

# Investigating the Marketing Element Effects on Repurchase Intention in Hutan Hujan Dramaga Bogor Coffee Shop

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**Abstract:** *As the fourth-largest coffee producer and the fifth-largest coffee consumer in the world, Indonesia's coffee industry is experiencing rapid growth. This development is driven by the growing coffee-drinking culture among Generation Y and Z. Consequently, coffee businesses in Indonesia are flourishing, leading to increasingly intense competition. Hutan Hujan Dramaga, a local coffee shop located in Dramaga, Bogor, is leveraging this vast market potential. However, the shop is concerned about its business sustainability due to the growing number of coffee shops in the Dramaga area. With this heightened competition, it is crucial for Hutan Hujan Dramaga to maintain customer loyalty, particularly in the form of repeat purchases. By investigating the impact of the 7Ps marketing elements on customer satisfaction—which in turn drives repurchase intention—this study aims to offer a marketing strategy solution for Hutan Hujan Dramaga. Using the S-O-R framework to analyze consumer behavior, the study identifies the relationship between the 7Ps and customer satisfaction. Through the PLS-SEM method supported by the SmartPLS software, the findings reveal that the People element has the strongest impact on customer satisfaction (path coefficient = 0.195), followed by Product (0.190), Place (0.181), and Physical Evidence (0.127). Meanwhile, Process, Price, and Promotion do not significantly influence customer satisfaction at Hutan Hujan Dramaga. Based on these results, the proposed marketing strategies including Designing marketing campaigns that emphasize the ambiance of Hutan Hujan, Re-evaluating the food and beverage delivery processes to enhance efficiency and customer satisfaction, and Introducing a special student menu with more affordable pricing.*

**Keywords:** 7Ps Marketing Element, Repurchase Behavior, SOR Framework, PLS-SEM

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## 1. Introduction

As the fourth biggest producer of coffee and fifth biggest coffee consumption in The world, quoting from Deloitte Indonesia Business and Industry Updates (2023), Indonesia's coffee industry keeps on thriving. Not only in terms of consumption, but also in the development of the business. The current trend that is happening in the coffee industry in Indonesia is the local coffee-to-go concept pioneered by brands such as Fore coffee, Kopi kenangan, Kopi Tuku, and many more. With the promising success of those brands, convince many business men that there is a robust and promising market for the coffee industry in Indonesia. Including the owner of one of coffee shops located in the Bogor Region, Hutan Hujan Dramaga.

Established in 2019, Hutannya Hujan Dramaga is a local coffee shop that offers a cozy and nature-like environment for people to socialize while enjoying their cup of coffee. Alongside the remarkable growth of the coffee industry market, the amount of competitiveness is increasing as well. Although Hutannya Hujan Dramaga was able to manage its existence during pandemic, The owner expressed his concerns on Hutannya Hujan Dramaga sustainability in the future. Based on the preliminary study conducted through an interview with the owner of Hutannya Hujan Dramaga, with the intense competitiveness, customers now have many options and substitutes that offer attractive prices. Hence, the main value Hutannya Hujan offers to the customer can not lie in its coffee product, but a distinguishing value that differentiate Hutannya Hujan Dramaga to its competitors.

7Ps of marketing is used instead of the usual 4Ps marketing strategies since it fits more to the coffee shop industry. Based on the preliminary research done by interviewing 15 respondents, 10 of them claimed to be regular visitors of coffee shops while the rest claimed to not visit coffee shops. According to the result of the interview, the main reason why people are coming to coffee shops is not because of the products only but because of the ambiance and environment. Therefore, in order to retain customer loyalty, captured in a form of repurchase behavior, this research will explore the marketing elements significantly affecting customer satisfaction in Hutannya Hujan Dramaga that can prompt repurchase behavior.

## 2. Literature Review

### *7Ps Marketing Mix*

The 7Ps marketing element is derived from the well-known 4Ps - product, price, place, and promotion- marketing elements with three additional new elements: people, process, and physical evidence. Booms & Bitner (1981) introduced this concept to capture the complexity of service marketing, since customer experience in the service industry is very important. Product element captures the core and additional benefits that are offered to the customer. Price is strategically in charge of a tool to compete and to build customer's perception of the business (Kotler & Keller, 2016). Place element refers to the distribution factor that ensures the product can be easily accessible by customers digitally or physically. Promotion element captures any coordinated communication activity to build brand awareness and customer purchase decisions.

