



ABSTRACT

Business continuity for a local coffee shop is greatly crucial in the competitive competition. There are plenty local coffee shops in the Special Region of Yogyakarta, especially Yogyakarta and Sleman. A local coffee shop that is oriented towards sustainability is required to have particular skills to implement practices that are an advantage of competitiveness within the market. This present study was intended to examine the effect of: (1) perceived quality, price, industry 4.0, and products innovation on customer satisfaction, (2) perceived quality, price, industry 4.0, and products innovation on competitive advantages, (3) customer satisfaction on loyalty, and (4) satisfaction, competitive advantages, and loyalty on the sustainability of the local coffee shops. An online questionnaire was used to collect the data of customers who ordered or enjoyed coffee drinks in which later they posted photos by adding a hashtag or tagging one of the nearby coffee shops on their instagram account. Those customers had the same possibility to be sampled according to a representative proportion at each local coffee shop. There were 173 respondents from 86 independent local coffee shops and 87 franchise coffee shops as samples. Structural Equation Modeling (SEM) with the aid of the AMOS application was utilized to analyze the data. The results of this research indicated that perceived quality, price, industry 4.0, and products innovation influenced customer satisfaction directly. Perceived quality, price, industry 4.0, and products innovation also had a direct impact on competitive advantages. Customer satisfaction had an effect on loyalty directly. Competitive advantages and loyalty affected business sustainability directly, reversely customer satisfaction did not. Loyalty as a mediation between customer satisfaction and business sustainability includes a forceful role. Based on the findings of this study, it is distinctly suggested for local coffee shops to be sustainable, to be able to satisfy customers, to have competitive advantages, and to be able to earn customer loyalty.