

The Role of Digital marketing and Service quality on Customer Loyalty in the Cafe Business at Kavling DPR Sidoarjo through Customer Engagement as Mediation

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ABSTRACT

Objective: This study aims to analyze the influence of digital marketing and service quality on customer loyalty through customer engagement in cafe businesses in the Kavling DPR Sidoarjo area. **Method:** The study used a quantitative approach with a purposive sampling technique on 114 respondents who had visited and interacted with digital cafe media in the area. Data analysis was conducted using the Partial Least Squares (PLS) method. **Results:** The results showed that digital marketing and service quality had a positive and significant effect on customer engagement, while customer engagement had a positive and significant effect on customer loyalty. Service quality was also proven to have a positive and significant effect on customer loyalty, while digital marketing had a significant negative effect on customer loyalty. In addition, customer engagement was able to significantly mediate the effect of digital marketing on customer loyalty, but was not able to mediate the effect of service quality on customer loyalty. **Novelty:** The research findings indicate that consistent service quality and interactive, relevant, and moderate digital marketing strategies are important factors in increasing customer engagement and loyalty in cafe businesses. The implications of this study emphasize the importance of cafe businesses to optimize service quality, strengthen creative and personalized digital communication, and build long-term relationships with customers through increased customer engagement to face increasingly competitive F&B businesses.

INTRODUCTION

The rapid development of the global economy has driven increasingly intense business competition dynamics across various sectors, including in Indonesia. One of the sectors that has shown significant growth is the Food and Beverage (F&B) industry, which has become the backbone of the creative sector in Indonesia [1]. This industry has become one of the driving forces of the national creative economy due to its high labor absorption capacity, flexibility in product innovation, and ability to adapt to ever-changing market trends [2]. The growth of this sector is also supported by changes in the lifestyle of urban communities, which increasingly prioritize comfort, experience, and social value in consuming food and beverage products. BPS data shows that the number of food and beverage businesses in 2023 reached 4.85 million units, an increase of 21.13% compared to 2016, which recorded 4.01 million units [3]. This growth reflects the high demand of urban communities for culinary services that are practical, high-quality, and capable of providing social experiences relevant to modern lifestyles.

One of the rapidly growing subsectors is the café business. Cafés are no longer just seen as places to enjoy food and drinks, but have also transformed into spaces for social interaction, work, and platforms for expressing the lifestyles of the younger generation

[4]. This phenomenon is clearly visible in the Kavling DPR Sidoarjo area, which is now known as one of the centers of modern culinary and a gathering place for millennials and Gen Z, where intense competition has caused many cafes that cannot compete to close and be replaced by new ones. Cafes that are unable to survive tend to be passive in their promotional activities, such as not updating their social media and lacking activity evaluations that tend to be monotonous. In contrast, cafes that manage to survive are consistent in updating their social media daily, have regular events for promotion, and always pay attention to quality control.

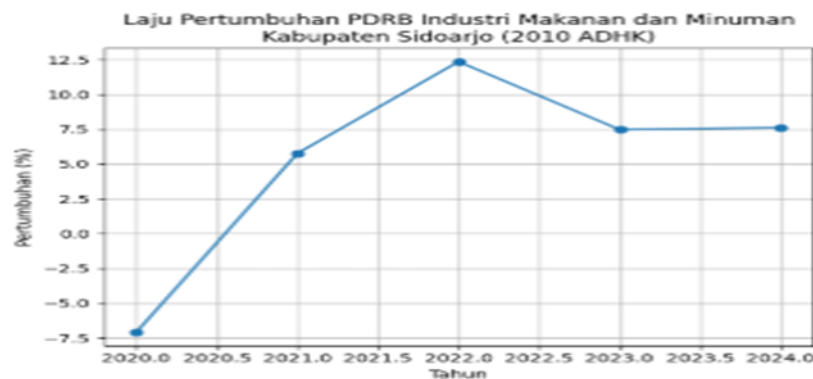


Figure 1. The Growth Rate of the Food and Beverage Industry GDP in Sidoarjo Regency.

The food and beverage (F&B) industry in Sidoarjo has grown, but it is still considered fluctuating, where its growth is not yet stable, causing food and beverage businesses to be cautious. From the data available in Sidoarjo for the year 2025, it is stated that the growth of the food and beverage industry in Sidoarjo in 2023 experienced a significant decline, with growth only at 7.47% compared to 12.35% in 2022. This slowdown is primarily triggered by the weakening of domestic purchasing power, which has increased the risk of failure for F&B businesses, including cafes [5]. Many small and medium-scale F&B businesses are unable to survive beyond the first four years of operation due to high cost pressures, demand fluctuations, limited working capital, and underdeveloped managerial capabilities [6]. This condition is in line with Yang Huo's research, which shows that around 19% of F&B businesses fail in their first year of operation [7].

This phenomenon emphasizes that the success of a cafe business is not only determined by product quality but also by the entrepreneur's ability to implement adaptive strategies and build long-term relationships with customers to ensure business sustainability. In the context of cafe business competition in Kavling DPR Sidoarjo, the main issue lies in the low ability to maintain customer loyalty amidst changing consumer behavior increasingly influenced by digital penetration and the preferences of the younger generation. The utilization of digital platforms such as Instagram, TikTok, and delivery services should serve as a strategic means to create valuable interactions between cafes and customers [8]. However, the quality of digital marketing displayed by

some cafes is still not optimal, characterized by less informative content, less attractive visuals, and communication that has not yet been able to build emotional closeness, potentially lowering trust and customer loyalty [9]. Additionally, the inconsistent service quality, such as employee friendliness, speed of service, and product alignment with expectations, negatively impacts customers' perception of service reliability [10]. The suboptimal service experience reduces the level of customer engagement, which ultimately weakens the formation of customer loyalty toward the cafe [11].

In the context of the identified problem, the researcher uses the Customer Engagement Theory, which emphasizes that customer engagement is caused by cognitive, emotional, and behavioral investments from customers toward the brand or company, triggering the success of long-term relationships. Elements that influence long-term success are service quality and digital marketing [12]. In the context of modern cafes, digital services and service quality serve as the main stimuli that trigger customer engagement, such as through engaging content on social media, online ordering experiences, or responsive interactions between the cafe and customers. Digital marketing and service quality enhance customer engagement, which then positively impacts customer loyalty [13].