The additional three elements are more relevant to the service industry. People element refers to all individuals involved in service delivery, including internal or external staffs, which directly influence customer's experience (Lovelock & Wirtz, 2021). Process element captures the operational flow and the procedures that ensure the service is delivered efficiently and consistently. While physical evidence element captures a physical element that gives customer the perception of quality, such as the interior design of a store, web design, or product packaging (Zeithaml et al., 2006).

**H1.** *Product has direct positive influence on customer's satisfaction*

**H2.** *Price has direct positive influence on customer's satisfaction*

**H3.** *Place has direct positive influence on customer's satisfaction*

**H4.** *People has direct positive influence on customer's satisfaction*

**H5.** *Promotion has direct positive influence on customer's satisfaction*

**H6.** *Process has direct positive influence on customer's satisfaction*

**H7.** *Physical evidence has direct positive influence on customer's satisfaction*

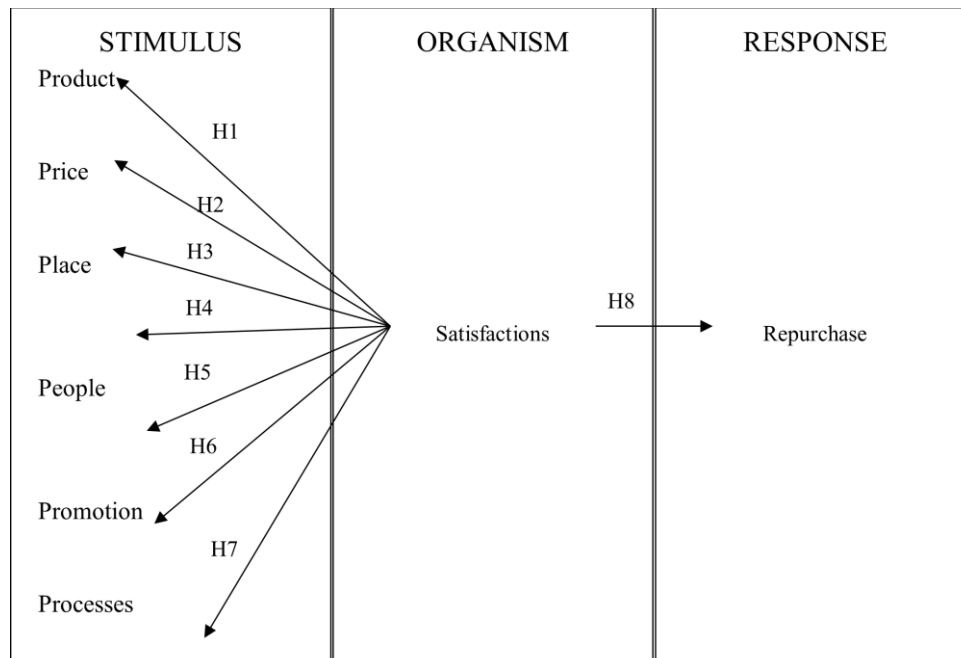
### Customer Satisfaction

According to Oliver (1999), customer satisfaction is the psychological result from evaluation of a product or service compared to the customer expectation to the product or service. When customer expectation is met, satisfaction can grow into loyalty that makes customer to commit to make another purchase or putting the business for a recommendation to other people (Zeithaml et al., 1996). Moreover, a study conducted by Dick & Basu (1994) shows that loyalty is a multidimensional construction consisting attitude and behavior dimension. Attitudinal loyalty reflects the consumer preferences and emotional attachments, while behavioral loyalty is shown in a form of repurchase behavior. A significant amount of researches have pointed out the reciprocal relationship between customer satisfaction and customer loyalty; a satisfied customer tends to do repurchase, while a loyal customer tends to tolerate minor service failures (Homburg et al., 2005). Therefore, increasing customer satisfaction is a strategic approach to create customer loyalty that drives the repurchase behavior.

**H8.** *Customer satisfaction has a direct positive influence on customer repurchase intention.*

### S-O-R Framework

The Stimulus-Organism-Response framework, first introduced by Mehrabian & Russell (1974), is a theoretical approach that is commonly used in the understanding of consumer behavior. This model explains how an external stimulus (stimulus) is impacting the internal condition of an individual (organism) that will drive the output response (response). Stimulus can be environmental or marketing factor such as promotion, store layout, or service quality. Organism refers to the internal reaction of consumers, including cognitive process, emotions, or psychological factors such as perception, behavior, or mood (Eroglu et al., 2001). Response refers to the customer action such as the decision to buy, repurchase intention, or brand loyalty.



