

Mediating Role of Experiential Value in the Effect of Customer Experience on Brand Loyalty

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ABSTRACT

The prime concern of the current research effort is; (1) analyze the impact of customer experience directly on brand loyalty, (2) analyze the impact of customer experience directly on experiential value, (3) analyze the impact of experiential value directly on brand loyalty, (4) analyze the role of experiential value in mediating the impact of customer experience on brand loyalty. This research combines the phenomenon of the mediating role of experiential value in influencing customer experience on brand loyalty. Coffee shops are an important element of the food and beverage sector in Indonesia, which is one of the largest coffee-consuming countries in the world. Marketers need to improve customer experience to create a competitive advantage. Therefore, to create brand loyalty, it is necessary to have experiential value that drives customer experience. This research uses convenience sampling. The data collected is analyzed on Smart-PLS and the results illustrate that; (1) customer experience has a significant positive effect on brand loyalty, (2) customer experience has a significant positive effect on experiential value, (3) experiential value has a significant positive effect on brand loyalty, and (4) customer experience has a significant positive effect on brand loyalty through experiential value.

Keywords: customer experience, experiential value, brand loyalty

INTRODUCTION

Coffee is a very popular drink in the world. In fact, there are several countries whose inhabitants are very fond of drinking coffee, including the European Union, the United States, Brazil, Japan, Indonesia, Russia, Canada, and Ethiopia, making them the largest coffee consumers (Bayu, 2022). According to data from the International Coffee Organization (ICO), coffee consumption in Indonesia increased by 2.4% to reach 6 million bags of 60 kilograms (International Coffee Organization, 2023). This growing demand is driven by a younger generation switching from tea to coffee, and a newfound appreciation for locally produced coffee (Nurhayati-Wolff, 2023).

For Indonesians, coffee has always been more than just a caffeine drink. Brewing coffee is a social ritual meant to be enjoyed with family and friends. Indonesians love to gather at coffee shops, whether it's in the form of an Instagram-worthy coffee shop or a roadside coffee shop, it's a great place to sit for hours and chitchat (Imawan, 2020). The coffee culture in Jakarta and other major cities has led to a proliferation of coffee hangouts, including those from domestic and international chains. The various coffee cultures and hangouts are a boon to the younger generation of coffee

drinkers across the archipelago (Sungkar, 2015).

According to Drucker (1954), the concept of marketing has become a fundamental issue for organizations considering that marketing is a unique function of business. The core concept of marketing is the creation of customer value for competitive advantage. The new challenge for the marketing concept is the development of experiential marketing to create a competitive advantage at the enterprise level. Fierce competition around the world has made companies look not only at the transformation of the economic value of goods and services but also at experiences. Companies must create a place of customer experience as a real or virtual place where customers can have their own experience. Pine & Gilmore (1998) further advocate that experience represents a specific type of economic offering that generates competitive benefits that are difficult to replicate or substitute. Based on these developments, Hirschman & Holbrook (1982) dan Lemon & Verhoef (2016) propose customer experience orientation as a superior approach for both academics and marketing practitioners. Previous studies have shown that customer experience has a significant contribution to brand loyalty. Several studies have shown that customer experience has an impact on brand loyalty. For example, Ismail (2011) found that there is a definite positive relationship between customer experience and brand loyalty.

While there are many studies on the influence of customer experience on brand loyalty, there is a theoretical gap in understanding how this variable is interpreted and resonates in the business environment in Indonesia. There is a gap in previous research because it uses a measurement scale that is not appropriate for the industry under study. For example, research conducted by Brun, et al. (2017) was found that customer experience does not have a significant impact on brand loyalty. The reason is that the measurement scale is considered unsuitable for the banking industry because customers usually

favor simplicity and are not too focused on complicated things. This gap provides an opportunity for researchers to investigate how customer experience affects brand loyalty in specific business industries in Indonesia. Furthermore, previous research addresses the hospitality industry and does not shed enough light on other industries, particularly food and beverage, for example, Alnawas & Hemsley-Brown (2019) shows that customer experience can contribute significantly and directly in increasing brand loyalty in the hospitality industry. Future research will only focus on the hospitality sector.

Economic activities not only aim to produce output but also experience through consumption (Quan & Wang, 2004). Pine & Gilmore (1998) further advocate that experiences represent a specific type of economic offering that generates competitive benefits that are difficult to replicate or substitute. Today, many companies present a variety of diverse business concepts in order to provide a unique customer experience. The concept of customer experience is generally defined as the multidimensional customer-cognitive, emotional, sensory, behavioural, and relational-customer response to the company's service (Schmitt, 1999).

At a time when it is increasingly difficult for companies to differentiate themselves through service alone, some believe that the path to differentiation lies in customer experience. Customer experience is an important element in winning in today's market. Therefore, this research is focused on customer experience and its contribution to building brand loyalty in the context of the food and beverage industry, particularly coffee shops. Coffee shops are businesses that sell experiences. The smell of coffee being ground, the sound of steaming milk, and the cozy atmosphere of home; this is why customers are willing to pay a premium price (Imawan, 2020).

Kopi Bajawa Flores is a food and beverage brand from Jakarta, Indonesia. A modern ethnic coffee shop that gives their customers

a great experience with a non-alcoholic party as per its slogan 'Party Asik, Pake Kopi'. Kopi Bajawa Flores gives customers a new experience to Bass Drop from DJ and also karaoke night, full of fun and awareness (Kopi Bajawa Flores, 2022).