Customer loyalty becomes a crucial factor in the context of increasingly fierce competition in the cafe business. The fluctuating level of customer loyalty in this area reflects that customers not only consider the product factor but also the experience provided by the cafe. About 90% of customers remain loyal to the company if their needs are met accurately and efficiently, making them feel valued [14]. Loyalty is formed through a gradual process of satisfaction, trust, and emotional attachment to the brand. Loyal customers will provide benefits through repeat product purchases. Customer loyalty requires having purchased the same product at least three times, then they can be categorized as loyal customers [15]. One of the key factors in retaining customers is effectively utilizing digital marketing strategies.

Digital marketing is a transformation that has changed the communication patterns between businesses and consumers. Digital marketing is a promotional activity that uses various web-based media such as blogs, websites, emails, AdWords, or social media [16]. Digital marketing has become a marketing method for many modern businesses, including coffee shops [17]. Digital marketing not only involves product marketing but also consumer outreach through the relationships created between marketers and customers [18]. With easier access to product information, consumers can quickly understand the value and benefits of the product [19]. Digital marketing plays an important role in creating customer loyalty. Digital marketing has a positive and significant impact on consumer loyalty [20]. States that digital marketing does not have a significant impact on consumer loyalty [21]. One of the key factors in retaining customers is by providing quality service.

Service quality is the condition where products, services, human resources, processes, and environments meet or exceed expectations [22]. Service quality becomes the most important part to meet customer expectations. High service quality can create

sustainable satisfaction and trust, while poor service has the potential to decrease loyalty even if the products offered are of good quality. Good service quality will enhance marketing because consumers will be motivated to spread positive stories about the service or business to others [23]. The existence of research findings that state service quality has a positive and significant impact on customer loyalty [24]. However, another study states that service quality does not have a significant effect on customer loyalty [25]. One of the key factors in retaining customers is through strengthening customer engagement.

Customer engagement is a measure of the level of involvement and the quality of the relationship that develops between individuals and the activities or offerings organized by the company [26]. Customer engagement is generally understood as the depth and breadth of the relationship between customers and a brand, encompassing emotional and behavioral aspects [27]. Customers who feel engaged tend to have an emotional closeness and long-term relationship with the brand, which ultimately strengthens loyalty. This interaction occurs beyond purchase transactions and aims to build mutual trust [28]. The research findings concluded that there is a significant influence between customer engagement and customer loyalty [26]. However, other research states that customer engagement does not have a positive and significant impact [29].

Various previous studies have shown that digital marketing, service quality, customer engagement, and customer loyalty are still examined separately without testing how customer engagement plays a role in bridging the relationship between these variables. Research specifically focusing on the decline of customer loyalty in local cafes in the Kavling DPR Sidoarjo area is still limited; not much has been depicted on how the provided digital marketing and service quality strategies can form engagement while also driving customer loyalty. The novelty of this research lies in the simultaneous testing of the influence of digital marketing and service quality on customer loyalty with customer engagement as a mediating variable, thereby strengthening the Engagement Theory and providing practical contributions to the development of marketing strategies and service improvements, as well as strategies to enhance customer loyalty in cafe businesses in the Kavling DPR Sidoarjo area. This research aims to provide a more comprehensive understanding for business actors in the F&B sector in the Kavling DPR Sidoarjo area regarding the extent to which digital marketing and service quality influence customer loyalty through customer engagement as a mediating variable. With this research, it is expected to determine the extent to which digital marketing and service quality can build customer engagement and increase consumer loyalty amidst increasingly fierce competition.

SDGs Category:

This research uses the **SDGs Code 8** because it focuses on strengthening sustainable economic growth through improving the performance of café businesses as part of the F&B sector. SDG 8 emphasizes the importance of business productivity, job creation, and business resilience. By examining the influence of digital marketing and service quality

on customer loyalty through customer engagement, this research contributes to efforts to enhance the competitiveness and desirability of cafes in the DPR Sidoarjo area, enabling them to face market dynamics and the high failure rate in the F&B industry.

Problem Formulation:

1. Does digital marketing influence customer engagement?
2. Does service quality affect customer engagement?
3. Does customer engagement affect customer loyalty?
4. Does digital marketing affect customer loyalty?
5. Does service quality affect customer loyalty?
6. Does digital marketing influence customer loyalty through customer engagement?
7. Does service quality influence customer loyalty through customer engagement?

Research Question:

Does Digital Marketing, Service quality, and Customer engagement affect Customer loyalty in Cafe Businesses in the DPR Sidoarjo plot?

Digital Marketing

Digital marketing is a form of marketing that uses digital technology, including the internet, social media, and mobile devices, to reach consumers, communicate, build relationships, and facilitate transactions and value exchanges between companies and customers [30]. This allows companies to deliver marketing messages more effectively and efficiently, as well as provide a more personalized experience to consumers [31]. Digital marketing is the company's competence in utilizing the internet and other information technologies to facilitate deep interactions with customers [32]. Digital marketing is a series of tactics and strategies used to promote products or services through digital channels, such as social media, email, search engines, and websites, with the aim of reaching a wider audience [33]. Digital marketing is a series of business operational activities that focus on the design, pricing, and distribution of products, services, and ideas that meet the needs of the target market in order to achieve organizational goals [34]. The indicators used in this research to measure the Digital marketing variable are [35].

1. Social media marketing: the use of social media to share information, communicate, and build relationships with customers.
2. Content marketing: delivering relevant, engaging, and valuable digital content to influence customer perception.
3. Customer interaction: The intensity and quality of communication between customers and businesses.
4. Digital advertising: the use of digital-based advertising to reach a wider audience.
5. Transaction convenience: Describes the level of ease for customers in conducting digital transactions.
6. Customer experience: The overall experience of customers when interacting with the business's digital platform

Service Quality

Service quality is the result of customer evaluation regarding how far the performance of the service they receive can meet or exceed expectations [36]. Defining service quality as the comparison between customer expectations and the service perceived by the customer [37]. Defining service quality as an overall evaluation or attitude related to the excellence of a service [38]. Service quality is the consumer's assessment of the level of excellence of the service received [39]. The indicators used in this study to measure the Service Quality variable are [36].

1. Reliability: the ability to provide promised services accurately and reliably.
2. Responsiveness: the willingness to assist customers and provide services quickly.
3. Assurance: knowledge and politeness of employees, as well as the ability to instill trust
4. Tangibles: the appearance of physical facilities, equipment, personnel, and cleanliness.
5. Empathy: understanding customer needs and communicating in a friendly manner so that customers feel valued.