**Figure 1: SOR Framework**

### Structural Equation Model (SEM)

Structural Equation Model (SEM) is used to test the complex relationship between latent variables. This model measures the complex relationship in one theoretical model. SEM allows researcher to integrate the confirmatory factor analysis (CFA) with the path analysis, so it can

measures the causal relationship between variables in the same time (Hair et al., 2019). This approach is very relevant for customer behavioral research where the variable is usually abstract, such as loyalty, satisfaction, purchase intention, and measured by measurable indicators.

One of SEM advantage is the ability to tackle multicollinearity problems and count the measurement error, therefore the analysis is more accurate than the ordinary Regression model (Byrne, 2016). This approach consists of two main components: measurement model and structural model. Measurement model captures the relationship between the latent variable and its indicators, while structural model explains the relationship between the latent variables itself (Kline, 2015).

#### *SmartPLS*

SmartPLS is a software designed to do Partial Least Squares Structural Equation Modeling (PLS-SEM), which is a statistical approach for evaluating causal model with complex data and non-normal distribution (Hair et al., 2019). Unlike Covariance-Based SEM (CB-SEM) which focuses more on mature theoretical model testing, PLS-SEM is more flexible and commonly used to explore new theoretical model or when the sample size is small (Wong, 2013). The advantage of smartPLS is its ability to count the outer loadings, path coefficients, and R-squared that can help evaluate the strength of connections between variables. Besides that, this software provides fit indicator such as Standardized Root Mean Square Residual (SRMR) to assess the quality of the whole model. Model validation model such as convergent validity and discriminant validity can be easily done by doing Average Variance Extracted (AVE) and Fornell-Larcker Criterion (Hair et al., 2019).

### **3. Research Methodology**

Preliminary study, is conducted by doing interview to identify the business issues faced by Hutan Hujan Dramaga. The result of this study is to identify the research questions and objectives. As this research is adopting mix method, qualitative and quantitative data collection method is conducted. For the qualitative method, an in-depth interview and observation are conducted to gain knowledge regarding relevant factors. On the other hand, quantitative method is collected by using a structured questionnaire survey that is designed to assess the 7Ps marketing elements, customer satisfaction, and repurchase intention. The questionnaire is distributed to 200 respondents. Data validity and reliability tests are conducted to the quantitative data to ensure that the data obtained is accurate. This test is conducted after receiving 30 respondents. If the indicators is not valid or reliable, it will be revised before going forward with the analysis. PLS-SEM data analysis is conducted using software SmartPLS. The purpose of this analysis is to assess the effect of 7Ps element to customer satisfaction and to analyse the relationship between customer satisfaction and repurchase intention. Finally, marketing strategy will be proposed based on the result of PLS-SEM analysis to increase customer satisfaction and to push the intention of repurchase.

## 4. Finding and Discussion

### *Validity and Reliability*

Establishing the reliability and validity of latent variables is essential to complete the examination of the structural model. There are several parameters to check when doing reliability and validity tests using SmartPLS. Table 4 shows the result of the reflective outer model of this research.

Outer loading number shows the correlation between indicators and the variables in the outer model. Outer loading is used to evaluate and ensure that the indicators used to describe the variables truly represent the variable. The acceptable outer loading number is  $\geq 0,7$ . As shown on the table X below, all indicators in this research have outer loading numbers bigger than 0,7. This indicates that every indicator has a significant contribution to the variable.