Based on the background of the above problems, researchers consider conducting research on "Analysis of Experiential Value as a mediating factor in the influence of Consumer Experience on Brand Loyalty". Today's well-informed consumers demand and seek experiences that are rewarding and rich in emotion. Therefore, the objectives of this study are to: (1) analyze the impact of customer experience directly on brand loyalty, (2) analyze the impact of customer experience directly on experiential value, (3) analyze the impact of experiential value directly on brand loyalty, (4) analyze the role of experiential value in mediating the impact of customer experience on brand loyalty. This research was conducted in the coffee shop industry which is currently emerging in the food and beverage business located in JaBoDeTaBek. In this context, it focuses on one of the coffee shops, namely Kopi Bajawa Flores NTT, which is growing. From an academic perspective, this research is expected to advance academic understanding of the influence of customer experience on brand loyalty. In addition, this research is expected to offer new perspectives and insights into the subject of marketing, particularly creative marketing. This will allow future research to conduct a more thorough investigation of the variables mediating the effect of customer experience on brand loyalty. This research also considers contextual variables that can have an impact on the findings. In terms of research significance, this research is expected to have a significant impact on the process of developing experiential marketing strategies by companies because customers will be loyal to a brand based on the experience they get. This research is intended to assist companies in increasing their experiential value. In addition, this research is also expected to be a source of

information for companies that want to update experiential marketing strategies to improve customer experience. Then, this research is expected to be applied to various business industries other than food and beverage that rely on customer experience in their experiential marketing and can be the basis for creating theories or theories or models of customer experience behavior in the context of marketing strategies.

LITERATURE REVIEW

The core concept of marketing is the creation of customer value for competitive advantage. The new challenge for the marketing concept is the development of experiential marketing to create enterprise-level competitive advantage. Marketing is essential in the development of an organization's competitive strategy (Storey, 2017). Storey (2017) recommends that businesses should create a marketing alignment that is steady, efficient and competitive, and steady for the targeted market. Fierce competition around the world has made companies see not only the transformation of the economic value of goods and services but also experiences. Leading-edge companies will find that the competitive battleground lies in staging experiences (Pine & Gilmore, 1998). These types of experiences are identified by Brakus, et al. (2009) as product, shopping and service, consumption, and brand experiences.

In marketing, the notion of experience was first discussed and conceptualized in topical work by Hirschman & Holbrook (1982) which turns out to be an important element in understanding consumer behavior through the overall consumption experience (Coudounaris & Sthapit, 2017; Lemon & Verhoef, 2016). Pine & Gilmore (1998) have distinguished four stages in the development of economic value: commodities, goods, services, and experiences. The experiential aspect of consumption emerged in the 1990s after Pine & Gilmore (1998) discussed how the economy had changed. Pine & Gilmore

(1998) suggests that companies create customer experience places as real or virtual places where customers can have their own experiences. Economic activities not only aim to produce output but also experience through consumption (Quan & Wang, 2004).

Pine & Gilmore (1998) further advocate that experiences represent a specific type of economic offering that generates competitive benefits that are difficult to replicate or substitute. Experience marketing has received increasing attention due to the underlying assumption that carefully designed or managed experiences can add value to consumption offerings and positively influence business success (Schmitt, 1999). Experiential marketing highlights consumer consumption experiences and consumption processes as opposed to the simple purchase and physical function of a product or service. Based on this development, Hirschman & Holbrook (1982) and Lemon & Verhoef (2016) propose customer experience orientation as the leading approach for marketing academics and practitioners alike. Experiential marketing is a process that engages customers with an immersive experience of a product or brand (Adeosun & Ganiyu, 2012). The goal of experiential marketing is to generate memorable events by customizing services/goods while providing exclusive experiential value for targeted customers (Nadiri & Gunay, 2013).

Customer Experience

Customer experience is seen as a means for customers to engage physically, mentally, socially, and emotionally with a product or service that promotes more meaningful interactions between customers and companies (Carù & Cova, 2003). Service experience is conceptualized as "the customer's interaction with the service process, organization, physical facilities, employees of the service company, and other customers" (Johnston & Clark, 2008). Meyer & Schwager (2007) understand "customer experience as the internal and

subjective response that customers have to direct or indirect contact with the company." In general, the core nature of service experience is a process of interaction with various subjects including social factors and physical interfaces. This leaves customers with certain memories of the experience they had (Walter, Edvardsson, & Ostrom, 2010).

Customer experience can be expressed as cognitive, emotional, sensory, behavior and social responses to consumer buying habits (Lemon & Verhoef, 2016). Pizam (2010) there are four dimensions of customer experience, namely; "quality of service", "ambiance", "atmospherics" dan "servicescape". Customer experience involves a holistic response of the customer, including "cognitive", "affective", "emotional", "social", dan "sensory", against main service providers (Verhoef, et al., 2009). Experiential marketing which was introduced by Schmitt (1999) is based on five unique categories of experience, namely: "act", "feel", "relate", "sense", dan "think".

According to Schmitt (1999), SENSE experiences are created by stimulating and pleasurable perceptions received through sight, sound, touch, taste and smell. Sense is the primary response when one engages in an experiential environment (Schmitt, 1999). Research has shown that SENSE experiences can, through aesthetics or excitement, motivate customers and add value to products. One of the key principles of SENSE is "cognitive consistency/sensory variation," i.e., the ideal SENSE approach provides basic concepts that are clearly detectable yet always seem fresh and new. THINK appeals to the intellect, with the goal of creating cognitive and problem-solving experiences that creatively engage customers. In Schmitt's understanding, FEEL appeals to customers' feelings and emotions, with the goal of creating affective experiences that range from mildly positive moods associated with the brand to strong emotions such as excitement and pride. What is needed for FEEL marketing to

succeed is a deep understanding of the stimuli that can trigger certain emotions as well as the willingness of consumers to engage in perspective-taking and empathy. Regarding ACT, Schmitt (1999) proposes enriching customers' lives by targeting their physical experiences, showing them alternative ways of doing things, alternative lifestyles, and interactions. Lifestyle and behavioral changes are often more motivational, inspirational, and emotional, and are often motivated by role models (such as movie stars or athletes). RELATE, ultimately, contains aspects of SENSE, THINK, FEEL and ACT. However, RELATE marketing extends beyond the individual's personal feelings, thus connecting the individual to something beyond their personal circumstances (Schmitt, 1999). RELATE appeals to the individual's desire for self-improvement (e.g., the "ideal future self to which he or she wants to relate"). These campaigns appeal to the need to be perceived positively by others (e.g., peers, girlfriends, boyfriends, or partners; family and colleagues). They connect the person to the wider social system (subculture, country, etc.) Therefore, experience is defined in this study as a construct consisting of sensing, feelings, thoughts, actions, and personal relations that occur in response to stimuli from observing and participating in all events at Kopi Bajawa Flores.