Customer Engagement

Customer engagement is the level of attention and active involvement of customers toward a communication, brand, or marketing activity that indicates emotional participation and customer behavior in creating shared value with the company [30]. This means that customers do not only respond passively by viewing ads (impressions), but also actively participate by leaving comments, sharing content, or interacting through digital media and brand experiences. Customer engagement is a series of behaviors generated by customers in the experience process, not just purchasing behavior [40]. Emphasizing that customer engagement is a manifestation of customer behavior that reflects the level of their emotional, cognitive, and behavioral relationship with a brand or company [41]. Defines customer engagement as the intensity of customer participation in products, services, and activities provided by the organization, as well as maintaining relationships with customers [42]. The indicators used in this research to measure the Customer engagement variable are [43].

1. Cognitive: The information processing carried out by consumers when considering a product or service.
2. Emotional: What someone feels that affects their mood, such as happiness, excitement, or stress.
3. Behavioral: someone's behavior patterns, such as buying habits, frequency of product use, or responses.
4. Social: A person's interaction with the surrounding group or community that influences their behavior and experiences.

Customer Loyalty

Customer loyalty is loyal customers to a particular company who make repeat purchases or use the company's services again [30]. Customer loyalty is understood as a construction of meaning formed from daily experiences, where loyalty is not only

reflected thru repeated purchasing behavior but also through emotional attachment and social relationships that make customers consistently choose a brand [44]. Customer loyalty is understood as an outcome of collaborative behavior, where the active involvement of customers in creating value together with the company strengthens emotional bonds and increases their tendency to continue choosing and supporting the brand [45]. The indicators used in this study to measure the variable of customer loyalty are [30].

1. Repeat purchase: customers continue to buy products or use services repeatedly.
2. Recommendation: Loyal customers will recommend to others.
3. Customer retention: Customers choose to remain loyal to the product and are not interested in switching to competitors even when offered more attractive alternatives.
4. Commitment: Customers support the brand through repeated use and positive recommendations.

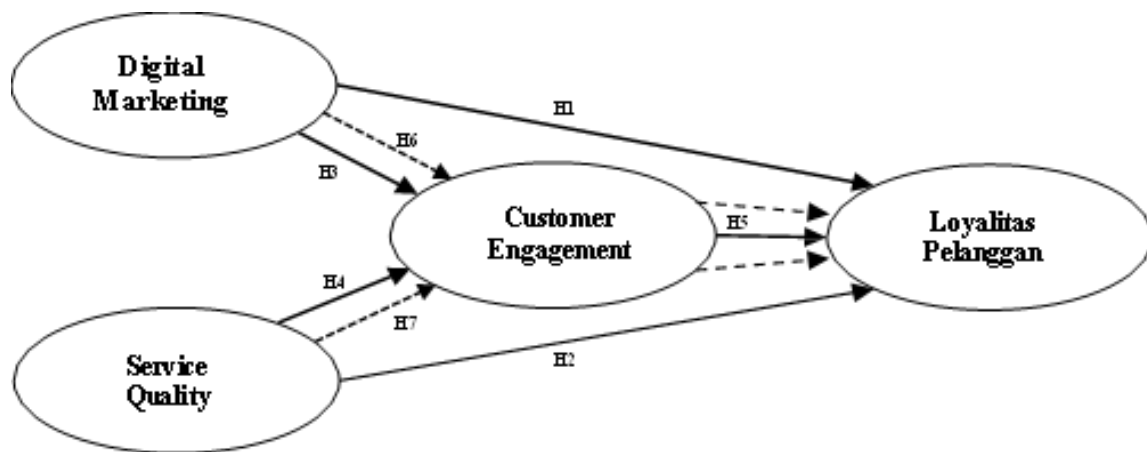


Figure 2. Conceptual Framework.

The influence of digital marketing on customer loyalty

Digital marketing can enhance customer loyalty through targeted, consistent, and interaction-based communication strategies. Digital marketing is increasingly having a significant impact on businesses [46]. Through the utilization of digital technology, business actors are required to adapt to changes in consumer behavior and the fast-paced dynamics of the market. This compels business actors to work hard to implement their business strategies and to identify existing opportunities. Digital marketing also serves as a powerful medium to bridge efficient interactions between companies and customers through the use of accurate data, consumer behavior analysis, and the implementation of targeted communication strategies. This not only opens up broader opportunities for data interpretation but also drives sustainable business growth and expands its potential positive impact in facing competition challenges and market changes [47]. Several studies show a positive relationship where digital marketing has been proven to have a positive and significant impact on customer loyalty [48]. Another study [49] indicates that the

more effective the digital marketing strategy implemented, the higher the level of customer loyalty to the brand [58].

H1: Digital marketing has a significant positive effect on customer loyalty

The impact of service quality marketing on customer loyalty

Service quality can enhance customer loyalty by creating consistent and valuable positive experiences. Service quality becomes a driver for customers to purchase products or services as desired [50]. Service quality serves as a benchmark for how well the service quality provided compares to customer expectations of that service. When customers are satisfied with the service experience they receive, they tend to perceive the company as professional, trustworthy, and worthy of being chosen again in the future. To provide high-quality services in an effort to create a unique advantage among competitors [51]. Companies that consistently provide excellent service will have a strong differentiation value in the eyes of customers, thereby enhancing the positive image and trust toward the brand [61]. Research findings indicate that service quality has a significant impact on customer loyalty, suggesting that the better the perceived service, the higher the level of customer loyalty toward the company [52].

H2: Service quality has a positive and significant effect on customer loyalty

The Impact of Digital Marketing on Customer Engagement

Digital marketing has a strategic capability in enhancing customer engagement through the utilization of interactive, personalized, and data-driven digital platforms. Where promotion is a form of effort by the company to offer their products and provide information about their products so that consumers have the motivation to buy and use the products or services they offer [53]. Through digital marketing, companies are not only able to communicate products more quickly and widely, but also build two-way interactions that allow customers to engage in conversations, provide feedback, and form more personal and sustainable relationships [54]. One of the most effective elements in digital marketing that can drive customer engagement is social media, because its interactive nature allows for two-way communication, strengthens relationships, and increases consumer interest in continuously engaging with the brand [55]. Several studies show a positive relationship between these two variables, such as findings that prove digital marketing has a positive and significant impact on customer engagement [56]. Similarly, other research found that informative, communicative, and interactive digital marketing can enhance customer responses in the form of attention, participation, and ongoing interaction with the brand [57].