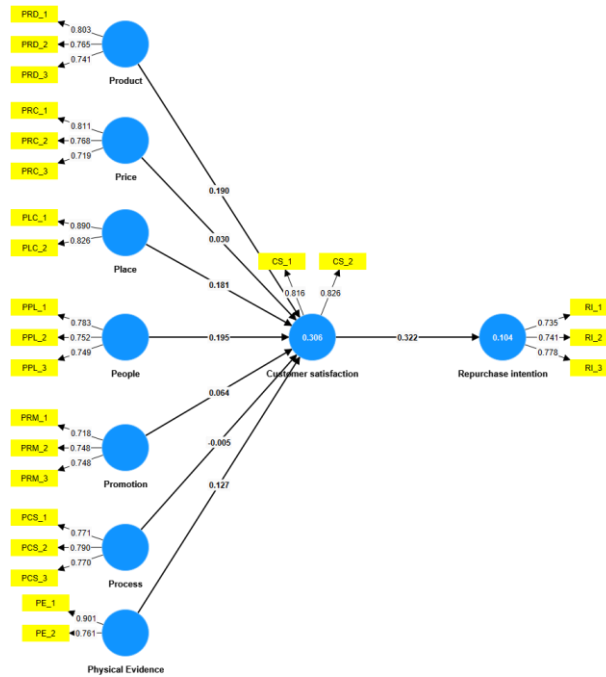
Composite reliability (CR) is used to evaluate the internal consistency reliability of the model construct. This parameter is used instead of Cronbach's Alpha that tends to provide conservative measurement in PLS-SEM. The ideal CR number is  $\geq 0,7$ . As shown on the table, the CR number of every variable is above the threshold. This indicates that the internal reliability is good.

AVE is the convergent validity measurement and referring to Hair et al., (2021) the criteria for AVE number should be above 0,5 which means that the construct can explain at least 50% variants of its indicator. The AVE number of the constructs in this research is above 0,5. This indicates that the indicators are consistent in representing the latent variables.

**Table 1: Outer Loading Result**

Variable	Indicator	Outer Loadings	Composite Reliability	AVE
Product	PRD_1	0.803	0.814	0.593
	PRD_2	0.765		
	PRD_3	0.741		
Price	PRC_1	0.811	0.811	0.589
	PRC_2	0.768		
	PRC_3	0.719		
Place	PLC_1	0.89	0.849	0.737
	PLC_2	0.826		
People	PPL_1	0.783	0.806	0.58
	PPL_2	0.752		
	PPL_3	0.749		
Promotion	PRM_1	0.718	0.782	0.545
	PRM_2	0.748		
	PRM_3	0.748		
Process	PCS_1	0.771	0.82	0.604
	PCS_2	0.79		
	PCS_3	0.77		
Physical Evidence	PE_1	0.901	0.819	0.695
	PE_2	0.761		
Customer Satisfaction	CS_1	0.816	0.805	0.674
	CS_2	0.826		
Repurchase Intention	RI_1	0.735	0.795	0.565
	RI_2	0.741		
	RI_3	0.778		

## PLS-SEM Result



**Figure 2: Inner Loading SmartPLS Result**

The number inside of the dependent variables (customer satisfaction and repurchase intention) represents the coefficient of determination ( $R^2$ ). In this research, 0,306 for customer satisfaction dependent variable means that the seven independent variables explain 30,6% of the variance in customer satisfaction. While the customer satisfaction itself explains 10,4% of the variance of Repurchase Intention. To see to what extent each of the independent variables is affecting the dependent variables, the inner model path coefficient is used. In Figure 2, the path coefficient is the number between arrows that connect latent variables to one another. According to Wong (2013), the acceptable coefficient should be above 0.1. Therefore, from the result of SmartPLS, it can be concluded that:

- 1) People have the strongest effect on Customer Satisfaction (0.195), followed by Product (0.190), Place (0.181), and Physical Evidence (0.127).
- 2) The hypothesized path relationship between Customer Satisfaction and Repurchase Intention is statistically significant (0.322).
- 3) However, the hypothesized path relationship between Process, Price, and Promotion is not statistically significant.

## 5. Conclusion

The objective of this research is to evaluate the impact of each 7Ps marketing elements on customer satisfaction and repurchase intention in Hutan Hujan Dramaga, as well as proposing the right marketing strategies based on the result of analysis using PLS-SEM. To understand how each of the 7Ps marketing element is affecting the dependent variable, the inner model path coefficient is adopted for this research. The result shows that the element of People in Hutan Hujan Dramaga contributes the strongest effect on customer satisfaction (0.195), followed by Product element (0.190), place (0.181) and physical evidence (0.127). While on the other hand, Process, Price, and Promotion failed to show significant path relationship with customer satisfaction. Based on the finding three marketing strategy is proposed by mixing the

marketing elements of 7Ps: Design a branding campaign that focus on Hutan Hujan's physical appearance, Evaluate the delivery process of Hutan Hujan from pick-up on the counter system to delivered to the table, Creating a student special menu with more affordable price.

### **Acknowledgement**

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