In general, customer experience is related to how the services provided by a company through song selection interactions when live music or DJs play put visiting customers in a certain mood. With the service process through an organization, physical facilities, and employees, customers can use this to interact or have relationships with other customers. Companies can provide experiences to customers through interesting characteristics, one of which is by introducing certain cultures. In this research, the author uses "act", "feel", "relate", "sense", and "think" as dimensions of customer experience.

Experiential Value

Value is considered an important part of customer decision-making, along with satisfaction and commitment (Andersson & Carlbäck, 2009). Grönroos & Voima (2013) It views value as a combination of attitudinal norms, beliefs, and customer experiences of services or goods. To achieve success, businesses must develop mechanisms to understand the dynamics that create unique and innovative value, which suggests a relationship between perceived value and customer disposition towards the services/goods offered (Storey, 2017). Vargo & Lusch (2004) state that experience and value are perceived purely from individual views and are inherently personal, existing only in the minds of customers.

Experiential value refers to the customer's perception of the product or service through direct use or indirect observation (Mathwick, Malhotra, & Rigdon, 2001). Customer value has various definitions; while Monroe (1991) defines it as a comparison between recognized benefits and sacrifices, some others suggest that customer value is a combination of customer beliefs, attitudes, and experiences toward the product (Strauss & Frost, 2002). Basically, the purpose of the experience economy is to create customer value. "The concept of customer value refers to the subjective value perceived after the evaluation process and is developed by the balance between benefits and sacrifices (Yuan & Wu, 2008). Customer value is also defined as "relativistic preferences that characterize a consumer's experience in interacting with some object such as a good, service, thing, place, event, or idea" (Kim, Nee, & Kim, 2009). According to Yuan & Wu (2008), Customer value and experience value have much in common. So, both customer value and experiential value are accepted as an inseparable and integral part of the concept of value.

Mathwick, et al. (2001) mentions four dimensions of experiential value; 'customer return on investment', "service

excellence”, “playfulness”, and “aesthetic appeal”. Holbrook (1994) suggested a value landscape divided into four dimensions including "consumer return on investment", "service excellence", "cheerfulness" and "aesthetic appeal". This research uses the concept of Yuan & Wu (2008) in an attempt to evaluate its components or aspects which include two important aspects; "functional" and "emotional". While emotional value refers to the customer's emotional response during the post-purchase shopping experience, functional value is considered important and includes the financial, mental and utilitarian rewards derived from the service/good. In our study, functional value can be thought of as a function of basic values such as the taste of coffee, a clean environment or a comfortable chair, while emotional value is a function of how customers feel when they experience the service/good such as the waiter's response to the customer's reaction, or a clear explanation of the ingredients to the customer.

Customer value has a definition as a comparison between recognized benefits and sacrifices, some others suggest that customer value is a combination of customer beliefs, attitudes and experiences towards products. Value as a combination of norm attitudes, beliefs and customer experience towards services or goods. In this study, the authors used "functional" and "emotional" as dimensions of experiential value.

Brand Loyalty

Brand loyalty gives sellers protection from competition and greater control in planning marketing programs (Kotler, 2003). Brand loyalty is a firmly held commitment to repurchase or repurchase a preferred product / service consistently in the future, thus causing repeat purchases with the same brand or the same brand, despite situational influences and marketing efforts that have the potential to cause brand switching behavior (Oliver, 1999). Consumers form strong attachments only if the brand image

is important in defining their self-concept. Thus, when consumers connect with a particular brand, they tend to maintain proximity to that brand, as this self-attachment provides feelings of security, comfort and happiness (Gounaris & Stathakopoulos, 2004; Thomson, et al. (2005). Having a loyal customer is more profitable for a company than acquiring a new customer for several reasons, such as the fact that a loyal customer is less price-sensitive, he spends more time with the company, and his service costs are less (Berry & Parasuraman, 1991; Tepeci, 1999). Behavioral loyalty refers to those aspects of consumer behavior that are directed toward a particular brand over time-in other words, repeated purchases of a brand (Rundle-Thiele & Mackay, 2001).

According to Li & Patrick (2010), conceptualizations of brand loyalty are categorized into behavioral approach (i.e. consistency of customer behavior with respect to the focal brand) and attitudinal approach (i.e. tendency of customer attitude towards the focal brand). The behavioral approach is typically understood in terms of repeat purchases, frequency of purchase, and brand retention (Reinartz & Kumar, 2000). Behavior in this case repeat purchase has been used to refer to mere loyalty behavior (Quester & Lin Lim, 2003). Behavioral loyalty means that consumers will repeatedly buy the same brand (Chaudhuri & Holbrook, 2001).

In brand loyalty, the company provides a strong image through the concept of the company's identity with a product that is sold. Customers have several reasons that make repeated purchases of a brand less sensitive to a company's selling price, this is an advantage for the company. In this study, the authors used "behavior" as a dimension of brand loyalty.

Customer Experience and Brand Loyalty

Wu & Liang (2009) stated that in luxury hotel restaurants, the value of customer experience strongly influences loyalty. In a restaurant context, sensory experiences (e.g.

sight, touch, hearing), coupled with intellectual, behavioral, and emotional interactions with the brand contribute significantly to willingness to pay premium prices, positive word of mouth, and intent to repurchase (Ong, Lee, & Ramayah, 2018). Research results of Khodadadi, et al. (2016) shows that a high level of customer experience can be a source of customer loyalty.