H3: Digital marketing has a positive and significant impact on customer engagement

The impact of service quality on customer engagement

Service quality can enhance customer engagement through superior service experiences that create customer satisfaction, trust, and emotional attachment to the brand. Excellent service encourages the emergence of customer engagement by improving their cognitive processes [58]. Generally, a stable, responsive service that aligns with customer preferences can build meaningful experiences, enhance the quality of relationships between customers and service providers, and foster a stronger level of

engagement. Service quality (stimulus) shapes perceptions that trigger customer engagement responses [59]. Through high customer engagement, customers not only become product users but also part of the brand ecosystem, actively providing feedback, sharing positive experiences, and voluntarily promoting the brand [60]. Previous research findings indicate that the stronger the relationship and participation of customers with a brand, the more likely they are to remain loyal and continue using the products or services provided [61].

H4: Service quality has a positive and significant effect on customer engagement

The impact of customer engagement marketing on customer loyalty

Customer engagement can enhance customer loyalty because high engagement reflects an emotional connection between consumers and the brand. Customer engagement is an active involvement of customers with the brand, product, or service, reflected through ongoing cognitive, emotional, and behavioral interactions. This illustrates the extent to which customers are interested, participate, and have a deep relationship with the company, making it an important element in creating competitive advantage and building long-term loyalty [62]. Through high customer engagement, customers not only become product users but also part of the brand ecosystem, actively providing feedback, sharing positive experiences, and voluntarily promoting the brand [62]. Previous research findings state that the stronger the relationship and participation of customers with a brand, the greater the likelihood that they will remain loyal and continue to use the products or services provided [63].

H5: Customer engagement has a positive and significant effect on customer loyalty.

Digital marketing for customer loyalty through customer engagement

Digital marketing can enhance customer loyalty when digital interactions create customer engagement. Customer engagement acts as a bridge that transforms digital experiences into strong emotional connections, resulting in higher loyalty. Digital marketing can indirectly drive customer loyalty through increased customer engagement strategies such as personalized content, social media interactions, and email marketing, which not only attract attention but also build active customer involvement [30]. Research findings indicate that digital marketing has a significant positive impact on customer loyalty, with customer engagement as a mediating variable [64]. This shows that effective digital marketing strategies enhance customer engagement, which in turn fosters the formation of sustainable customer loyalty [65].

H6: Customer engagement mediates the relationship between digital marketing and customer loyalty.

Service quality toward customer loyalty through customer engagement

Improvement in service quality contributes to strengthening customer loyalty by fostering higher levels of customer engagement. Reliable, responsive, and empathetic service encourages customers to interact more actively and emotionally with the brand, which in turn strengthens long-term bonds [36]. Customer engagement serves as a link that reinforces the relationship between service quality and loyalty, so active customer participation can enhance the effectiveness of service quality in fostering customer

loyalty [66]. Superior service quality drives the formation of loyalty through increased customer satisfaction and the company's reputation, while customer engagement plays a role in solidifying that relationship by creating deeper interactions, sustained trust, and consistently positive experiences with the brand [67]. Previous research findings indicate that superior service creates satisfaction that will enhance customer engagement and, over time, increase customer loyalty [68].

H7: Customer engagement mediates the relationship between Service quality and Customer Loyalty

RESEARCH METHOD

In this study, the approach used is a quantitative approach aimed at determining the influence of independent variables, namely Digital Marketing and Service Quality, on Customer Loyalty as the dependent variable mediated by Customer Engagement [69]. Quantitative research is an approach to testing theories by examining the relationships between variables. These variables are measured numerically and analyzed using statistical procedures [69]. Population refers to all identifiable elements that become the object of observation in a study. In this study, the population referred to is customers who have made purchases at cafes in the Kavling DPR Sidoarjo area. This population was chosen because they have direct experience with the services, digital interactions, and engagement activities that are the focus of the research [69].

Sample determination was carried out using the non-probability sampling method, where not all members of the population have the same chance of being selected [69]. The technique used is purposive sampling, which is the selection of respondents based on specific considerations relevant to the research objectives. Hair explains that this technique is appropriate when researchers need a sample with specific characteristics that can more accurately depict the phenomenon being studied [69]. The criteria for respondents in this study are having visited or made a purchase at one of the cafes in the Kavling DPR Sidoarjo area, having seen or interacted with the cafe's digital content, and being aged between 17–35 years. Referring to Hair's guidelines on minimum sample size, the ideal sample size is ten times the number of the largest indicator in one construct [69].

$$\begin{aligned}\text{Sample} &= (n \times k) \\ &= (19 \times 6) \\ &= 114\end{aligned}$$

Note:

n = minimum sample size

k = number of indicators in the construct with the most indicators

Based on this formula, the sample used in the study consists of 114 respondents. The data sources in this study consist of primary and secondary data. Primary data were obtained directly from respondents thru the process of filling out questionnaires, so the information collected truly reflects the actual conditions in the field. The questionnaire was distributed to cafe customers located in the DPR Sidoarjo plot area, as they have direct experience with the services and digital activities of the cafe being studied.

Meanwhile, secondary data was collected from various indirect references, such as literature that supports the theoretical foundation of the research [69]. The questionnaire is a technique for collecting data by providing questions or written statements for respondents to answer. The distribution of the questionnaire in the research uses the Likert scale as the measurement scale. The Likert scale is used to measure the attitudes, opinions, and perceptions of an individual or group toward existing social phenomena. With the Likert scale, the existing variables will be measured and described as variable indicators. These indicators will then serve as a starting point for creating questions or statements. In the Likert scale, the answer choices are arranged from the most positive to the most negative, usually rated with numbers 1 to 5 with the categories: Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), and Strongly Agree (5) [70].

The type of data analysis used is the smart PLS method as an approach in the data testing process. PLS is a multivariate statistical technique that compares the relationships between multiple dependent variables and multiple independent variables. This method was chosen because it can address the issue of multicollinearity that often arises due to certain data characteristics, such as multicollinearity or small sample sizes. In this study, PLS analysis is conducted thru two main stages, namely the outer model and the inner model, each of which plays a role in testing the validity, reliability, and relationships between latent variables [68].

