063	0.000
Product Quality $\rightarrow$ Customer Satisfaction	0.772	0.034	22.555	0.000
Product Quality $\rightarrow$ Customer Loyalty	0.703	0.043	16.290	0.000

**Table 11.** Total Effects

The results demonstrate that all total effects are positive and statistically significant.

Notably, the total effect of Product Quality on Customer Loyalty ( $\beta = 0.703$ ) is substantially greater than its direct effect ( $\beta = 0.241$ ). This finding indicates that Customer Satisfaction strengthens the influence of Product Quality on Customer Loyalty.

*Mediation Analysis*

The Variance Accounted For (VAF) approach was employed to assess the magnitude of mediation.

Path	$\beta$	t-value	p-value	VAF	Result
Customer Satisfaction $\rightarrow$ Customer Loyalty	0.598	7.063	0.000	–	Supported
Product Quality $\rightarrow$ Customer Satisfaction	0.772	22.555	0.000	–	Supported
Product Quality $\rightarrow$ Customer Loyalty	0.241	2.627	0.009	–	Supported



Product Quality → Customer Satisfaction →	0.462	6.560	0.000	65.79%	Partial
Customer Loyalty					Mediation

*Table 12. Summary of Mediation Analysis*

The VAF value of 65.79% indicates that approximately 65.79% of the influence of Product Quality on Customer Loyalty is transmitted through Customer Satisfaction. According to Ghozali and Latan (2015), a VAF value between 20% and 80% indicates partial mediation. Therefore, Customer Satisfaction partially mediates the relationship between Product Quality and Customer Loyalty. This finding suggests that Product Quality influences Customer Loyalty both directly and indirectly through Customer Satisfaction. Consequently, enhancing product quality not only improves customers' perceptions of the product itself but also increases satisfaction, which subsequently strengthens loyalty.

## Discussion

### *The Effect of Product Quality on Customer Loyalty*

The findings indicate that Product Quality has a positive and significant effect on Customer Loyalty among Generation Z consumers of Kopi Kenangan in Makassar City. This result suggests that consumers who perceive the product as having superior quality are more likely to maintain long-term relationships with the brand, engage in repeat purchases, and recommend the product to others.

This finding is consistent with Consumer Behavior Theory, which posits that consumer evaluations of product attributes significantly influence behavioral intentions and loyalty formation (Schiffman & Wisenblit, 2019). When customers consistently experience high-quality products, positive attitudes toward the brand are reinforced, resulting in stronger loyalty. The present finding supports previous studies conducted by Saputra and Nurlinda (2024) and Arif and Syahputri (2021), both of which reported a positive relationship between product quality and customer loyalty.

### *The Effect of Product Quality on Customer Satisfaction*

The analysis demonstrates that Product Quality exerts a strong positive influence on Customer Satisfaction. The substantial path coefficient ( $\beta = 0.772$ ) indicates that customers derive



satisfaction when products meet their expectations in terms of taste, consistency, ingredients, packaging, and overall performance.

This finding aligns with Expectancy Disconfirmation Theory (Oliver, 1980), which argues that customer satisfaction arises when perceived performance meets or exceeds prior expectations. In the context of Kopi Kenangan, consumers who perceive the products as reliable and high quality are more likely to report higher levels of satisfaction. The findings are also consistent with previous empirical studies by Hanif and Prakoso (2023) and Yulisetiari et al. (2024), which identified product quality as a key determinant of customer satisfaction.

#### *The Effect of Customer Satisfaction on Customer Loyalty*

The results further reveal that Customer Satisfaction positively and significantly influences Customer Loyalty. Customers who are satisfied with their overall consumption experience tend to demonstrate stronger retention, repeat purchasing behavior, and positive word-of-mouth communication.

This finding supports the marketing literature suggesting that customer satisfaction serves as one of the most important antecedents of loyalty (Kotler & Keller, 2016). Satisfied customers are less likely to switch to competing brands and more likely to maintain long-term relationships with the company.

#### *The Mediating Role of Customer Satisfaction*

The mediation analysis confirms that Customer Satisfaction partially mediates the relationship between Product Quality and Customer Loyalty. This finding suggests that product quality contributes to customer loyalty not only through a direct pathway but also indirectly through enhanced satisfaction.

The results indicate that customer satisfaction functions as a psychological mechanism linking consumers' evaluations of product quality to their loyalty behavior. Consequently, organizations seeking to strengthen customer loyalty should prioritize strategies aimed at continuously improving product quality and customer satisfaction simultaneously. In the highly competitive coffee shop industry, maintaining consistent product quality is essential for generating customer satisfaction, which subsequently fosters long-term customer loyalty and sustainable competitive advantage.



## **CONCLUSION**

The findings of this study demonstrate that product quality plays a critical role in shaping both customer satisfaction and customer loyalty among Generation Z consumers of Kopi Kenangan in Makassar City. The results reveal that product quality has a positive and significant direct effect on customer loyalty, indicating that consumers who perceive higher levels of product quality are more likely to remain committed to the brand, engage in repeat purchases, and recommend the products to others. Furthermore, product quality significantly influences customer satisfaction, suggesting that consumers evaluate their experiences based on the consistency of taste, product reliability, ingredients, packaging, and overall product performance. In addition, customer satisfaction was found to have a positive and significant effect on customer loyalty, highlighting the importance of delivering satisfactory customer experiences in fostering long-term relationships. These findings support Consumer Behavior Theory and Expectancy Disconfirmation Theory, which emphasize that favorable product evaluations and fulfilled expectations contribute to positive consumer attitudes and loyalty behaviors. The study also confirms that customer satisfaction serves as a key mechanism linking product quality to customer loyalty, reinforcing the importance of understanding customer perceptions and expectations in highly competitive markets.

The mediation analysis indicates that customer satisfaction partially mediates the relationship between product quality and customer loyalty, with a Variance Accounted For (VAF) value of 65.79%. This result suggests that while product quality directly influences customer loyalty, its impact becomes substantially stronger when customers experience satisfaction with the products they consume. Consequently, customer satisfaction functions as an essential psychological pathway through which product quality is translated into loyal behavior. From a managerial perspective, Kopi Kenangan should continuously improve product consistency, maintain high-quality ingredients, enhance product presentation, and ensure customer experiences align with the expectations of Generation Z consumers. Such strategies are expected to strengthen customer satisfaction and subsequently increase customer retention and loyalty. Future studies are encouraged to incorporate additional variables, such as service quality, brand image, customer



experience, perceived value, and digital engagement, to provide a more comprehensive understanding of customer loyalty formation within the rapidly evolving coffee shop industry.

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