Previous research conducted by Anggara, et al. (2023) shows that customer experience positively affects brand loyalty. A positive customer experience can build brand loyalty. A proposition has been established that customers' interpretation of their experience affects brand loyalty (Barsky & Nash, 2002; Berry, et al., 2002). Findings Tran, et al. (2020) shows that customers' positive perceptions of experiential activities directly influence the development of loyalty. In research conducted Alnawas & Hemsley-Brown (2019) also shows that customer experience can have a direct and significant impact on increasing brand loyalty. The findings of research conducted by Ismail (2011) shows a definite positive relationship between customer experience and brand loyalty. Moreover, the higher the level of perceived service quality, the greater the customer experience, and in turn, the more loyal the customer is to the brand. Therefore, the following hypothesis is made:

H₁: *Customer Experience has a significant positive effect on Brand Loyalty*

Customer Experience and Experiential Value

Experience or more specifically consumption experience can be defined as the total results obtained by customers from a combination of the environment, goods and services purchased (Lewis, 2000). The experiential perspective indicates that service practitioners need to provide excitement, fun, and entertainment for their customers and encourage them to participate in the service experience process (Wu & Liang, 2009). If the customer has a good

experience, the perceived value of the experience will increase Chang, et al. (2018). Similarly, Shobeiri, et al. (2013) states that one of the main benefits of a brand is the satisfaction of consumers' experiential needs, including the desire for cognitive stimulation, variety, and sensory pleasure.

In previous research conducted by Ihtiyar, et al. (2018), customer experience has a positive effect on experiential value. In line with that, the results of the study Nadiri & Gunay (2013) also shows that customer experience has a partial positive effect on customer value. Nagasawa (2008) states that customer value created by customer experience has a complementary relationship. Therefore, the following hypothesis is made:

H₂: *Customer Experience has a significant positive effect on Experiential Value*

Experiential Value and Brand Loyalty

Chang, et al. (2018) finding the performance of the experiential value of the medicinal cosmetic clinic to consumers will lead to the final post-purchase behavior. The higher the level of experiential value perceived by clients through the service process, the higher their likelihood of returning. Research results Keng, et al. (2007) shows how experiential value affects post-purchase behavior. Good perception and thus maintaining customer loyalty (Gupta & Malhotra, 2013).

Experiential value significantly affects customer loyalty (Boateng, et al., 2020). Results of research conducted Hsu, et al. (2023) shows that experiential value is the most important segment, showing the highest festival loyalty. Research conducted Chu, et al. (2014) It was also found that experiential value has the strongest influence on brand loyalty. Therefore, the following hypothesis is made:

H₃: *Experiential Value has a significant positive effect on Brand Loyalty*

Experiential Value mediates the effect of Customer Experience on Brand Loyalty

In previous research conducted by Izogo, et al. (2018) shows that the experiential value component plays an important mediating role. Other research conducted by Rezaei & Valaei (2017) also makes experiential value a mediator variable. The results of research conducted by Nadiri & Gunay (2013) state that the results of their research support the theory that customer experience is passed by

customer value. Keng, et al. (2007) states that customer value mediates the impact of the variables used. Research conducted by Chang, et al. (2018) also shows that experience value acts as a partial mediator. Therefore, the following hypothesis is made:

H4: Customer Experience has a significant positive effect on Brand Loyalty through Experiential Value

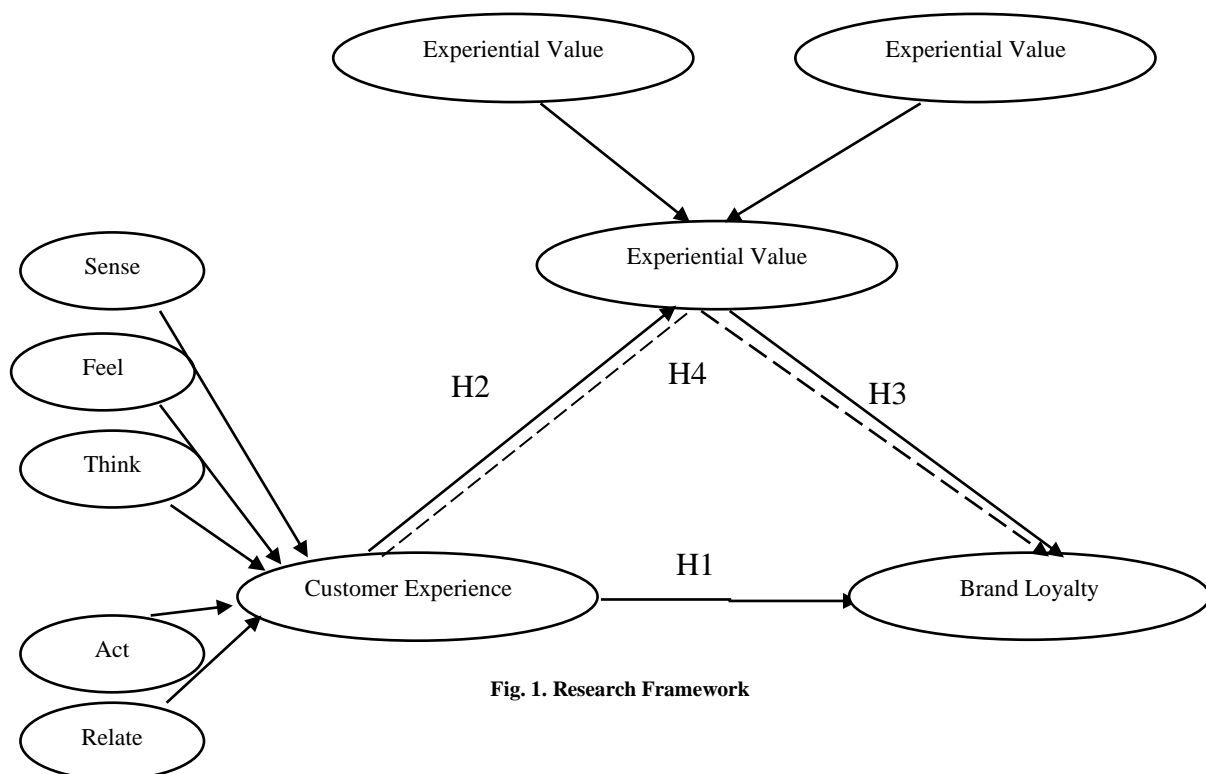


Fig. 1. Research Framework

MATERIALS & METHODS

Survey Instrument Development

The current section of this study contains details about the research method, questionnaires were distributed to respondents for data collection. This research is quantitative in nature. The unit of analysis is individuals, specifically individuals or consumers who have visited and purchased Bajawa Flores Coffee products at least twice or more than twice. According to Sekaran and Bougie (2016), population is "related to the entire group of people or organizations that may be of interest to researchers". The population in this study only includes consumers who buy