The outer model functions to assess the validity and reliability of the research indicators. This model illustrates the relationship between the measured indicators and the established latent construct. The evaluation of the outer model includes three main criteria: convergent validity, discriminant validity, and composite reliability [70]. Convergent validity is measured thru the loading factor value, which indicates the correlation between the indicator and its construct, where a value above 0.70 is considered very good. Discriminant validity tests the extent to which indicators can differentiate between constructs thru cross-loading analysis and the Average Variance Extracted (AVE) value, which ideally exceeds 0.5. Meanwhile, composite reliability is used to measure the internal consistency among indicators, with a recommended Cronbach's Alpha and composite reliability value greater than 0.7 [68].

Inner model, used to assess the structural relationships between latent constructs in the research model. The evaluation is conducted by examining the percentage of variance explained thru the R-Square value as an indicator of the model's predictive strength. An R-Square value of 0.67 is categorized as strong, 0.33 indicates moderate strength, while 0.19 is considered weak. Additionally, F-Square (f^2) analysis is used to assess the influence of each independent variable on the dependent variable. Independent variables are considered to have a moderate influence if the f^2 value is greater than 0.15, indicating that the exogenous variables contribute significantly at the structural level in the research model [70].

RESULTS AND DISCUSSION

Results

Table 1. Respondent Identity.

Characteristic	Respondent	Frequency	Percentage
Gender	Female	70	61%
	Male	44	39%
Age	17-24	82	72%
	25-29	23	20%
	30-35	9	8%
Occupation	Student/University Student	67	59%
	Private-Sector Employee	23	20%
	Self-Employed	13	11%
	Civil Servant	8	7%
	Entrepreneur	1	1%
	Teacher	1	1%
	Unemployed	1	1%
Number of visits to the DPR Sidoarjo plot area in one month	1-3	61	54%
	4-7	39	34%
	More than 8 times	14	12%

Based on the respondent identity results from 114 respondents, the majority of respondents were female at 61%, while males accounted for 39%. In terms of age, respondents were predominantly in the 17-24 age group at 72%, followed by the 25-29 age group at 20%, and the 30-35 age group at 8%. Based on occupation, most respondents were students at 59%, followed by private employees at 20%, self-employed at 11%, civil servants at 7%, and teachers, entrepreneurs, and unemployed each at 1%. Additionally, the frequency of respondents' visits to the DPR Sidoarjo culinary area in a month was dominated by 1-3 visits at 54%, followed by 4-7 visits at 34%, and more than 8 visits at 12%. This indicates that the research respondents were predominantly young women who are still students with a fairly regular visit frequency to the DPR Sidoarjo culinary area.

Measurement Model

Outer Model

The outer model is used to test validity and reliability. The outer model represents the measurement model that illustrates the relationship between indicators and the predetermined construct [71]. There are three main criteria for testing the outer model, namely convergent validity, discriminant validity, and composite reliability [72].

Convergent Validity

Convergent validity is analyzed through item reliability, which is reflected in the loading factor value. The loading factor illustrates the level of correlation between the

scores on the question items and the construct indicator scores. A loading factor value exceeding 0.70 is categorized as very good [72].

Table 2. Outer Loading.

	Digital Marketing	Service Quality	Customer Engagement	Customer Loyalty
DG1	0,709			
DG2	0,700			
DG3	0,759			
DG4	0,748			
DG5	0,767			
DG6	0,716			
SQ1		0,757		
SQ2		0,822		
SQ3		0,813		
SQ4		0,711		
SQ5		0,740		
CE1			0,786	
CE2			0,841	
CE3			0,780	
CE4			0,769	
CL1				0,782
CL2				0,732
CL3				0,705
CL4				0,765

Based on the results of the convergent validity test, all indicators on the research variables show outer loading values above 0.70, thus meeting the requirements for convergent validity and are declared valid in representing the research construct. The digital marketing variable has an outer loading value of 0.700–0.767, service quality of 0.711–0.822, customer engagement of 0.769–0.841, and customer loyalty of 0.705–0.782. Thus, all indicators in each variable have proven capable of measuring the constructs being studied validly and are suitable for further analysis.

Discriminant Validity

Discriminant Validity aims to assess whether indicators in a reflective model can distinguish between constructs. This test is conducted through cross-loading analysis, where each indicator must show a higher cross-loading value for the construct compared to other constructs [72].

Table 3. Cross Loading.

	Digital Marketing	Service Quality	Customer Engagement	Customer Loyalty
DG1	0,709	-0,006	0,298	-0,182
DG2	0,700	0,072	0,287	-0,029
DG3	0,759	0,122	0,271	-0,131

DG4	0,748	0,144	0,244	-0,173
DG5	0,767	0,322	0,475	0,193
DG6	0,716	0,357	0,393	0,044
SQ1	0,294	0,757	0,479	0,431
SQ2	0,145	0,822	0,548	0,423
SQ3	0,255	0,813	0,428	0,399
SQ4	0,187	0,711	0,347	0,312
SQ5	0,100	0,740	0,334	0,323
CE1	0,436	0,471	0,786	0,294
CE2	0,367	0,475	0,841	0,427
CE3	0,360	0,421	0,780	0,339
CE4	0,328	0,438	0,769	0,225
CL1	-0,016	0,450	0,364	0,782
CL2	-0,026	0,277	0,264	0,732
CL3	-0,069	0,300	0,159	0,705
CL4	0,013	0,415	0,381	0,765

The results of the discriminant validity test conducted using the cross-loading method show that each indicator has the highest loading factor value on the construct it measures compared to other constructs. In the digital marketing variable, the loading values range from 0.700 to 0.767, service quality from 0.711 to 0.822, customer engagement from 0.769 to 0.841, and customer loyalty from 0.705 to 0.782. These findings indicate that each indicator is able to specifically reflect its construct and does not overlap with other constructs; the research instrument is declared valid and reliable. Additionally, discriminant validity can also be evaluated through the Average Variance Extracted (AVE) value, with the condition that the cross-loading value of each indicator must exceed the threshold of 0.5, and all indicators in this study have met this criterion.

Average Variant Extracted

Table 4. Average Variant Extracted (AVE).

	AVE	$\sqrt{\text{AVE}}$	Description
Digital Marketing	0,538	0,734	Valid
Service Quality	0,592	0,770	Valid
Customer Engagement	0,631	0,794	Valid
Customer Loyalty	0,558	0,747	Valid

Based on the results of the Average Variance Extracted (AVE) test, all constructs in this study have AVE values exceeding the threshold of 0.50, thus meeting the criteria for convergent validity. The digital marketing variable has an AVE value of 0.538, service quality 0.592, customer engagement 0.631, and customer loyalty 0.558. These values indicate that each construct is capable of explaining more than 50% of the variance of the indicators used to measure the research variables. Additionally, the $\sqrt{\text{AVE}}$ values for each variable also show good results, namely digital marketing 0.734, service quality 0.770, customer engagement 0.794, and customer loyalty 0.747. Thus, it can be concluded that all variables in this study are valid and suitable for further analysis.

Construct Reliability and Validity

Composite Reliability is used to measure the internal consistency among indicators within a construct. A construct is considered reliable if its Cronbach's alpha and composite reliability values are greater than 0.7 [72].

Table 5. Construct Reliability and Validity.

	Cronbach's Alpha	Composite Reliability	Description
Digital Marketing	0,832	0,875	Reliable
Service Quality	0,829	0,879	Reliable
Customer Engagement	0,805	0,872	Reliable
Customer Loyalty	0,741	0,834	Reliable

The results of the Construct Reliability and Validity tests show that all variables in this study have Cronbach's Alpha and Composite Reliability values exceeding the minimum threshold of 0.70, indicating a good level of reliability. Specifically, the digital marketing variable has a Cronbach's Alpha value of 0.832 and a Composite Reliability value of 0.875; service quality has 0.829 and 0.879; customer engagement has 0.805 and 0.872; and customer loyalty has 0.741 and 0.834. These values indicate that each construct has adequate internal consistency, and all the instruments used in this study can be declared reliable and suitable for use in subsequent research analysis.

Inner Model

f-Square

The F-Square (f^2) value is an analysis aimed at examining whether each independent variable significantly affects the dependent variable, thereby determining which variables are suitable to be included in the research model. Independent variables are said to have a moderate substantive level if the f^2 value is more than 0.15, where the exogenous latent variable has a moderate influence at the structural level [73].

Table 6. f-square.

	Digital Marketing	Service Quality	Customer Engagement	Customer Loyalty
Digital Marketing			0,198	0,090
Service Quality			0,379	0,153
Customer Engagement				0,087
Customer Loyalty				

Based on the results of the internal model testing through f-square (f^2) value analysis, it was found that digital marketing has a small influence on customer engagement of 0.198 and customer loyalty of 0.090. Service quality has a moderate influence on customer engagement with an f^2 value of 0.379 and a small influence on customer loyalty of 0.153, while customer engagement has a small influence on customer loyalty of 0.087. These results indicate that service quality is the variable that contributes

most significantly to explaining customer engagement, while customer engagement has the lowest contribution to customer loyalty. Thus, it can be concluded that the increase in customer engagement is more influenced by the quality of service provided by the company compared to other variables in this study.

R Square

The R-Square value is the coefficient of determination for the endogenous construct. An R-Square of 0.67 indicates strong, an R-Square of 0.33 indicates moderate, and an R-Square of 0.19 indicates weak [73].

Table 7. R-Square.

	R Square	Adjusted R Square
Customer Engagement	0,435	0,425
Customer Loyalty	0,332	0,314

Based on the results of the inner model testing through the R-Square value, it was found that the customer engagement variable has an R-Square value of 0.435 and an Adjusted R-Square of 0.425, while the customer loyalty variable has an R-Square value of 0.332 and an Adjusted R-Square of 0.314. The value indicates that customer engagement can be explained by exogenous variables in the model by 43.5%, while customer loyalty can be explained by 33.2%, with the remainder influenced by other variables outside the study. Thus, this research model has a moderate predictive ability in explaining the relationships between the variables studied.

Hypothesis Testing

Hypothesis testing is used to test a statement or assumption regarding a population parameter by utilizing sample data as the basis for its evaluation. The hypothesis is formulated based on existing information and the researcher's belief about the population's characteristics. Hypothesis testing involves two opposing statements, namely the null hypothesis and the alternative hypothesis. An independent variable is said to have an effect on the dependent variable if the t-statistic value exceeds the t-table value. With a significance level of 0.05 and a two-tailed test, the t-table value is set at 1.96. This means that the hypothesis can be accepted if the t-statistic > 1.96, while based on the probability value, the hypothesis is considered significant if the p-value < 0.05 [72].

Path Coefficient

Table 8. Direct Effect.

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Digital Marketing -> Customer Loyalty	-0,278	-0,257	0,108	2,581	0,010
Service Quality -> Customer Loyalty	0,388	0,386	0,108	3,599	0,000
Digital Marketing -> Customer Engagement	0,346	0,365	0,101	3,426	0,001

Service Quality -> Customer Engagement	0,479	0,474	0,126	3,792	0,000
Customer Engagement -> Customer Loyalty	0,321	0,318	0,151	2,126	0,034

Based on the hypothesis testing results through path coefficient analysis, the following findings were obtained:

1. Digital marketing has a significant negative effect on customer loyalty with a coefficient of -0.278, a T-Statistic value of 2.581 (> 1.96), and a p-value of 0.010 (< 0.05). This result indicates that the first hypothesis (H1) is accepted.
2. Service quality has a significant positive effect on customer loyalty with a coefficient of 0.388, a T-Statistic value of 3.599 (> 1.96), and a p-value of 0.000 (< 0.05). This result indicates that the second hypothesis (H2) is accepted.
3. Digital marketing has a significant positive effect on customer engagement with a coefficient of 0.346, a T-Statistic value of 3.426 (> 1.96), and a p-value of 0.001 (< 0.05). This result indicates that the third hypothesis (H3) is accepted.
4. Service quality has a significant positive effect on customer engagement with a coefficient of 0.479, a T-Statistic value of 3.792 (> 1.96), and a p-value of 0.000 (< 0.05). This result indicates that the fourth hypothesis (H4) is accepted.
5. Customer engagement has a significant positive effect on customer loyalty with a coefficient of 0.321, a T-Statistic value of 2.126 (> 1.96), and a p-value of 0.034 (< 0.05). This result indicates that the fifth hypothesis (H5) is accepted.

Overall, the results of this study indicate that all inter-variable relationships in the research model have a significant impact. Among these relationships, service quality has the strongest influence on customer engagement, with the largest coefficient value compared to other relationships. These findings indicate that service quality is the most determining factor in enhancing customer engagement, which ultimately also affects customer loyalty.

Specific indirect effect

Table 9. Indirect effect.