Bajawa Flores Coffee products directly to the shop. Sampling using convenience sampling technique. According to Uma Sekaran (2006), the definition of convenience sampling is the collection of information from members of the population who agree to provide this information. Thus, anyone who agrees to provide the required information with the researcher either meeting directly at all branches of Bajawa Flores Coffee or indirectly, can be used as a sample in this study if the respondent is suitable as a data source. Based on the standard rule of thumb concept (Hair et al., 2013), the researcher used a sample size of 80 respondents for

hypothesis testing, which is ten times the number of variables studied. The questionnaires distributed to Bajawa Flores Coffee customers taken were 108 respondents out of 111 complete responses received for data collection.

The questionnaire used in this study was adapted from previous studies with some adjustments. To collect data, the instrument used in this study as primary data is a questionnaire which is divided into three parts, namely the introduction of the research, screening questions, respondent demographics (including age, gender, income per month, education, occupation, and domicile) and statement items to measure three constructs (customer experience, experience value, and brand loyalty) with 87 statement items. A 5-point Likert scale (1 = strongly disagree, 5 = strongly agree) was used to measure the constructs. To measure customer experience, the authors adopted five items from Schmitt (1999). The measurement of experience value uses two items (functional and emotional) from Yuan & Wu (2008). In the next section, the measurement of brand loyalty adapts and modifies one item, namely behavior from Li & Patrick (2010).

Two types of control variables were used in this study. The first type is the frequency of visiting and making purchases at Bajawa Flores Coffee more than two. The second type is demographic including age, gender, income, visit intensity, education, occupation, and domicile. Limited research evidence on the influence of customer experience variables on loyalty was found. In fact, customer experience may be a better predictor of loyalty. For example, Alnawas & Hemsley-Brown (2019) shows that customer experience can contribute significantly and directly in increasing brand loyalty in the hospitality industry.

Pretest

Based on in-depth interviews conducted by the author with floor leaders and 3 customers, Kopi Bajawa Flores has several issues that need to be addressed to make

customers loyal to their products, including: (1) ordering system, (2) service system based on age segmentation, (3) sales trend, (4) resource management, and (5) product marketing promotion. Furthermore, questionnaires were distributed randomly, anyone who agreed to provide the required information with the researcher either meeting directly at all branches of Kopi Bajawa Flores or indirectly.

Data Collection

A web-based survey was used in this study. The researcher uploaded an invitation through social media by attaching a form link that included an explanation of the purpose of the study and invited each audience to participate in the survey. Audiences who were willing to participate clicked on the URL address provided in the researcher's post. A total of 111 were received, 3 of which were eliminated because they did not meet the predetermined criteria. In this study, 50% of the respondents were male; 70.73% were between 18 to 26 years old; 41.66% had obtained a bachelor's degree or higher; and 37.03% had an income of >Rp. 4,000,000.

RESULT

Measurement Model (*Outer Model*)

Measurement model (*outer model*) is carried out to assess the validity and reliability of the model. The research measurement model in PLS-SEM is an outer model consisting of a set of relationships between indicators and latent variables (Hair, et al., 2019). The outer model is evaluated using several stages, namely discriminant validity, convergent validity and reliability with Cronbach alpha and composite.

Construct validity quantifies how closely the indicators employed in the analysis truly reflect the construct that was intended to be represented (Hair, et al., 2018). For a minimum acceptable value, Cronbach alpha and composite reliability should be greater than 0.70; values above 0.80 are deemed good, and values above 0.90 are deemed exceptional. For a given situation, the

average variance extract (AVE) value must be more than 0.50 (Hair, et al., 2014).