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Digital Marketing -> Customer Engagement - > Customer Loyalty	0,111	0,108	0,054	2,052	0,041
Service Quality -> Customer Engagement - > Customer Loyalty	0,154	0,161	0,092	1,665	0,096

Based on the hypothesis testing results through specific indirect effect analysis, the following findings were obtained:

1. The analysis results show that Digital Marketing → Customer Engagement → Customer Loyalty obtained an original sample value of 0.111, with a t-statistic value of 2.052 (> 1.96) and a p-value of 0.041 (< 0.05). These results indicate that customer engagement significantly mediates the influence of digital marketing on customer loyalty. Thus, the mediation relationship formed can be categorized as partial mediation, because digital marketing still has a direct influence on customer loyalty even tho part of its influence is channeled through customer engagement. The positive direction of the relationship indicates that the better the implementation of digital marketing, the higher the customer engagement formed, which ultimately can enhance customer loyalty. These findings affirm that digital marketing strategies not only have a direct impact on customer loyalty but can also strengthen loyalty through increased customer engagement. These results indicate that the sixth hypothesis (H6) is accepted.
2. The analysis results show that Service Quality → Customer Engagement → Customer Loyalty has an original sample value of 0.154, with a t-statistic value of 1.665 (< 1.96) and a p-value of 0.096 (> 0.05). These results indicate that customer engagement has not yet been able to significantly mediate the influence of service quality on customer loyalty. Thus, the formed mediation relationship is not significant, so customer engagement cannot serve as a mediating variable in strengthening the influence of service quality on customer loyalty. Although the direction of the relationship shows a positive value, the improvement in service quality does not consistently enhance customer engagement, which affects customer loyalty. These findings indicate that customer loyalty is likely more influenced by factors beyond customer engagement in the relationship between service quality and customer loyalty. These results indicate that the seventh hypothesis (H7) is rejected.

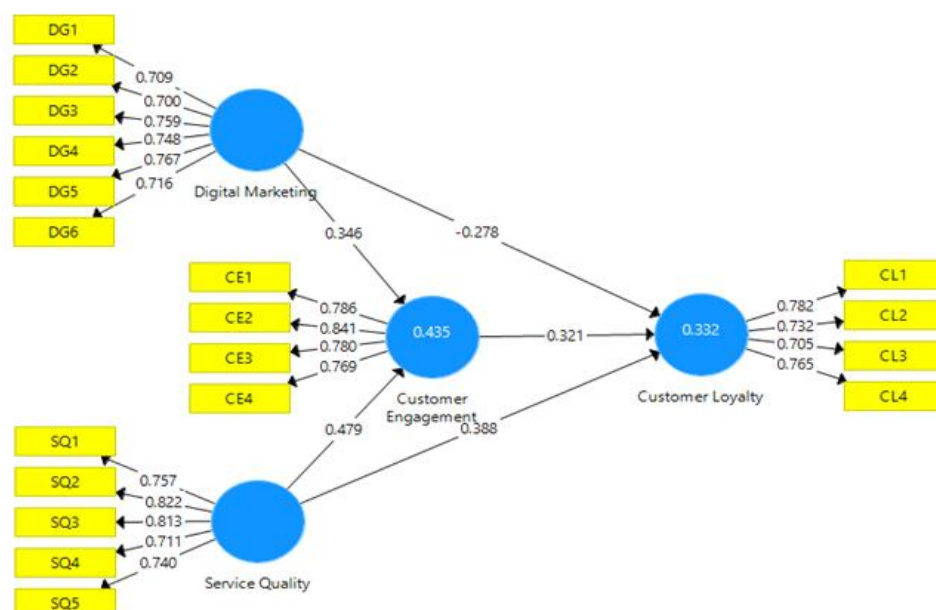


Figure 3. Booth strapping result.

Discussion

The Influence of Digital Marketing on Customer Loyalty

The research results show that digital marketing has a significant impact on customer loyalty, but it has a negative relationship direction, indicating that the higher the intensity of digital marketing perceived by customers, the more customer loyalty tends to decrease. This condition indicates that the digital marketing strategy for the cafe business in Kavling DPR Sidoarjo has not yet fully succeeded in building a strong emotional connection with customers. Customers feel that the promotions conveyed through social media or content creator reviews do not always match the actual conditions they experience when visiting the cafe in person. Some customers expressed that the appearance of the products, the cafe's atmosphere, and the promotions displayed in digital content look more appealing compared to the actual conditions, leading to disappointment and a decrease in customer trust toward the company. Additionally, promotions that are too frequent through sponsored ads or direct messages also cause customers to feel bored and less comfortable interacting with the company. Customers tend to prefer content that is interactive, authentic, informative, and not overly focused on hard selling. From the perspective of customer relationship theory, loyalty is not only formed through the frequency of communication or promotions conducted by the company, but also through the creation of trust, commitment, satisfaction, and mutually beneficial long-term relationships between the company and customers. These findings are supported by research [65] [74], which states that customer loyalty can be formed through relevant, interactive digital communication that is capable of creating positive customer engagement.

The Influence of Service Quality on Customer Loyalty

The research results show that service quality has a positive and significant impact on customer loyalty, which means that the better the quality of service provided, the higher the customer loyalty will be. In customer relationship theory, service quality is an important factor in building and maintaining long-term relationships between the company and customers. Quality service can create trust, satisfaction, and customer commitment, which in turn encourages the formation of stronger and more sustainable relationships. Customers feel more loyal when employees are able to provide polite service, respond quickly to orders and complaints, and create a comfortable and professional service atmosphere. In addition, customers are also likely to make repeat purchases because they feel valued and attended to while at the cafe. These conditions indicate that good service quality can create a positive experience and strengthen the long-term relationship between customers and the company. The findings of this study are in line with research [75] [52], which states that good service quality can sustainably enhance customer satisfaction, trust, and loyalty.

The Influence of Digital Marketing on Customer Engagement

The research results show that digital marketing has a positive and significant impact on customer engagement, which means that the better the implementation of digital marketing, the higher the customer engagement will be. From the perspective of

customer relationship theory, digital marketing is a means that allows companies to build, maintain, and strengthen relationships with customers through continuous communication. Customers are more inclined to respond, comment, or share the cafe's content when the company presents creative, aesthetic, informative content and actively interacts through social media like Instagram and TikTok. Additionally, customers feel closer to the cafe when the company actively replies to comments, provides attractive promotional information, and involves customers in digital activities such as reposting stories or customer reviews. These conditions indicate that effective digital communication can create positive experiences and enhance customers' emotional attachment to the company. The findings of this study are in line with research [76] [49], which states that digital marketing can enhance customer engagement through interactive, personal, and sustainable digital communication.

The Influence of Service Quality on Customer Engagement

The research results show that service quality has a positive and significant impact on customer engagement, which means that the better the quality of service provided, the higher the customer engagement will be. In customer relationship theory, service quality is an important factor in building sustainable interactions between the company and customers. Quality service can create trust, satisfaction, and emotional closeness that encourage customers to actively engage in their relationship with the company. Customers feel more comfortable and more actively interact when employees provide friendly service, quickly respond to orders or complaints, and are able to create a comfortable and communicative atmosphere. Additionally, customers are also likely to give positive reviews, recommend the cafe to others, and participate in the cafe's social media activities when they have a satisfying service experience. These conditions indicate that good service quality can create a closer emotional bond between customers and the company, thereby enhancing customer engagement. The findings of this study are in line with research [60] [61], which states that good service quality can increase customer engagement through positive service experiences, effective communication, and long-term relationships with customers.

The Influence of Customer Engagement on Customer Loyalty

The research results show that customer engagement has a positive and significant impact on customer loyalty, which means that the higher the customer engagement, the greater the customer loyalty will be. In customer relationship theory, customer engagement is related to the emotional, cognitive, and behavioral involvement of customers with the company through active interactions, intense communication, and positive experiences while using the products or services. The cafe business in Kavling DPR Sidoarjo, customers who actively follow the cafe's social media, leave reviews, share content, or interact directly with the company tend to have a stronger emotional connection, leading to more frequent repeat purchases and recommendations of the cafe to others. Additionally, customers feel more valued when the company actively responds to comments, pays attention to customer feedback, and creates interactive and consistent communication. These conditions indicate that sustainably built relationships can

strengthen customers' trust, satisfaction, and commitment to the company. The findings of this study are in line with research [77] [63], which states that customer engagement can enhance customer loyalty through emotional connections and ongoing communication between customers and the company.

The Influence of Digital Marketing on Customer Loyalty through Customer Engagement

The research results show that customer engagement can significantly mediate the influence of digital marketing on customer loyalty. This shows that digital marketing conducted through social media, interactive content, digital promotions, and two-way communication can enhance customer engagement, thereby fostering customer loyalty. Cafe businesses in Kavling DPR Sidoarjo tend to have more loyal customers when they feel actively engaged through interactions on Instagram, TikTok, or digital reviews provided by the company. Customers also feel closer to the cafe when the company actively responds to comments, reposts customer content, and presents creative and informative content. These conditions indicate that digital marketing not only serves as a promotional medium but also as a means to build emotional relationships and maintain ongoing communication with customers. The results of this study indicate that customer engagement acts as a partial mediation because digital marketing still has a direct influence on customer loyalty, even tho part of its influence is channeled through customer engagement. These findings are in line with research [78] [65], which states that customer engagement can strengthen the influence of digital marketing on customer loyalty through emotional connections and interactive communication.

The Influence of Service Quality on Customer Loyalty through Customer Engagement

The research results indicate that customer engagement has not yet been able to significantly mediate the influence of service quality on customer loyalty. This condition indicates that good service quality does not necessarily enhance customer loyalty through direct customer engagement. Cafe businesses in Kavling DPR Sidoarjo, customers tend to remain loyal when the service provided is fast, friendly, and meets expectations, even tho customers are not very active in interacting through social media or other engagement activities. Some customers prioritize the quality of the product's taste, the comfort of the place, the price, and direct service over engagement in the company's digital communication. This indicates that customer loyalty is more influenced by direct service experiences compared to the level of customer engagement. From the perspective of customer relationship theory, service quality can indeed create a sense of satisfaction and trust, but not all customers have a high emotional engagement with the company even tho they are satisfied with the service provided. The results of this study indicate that the mediation relationship formed falls into the non-mediation category because customer engagement has not yet been able to act as an intermediary variable in strengthening the influence of service quality on customer loyalty. These findings are in line with research [79] [68], which states that customer loyalty can be formed directly through service quality without having to go through customer engagement as a mediation variable.

CONCLUSION

Fundamental Finding : The results of this study indicate that digital marketing has a positive and significant impact on customer engagement in cafe businesses in the Kavling DPR Sidoarjo area. These findings affirm that interactive, informative, and engaging digital marketing strategies thru social media and digital platforms can enhance customer engagement with cafes. Service quality also has a positive and significant impact on customer engagement because fast, friendly, responsive, and expectation-aligned service can create a positive experience and strengthen the emotional bond between customers and the cafe. Customer engagement has been proven to have a positive and significant impact on customer loyalty, indicating that the higher the customer engagement, the higher the customer loyalty in making repeat purchases or providing recommendations to others. Service quality has a positive and address significant impact on customer loyalty, making service quality an important factor in maintaining customer loyalty. Digital marketing has a significant negative impact on customer loyalty, indicating that overly intensive, repetitive, or irrelevant digital marketing strategies can lead to customer fatigue and decrease customer loyalty. Customer engagement is able to significantly mediate the influence of digital marketing on customer loyalty, so customer involvement can strengthen the impact of digital marketing on customer loyalty. However, customer engagement has not yet been able to significantly mediate the influence of service quality on customer loyalty, so customer loyalty is more directly influenced by the quality of service received by customers.

Implication : Based on the research results, cafe business operators in the Kavling DPR Sidoarjo area need to continuously optimize their digital marketing strategies to be more creative, relevant, interactive, and not excessive in order to build better relationships with customers. In addition, the improvement of service quality also needs to be consistently carried out thru fast, friendly, and professional service, as well as maintaining the comfort of the cafe facilities to enhance customer satisfaction and loyalty. The effective use of social media, the presentation of engaging content, and active two-way communication with customers can also be effective strategies to enhance customer engagement and customer loyalty.

Limitation : A key limitation of this study is its narrow geographical and sectoral focus, as data collection was restricted to a specific cafe cluster within the Kavling DPR Sidoarjo area, which restricts the generalizability of the findings to broader F&B markets or fine-dining segments. Furthermore, the reliance on cross-sectional self-reported survey data may fail to account for fluctuating consumer trends over time, and it does not capture objective transactional metrics regarding actual repeat purchase behavior.

Future Research : For future research, it is recommended to expand the research object to other F&B business sectors or different regions, and to consider additional variables such as customer satisfaction, brand image, perceived value, and trust to provide a more comprehensive understanding of the factors influencing customer loyalty in the digital era.

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