Table 1. Convergent and Reliability

Construct, Sources and Scale Item		Loading Factor	Cronbach	Composite (rho_c)	AVE
Customer Experience			0.985	0.985	0.590
Sense			0.953	0.958	0.640
CE1	Kopi Bajawa Flores has an attractive decor and layout.	0.789			
CE3	Live music and house music (DJ performance) create a joyful atmosphere.	0.798			
CE4	The taste of food or drinks provided by Kopi Bajawa Flores meets my expectations.	0.776			
CE6	The furnishings and cutlery of Kopi Bajawa Flores are clean and sterile.	0.837			
CE7	The food or drink provided by Kopi Bajawa Flores suits my taste buds.	0.788			
CE8	Kopi Bajawa Flores has adequate air circulation.	0.819			
CE9	The air conditioning at Kopi Bajawa Flores works well.	0.780			
CE10	I am aware of the NTT characteristics of the food or beverage dishes ordered.	0.793			
CE11	Kopi Bajawa APP coffee has an eye-catching appearance.	0.804			
CE12	I can find out the price of Kopi Bajawa Flores products through the TV screen menu.	0.840			
CE13	I can find out the price of Kopi Bajawa Flores products through Kopi Bajawa APP.	0.787			
CE14	Stage lighting enlivens the atmosphere during live music and house music (DJ performance).	0.785			
CE15	Live music and house music (DJ performance) in coffee shops is a new experience.	0.797			
Feel			0.940	0.948	0.624
CE17	I felt happy during my time at Kopi Bajawa Flores.	0.796			
CE19	Live music and house music (DJ performances) have a lively and intimate atmosphere.	0.778			
CE20	I don't wait long for my order to be served.	0.773			
CE21	I enjoy the food or drink provided by Kopi Bajawa Flores.	0.769			
CE22	I enjoyed the live music and house music (DJ performance) organized by Kopi Bajawa Flores.	0.820			
CE23	I like the merchandise that Kopi Bajawa Flores offers.	0.782			
CE24	Song selection during live music or house music (DJ performance) puts me in a certain mood.	0.773			
CE25	I can request a specific song to be played during live music.	0.796			
CE26	I can express my mood on the 'Online Curhatan' provided by Kopi Bajawa Flores.	0.760			
CE27	I enjoy the atmosphere at Kopi Bajawa Flores.	0.795			
CE29	I visited Kopi Bajawa Flores for leisure.	0.844			
Think			0.915	0.931	0.626
CE31	I can find out the latest news related to DJ performance schedules, promotions, and campaigns through Kopi Bajawa Flores social media, especially Instagram.	0.833			
CE32	Food and beverage promotions provide savings.	0.759			
CE33	Naming a coffee menu after a region in NTT is unique.	0.774			
CE34	The placement of merchandise such as woven fabrics and Ti'i Langga hats stimulated my curiosity about NTT culture.	0.765			
CE35	Kopi Bajawa APP made it easy for me to place my order.	0.810			
CE37	Kopi Bajawa Flores provides detailed information on products, promotions, and campaigns within the Kopi Bajawa APP.	0.767			
CE38	Kopi Bajawa Flores has the means to receive criticism and suggestions from consumers.	0.815			
CE39	Kopi Bajawa Flores handled my complaint well.	0.806			
Act			0.928	0.939	0.606
CE41	The house music played by the DJ made me dance on my feet.	0.766			
CE42	Songs that match the mood during live music or house music (DJ performance) make me sing along.	0.792			
CE43	Kopi Bajawa Flores is where I gather and meet with friends or relatives.	0.757			
CE44	Woven fabrics, Ti'i Langga hats, paintings and komodo dragon statue decorations drive the ethnic NTT feel of Kopi Bajawa Flores.	0.744			
CE45	I took a selfie to capture the moment during my visit to Kopi Bajawa Flores.	0.786			
CE46	I uploaded my moments at Kopi Bajawa Flores on my social media accounts, especially Instagram.	0.770			

CE47	I visited Kopi Bajawa Flores to buy a drink.	0.818			
CE48	I visited Bajawa Kopi Flores to buy food.	0.755			
CE49	I visited Kopi Bajawa Flores to buy merchandise.	0.762			
CE50	I visited Kopi Bajawa Flores to enjoy live music and house music (DJ performance)	0.830			
Relate			0.884	0.916	0.685
CE51	Operating as a coffee shop, all segments can visit Kopi Bajawa Flores.	0.779			
CE53	All subcultures are welcome as Kopi Bajawa Flores sells alcohol.	0.802			
CE54	I purchase products through Kopi Bajawa App to earn loyalty points that can be exchanged for a free vacation to Labuan Bajo.	0.831			
CE55	By purchasing Kopi Bajawa Flores products, I have made a donation to help underprivileged children in NTT.	0.863			
CE66	I can chat, sing and dance together with friends or relatives at Kopi Bajawa Flores.	0.859			
Experimental Value			0.962	0.966	0.653
Emotional Value			0.924	0.939	0.687
EV2	Kopi Bajawa Flores has a cozy atmosphere.	0.876			
EV3	Kopi Bajawa Flores provides consistent quality service.	0.822			
EV4	The price of the Kopi Bajawa Flores menu is comparable to the taste.	0.850			
EV6	Kopi Bajawa Flores responds well to my needs or requests.	0.838			
EV7	I was impressed by the hospitality of the staff at Kopi Bajawa Flores.	0.768			
EV8	I am enthusiastic about Kopi Bajawa Flores loyalty program.	0.841			
EV9	The food or drinks at Kopi Bajawa Flores whet my appetite.	0.803			
Functional Value			0.933	0.944	0.650
EV11	Kopi Bajawa Flores provides fast and efficient service.	0.800			
EV12	Kopi Bajawa Flores has organic and low-calorie food or beverage products.	0.790			
EV13	Kopi Bajawa Flores understands and fulfills the roasting level as per my request.	0.793			
EV15	Kopi Bajawa Flores provides active electrical terminals (sockets) and fast internet connection	0.819			
EV16	Kopi Bajawa APP is easy to operate	0.807			
EV17	Kopi Bajawa Flores staff are knowledgeable about the products they offer.	0.837			
EV18	Kopi Bajawa Flores area is clean	0.815			
EV19	I am satisfied with the quality of food or drinks at Kopi Bajawa Flores.	0.772			
EV20	The loyalty points program at Kopi Bajawa APP encourages me to repurchase Kopi Bajawa Flores products.	0.821			
Brand Loyalty					
BL1	Kopi Bajawa Flores is my first choice.	0.760	0.919	0.933	0.606
BL2	I prefer visiting Kopi Bajawa Flores over other coffee shops.	0.797			
BL3	I intend to continue visiting and purchasing products at Kopi Bajawa Flores.	0.715			
BL4	I spend more time at Kopi Bajawa Flores compared to other coffee shops.	0.818			
BL6	I use Kopi Bajawa APP to earn loyalty points.	0.770			
BL8	I buy products (food, beverages, or merchandise) as gifts for friends or relatives.	0.815			
BL9	I tend to visit Kopi Bajawa Flores regularly with friends or relatives.	0.789			
BL10	I choose Kopi Bajawa Flores for gathering and meeting with friends or relatives	0.775			
BL11	I participated in a survey conducted by Kopi Bajawa Flores to provide feedback.	0.763			

Source: Results of Questionnaire Data Processing (2024)

After re-estimating and removing a number of indicators with values less than 0.7, the convergent validity results with a loading factor demonstrate that all indicators/items have loading factor values greater than 0.7, hence indicating their validity. Conversely, convergent validity can also be assessed by computing each indicator using the average variance extracted (AVE). Indicators for computing AVE: an item on a variable is

deemed to have sufficient convergent validity if the AVE value is more than 0.5.

All variables have a Cronbach alpha value and composite reliability >0.7, according to the reliability test findings utilizing Cronbach's alpha and composite reliability. This suggests that the variable constructions have good data dependability and can be deemed reliable.

The evaluation of a construct's degree of differentiation from other constructs is another goal of discriminant validity. Assessing how distinctively a construct represents its indicators in relation to how much it correlates with all other constructs in the model is the fundamental idea behind discriminant validity (Hair, et al., 2019).

The square root of the AVE value is compared with the latent variable association to determine the Fornell-Larcker criterion. Consequently, each AVE construct's square root value needs to be higher than the correlation value between it and the other constructs.

Table 2. Fornell-Larcker Criterion

	Brand Loyalty	Customer Experience	Experiential Value
Brand Loyalty	0.779		
Customer Experience	0.762	0.768	
Experiential Value	0.758	0.645	0.808

Source: Smart-PLS Output (2023)

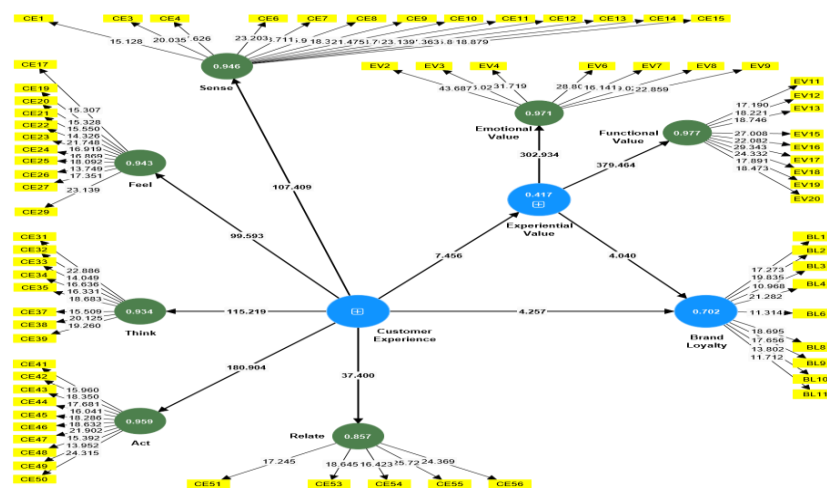
It may be concluded that the model has good discriminant validity because the results of the discriminant test using the Fornell-Larcker criterion demonstrate that the correlation between variables is higher when compared to other variable constructs.

Structural Model (Inner Model)

Predicting the link between latent variables is the goal of the structural model's (inner model) evaluation. The percentage of variation explained, or the R-Square value for endogenous latent components, is used to evaluate the inner model. Checking for collinearity in the predictive components is the first step in evaluating the structural

model (inner model). The capacity to forecast endogenous constructs and for indicators is the basis for evaluating the outcomes of structural models (Hair, et al., 2019).

To test hypotheses in SmartPLS, route coefficient analysis using bootstrapping techniques is utilized to ascertain the direction and strength of the independent variable's influence on the dependent variable. If the P-value for a load variable is < 0.05, it is considered to have an impact on the dependent variable (Hair, et al., 2019). The inner model can be tested using the research model that follows:



Hypothesis Testing with the Bootstrapping method
Source: Smart-PLS output (2023)

Several testing steps, including R-square, effect magnitude, predictive relevance (Q² and q²), and path coefficient, are used to assess the inner model.

R-Square

The endogenous variables' degree of influence over other variables is measured using R². Exogenous variables have an

impact on endogenous variables in the good category, according to the structural model's results for endogenous latent variables when $R^2 > 0.67$. The result falls into the weak category if it is 0.19-0.33, and the medium category if it is 0.33-0.67.

Table 3. R-Square

Construct	R-square
Sense	0.946
Feel	0.943
Think	0.934
Act	0.959
Relate	0.857
Experiential Value	0.417
Emotional Value	0.971
Functional Value	0.977
Brand Loyalty	0.702

Source: Smart-PLS Output (2023)

The Brand Loyalty variable has the highest r n square value (0.702), falling into the

strong category, according to the R^2 results displayed in the above table. The Experiential Value variable has the lowest r-squared value (0.417), falling into the weak category.

R-Square (Predictive Relevance)

Q2 predictive relevance can also be used to evaluate PLS models. This method can be seen of as a combination of fitting functions and cross-validation, combining estimates of construct parameters through blindfolding methods with predictions of observed variables. If Q2 value is less than or equal to 0, it suggests that the model is not predictively relevant. The q2 predictive relevance scores are 0.35 strong, 0.02 moderate, and 0.02 weak.

Table 4. Q-square (Prediction Relevance)

	SSO	SSE	Q ² (=1-SSE/SSO)
Act	1080.000	458.850	0.575
Brand Loyalty	972.000	573.377	0.410
Customer Experience	5076.000	5076.000	0.000
Emotional Value	756.000	255.742	0.662
Experiential Value	1620.000	1188.777	0.266
Feel	1188.000	496.880	0.582
Functional Value	972.000	363.759	0.626
Relate	540.000	228.156	0.577
Sense	1404.000	567.470	0.596
Think	864.000	364.313	0.578

Source: Smart-PLS Output (2023)

The model has satisfied the predictive relevance where the model has been well reconstructed, according to the table above, which shows the results of the Q2 value for endogenous variables. If the acquired Q2 results are greater than zero.

Model Fit

Two test models, one of which was the standardized root mean square residual (SRMR) model, were used to evaluate the fit model in this study if the SRMR value was less than 1.00 (Hair, et al., 2019).

Table 5. Model Fit

	Estimated model
SRMR	0.069
d_ ULS	42.595

Source: Smart-PLS Output (2023)

As can be shown from the preceding table, the SRMR value satisfies the requirement that the value of this category be below 0.080 ($0.069 < 0.080$). Consequently, the value in d_ ULS must be over 2.000 ($42.595 > 2$), signifying a fit model.

Path Coefficient

The formative measurement model's projected value needs to be significant; the bootstrapping process determines this threshold of significance. The PLS bootstrapping technique is used to calculate the model, which provides information about the study's hypothesis. The bootstrapping calculation's outcomes will yield the statistical t-value for every relationship or path. The significance threshold for this hypothesis test is set at 5%. Should the significance value be less

than 0.05, the hypothesis can be accepted. Both direct and indirect effect route coefficients are used in this study's hypothesis testing.

Table structural equation models hypothesis direct and indirect customer_experience, experiential_value and brand_loyalty.

Table 6. Path Coefficient Direct Effect

Hypothesis	Construct	Coefficient	t-value	P- Values
H1	Dependent Variable: Brand Loyalty R ² Customer Experience	0.702 0.468	4.257	0.000**
H2	Dependent Variable: Experiential Value R ² Customer Experience	0.417 0.645	7.456	0.000**
H3	Dependent Variable: Brand Loyalty R ² Experiential Value	0.702 0.455	4.040	0.000**

**p<0.05.

Source: Smart-PLS Output (2023)

A significant positive effect of customer experience on brand loyalty is demonstrated by the direct effect results of hypothesis testing, with a coefficient value of 0.468 and p-value of <0.05 supporting H1. Similarly,

the effects of experiential value and customer experience on brand loyalty are supported by respective coefficient values of 0.645 and 0.455, indicating the effects of both on H2 and H3.

Table 7. Path Coefficient Indirect Effect

Hypothesis	Construct	Coefficient	t- value	P- Values
H4	Customer Experience -> Experiential Value -> Brand Loyalty	0.294	3.666	0.000

Source: Smart-PLS Output (2023)

With a coefficient value of 0.294 and a pvalue of 0.000 (0.000 <0.05), the fourth indirect effect hypothesis—which looks at how customer experience affects brand loyalty through experiential value—is accepted. It can be concluded that experiencing a positive brand loyalty boost is a significant outcome of the customer experience.

The results of testing this hypothesis show that experiential value is an intervening variable, which can mediate the effect of customer experience on brand loyalty.

DISCUSSION

The aim of this research was to explore how experiential value mediates the impact of customer experience on brand loyalty. The study's findings demonstrate that customer experience indeed influences brand loyalty.

A positive customer experience can build brand loyalty. Scholars Barsky & Nash (2002), Berry et al. (2002) have posited that customers' perceptions of their experiences play a role in shaping brand loyalty. Wu & Liang (2009) emphasized the significant impact of customer experience value on loyalty, corroborating earlier research. This aligns with the study by Anggara, et al. (2023) in the halal fashion industry, which indicated a positive relationship between customer experience and brand loyalty. Hemsley-Brown (2019) similarly highlighted the direct and substantial effect of customer experience on enhancing brand loyalty within the hotel sector.

The study's results demonstrate the impact of customer experience on experiential value. Positive customer experiences lead to an increase in perceived value, as indicated

by Chang et al. (2018). This finding aligns with prior research conducted by Ihtiyar et al. (2018), which highlights a positive relationship between customer experience and experiential value in emerging markets. Similarly, the research by Nadiri & Gunay (2013) reveals that customer experience partially contributes to customer value in trendy coffee shops.

The study's results indicate a connection between experiential value and brand loyalty, where a positive perception contributes to maintaining customer loyalty (Gupta & Malhotra, 2013). This finding is supported by prior research conducted by Chang et al. (2018), which emphasizes the impact of experiential value on post-purchase behavior, particularly in medicinal cosmetic clinics. Boateng et al. (2020) demonstrated that experiential value significantly influences customer loyalty in cellular telecommunications network companies in Ghana. Hsu et al. (2023) highlighted that experiential value is crucial, especially in fostering festival loyalty, making it the most critical segment.

This study also revealed that experiential value acts as a mediator in the impact of customer experience on brand loyalty. This demonstrates that customer satisfaction resulting from prior experiences encourages repeat purchases and continuous patronage, fostering customer loyalty. Previous research by Izogo et al. (2018) emphasized the significant mediating role of experiential value. Additionally, the findings of Nadiri & Gunay (2013) supported the idea that customer experience is transmitted through customer value. Further research by Rezaei & Valaei (2017), Chang et al. (2018) also highlighted the mediating role of experiential value.

CONCLUSION

This study examines brand loyalty which is influenced by customer experience with the mediating role of experiential value. In the context of the coffee shop industry, especially in Bajawa Coffee Flores NTT. The importance of customer experience in

marketing, especially in the food and beverage industry such as coffee shops, is a heavy point in the business process. The results of this study reveal that customer experience has a significant positive effect on brand loyalty, customer experience has a significant positive effect on experiential value, experiential value has a significant positive effect on brand loyalty and customer experience has a significant positive effect on brand loyalty mediated by experiential value.

Experiential value refers to the customer's perception of a product or service through direct use or observation. Experiential value focuses on the value that customers retain from perceived experiences. Customers can gain value from various types of experiences that create satisfaction and loyalty. The experiential value dimension is a service advantage that is very important for building and maintaining positive relationships with customers, which leads to high levels of loyalty. Customer loyalty refers to engagement behavior and perceptions of future purchases, therefore customer loyalty is not formed instantly, but takes time. Therefore, a good experience must be provided consistently, so that the experience impresses customers. With a good and memorable experiential value, it is expected that customers will become loyal. Experiential value makes customer experience a key driver in building loyalty to Bajawa Flores Coffee. Therefore, it is important for companies in the coffee shop industry and other food and beverage sectors to actively create and enhance customer experiences. Marketing strategies that integrate elements of customer experience and experiential value can make a significant contribution to efforts to maintain and increase brand loyalty.

The results of this study also have practical implications for companies in improving experiential marketing strategies and understanding the importance of experiential value in mediating the relationship between customer experience and brand loyalty. This research provides

relevant insights for the food and beverage industry, especially coffee shops, and contributes to the academic understanding of the importance of customer experience and experience value in achieving brand loyalty in the context of coffee shops in Indonesia.

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