

# ROLE OF DEMANDING CUSTOMER: THE INFLUENCE OF UTILITARIAN AND HEDONIC VALUES ON LOYALTY CUSTOMER

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## ABSTRACT

This study aims to examine and analyze the influence of Utilitarian Value, Hedonic Value on Customer Satisfaction and Loyalty with Demanding Customers Moderation among customers of Modern Café in Surabaya. This study was conducted at the modern coffee bar (coffee shop) customers in Surabaya. In accordance with the data obtained from the Department of Tourism Surabaya, there are 14 modern coffee shop with 41 stands scattered in Surabaya. Sample used in this study is modern coffee bar customers (coffee shop) in Surabaya that is 600 persons, sampling techniques is using non -probability sampling, that is with accidental sampling that encountered by the researcher while visiting modern coffee shop and the determination of respondents numbers in each shop coffee is determined by using percentage based on the number of coffee shops in Surabaya. Techniques of analysis in this study is using Structural Equation Modeling (SEM) with AMOS 19 program.

The conclusion of this study result are : t utilitarian value does not have significant influence on customer satisfaction at the modern coffee shop. Hedonic value has significant influence on customer satisfaction in a modern coffee shop. Demanding customer does not moderate the influence of utilitarian value on customer's satisfaction at the modern coffee shop. Demanding customers moderates the influence of hedonic value on customer satisfaction in a modern coffee shop. Satisfaction significantly influence customer loyalty of modern coffee shop. Utilitarian value has no significant influence on customer loyalty in modern coffee shop. Hedonic value has significant influence on customer loyalty in modern coffee shop.

**Keywords:** Utilitarian Value, Hedonic Value, Customer Satisfaction, Loyalty, and Demanding Customer.

## **INTRODUCTION:**

Customer loyalty is the ultimate goal of marketing relationship activities (Zeithaml and Bitner, 2003 and Levitt, 1987). Loyalty that being expected is loyalty that not only in speech but also that leads to behavior loyalty, which is manifested in the form of willingness to inform and recommend to others and re-purchase intentions (Dick and Basu, 1994, Stathakopoulos 2004, Heitman et al., 2007). Customer loyalty is influenced by several factors, such as trust, satisfaction and perceived value of the use of products or services (Fang, 2011, Molinari, 2008).

Satisfaction is matching between expectations and reality that perceived by the customer (Oliver 1980). Problem that often encountered when customer processing confirmed expectations with received reality is services standard expected as assessment guide (Petty et al. 1983). When customers do not have enough information about this assessment guidance, it can be classified as latent customers who own satisfaction (see Bloemer and Poiesz, 1989). Such customers have tendency to show excessive demands, because they feel unsatisfied and will keep on demanding, and this is referred to as a demanding customer (Ogle et al., 2004 and Sit et al. 2003). Demanding customers is crucial to determine the level of influence of the value of the acquisition on customer satisfaction (Kim and Fiore, 2007).

Value is an important element in managing long-term relationships with customers (Pride and Ferrell, 2003). Because the definition of value varies according to the context (Babin et al., 1994; Dodds et al., 1991; Holbrook, 2005; Holbrook and Cotfinan, 1995). we conceptualize value as the outcome (result) of the consumption experience. Study of Babin et al. (1994). value is defined as a relativistic preference of a subject after interacting with objects or events. In developing marketing activities, companies must recognize that customers in order to be able to get benefit from the experience and that the marketing mix is properly designed so that, to increase the perception of value (Pride and Ferrell, 2003). Thus, the customer experience with value can affect customer satisfaction.

Several studies on customer behavior today focuses on the perception of the value of marketing activities. The literature evaluating the way to the coffee shop (Babin et al., 1994) and sales promotion activities (Ailawadi et al., 2001; Chandon et al., 2000) according to their utilitarian value, or benefits derived from economic factors, and hedonic value, or emotional, resulting from this activity. In this study, we argued that the utilitarian value and hedonic value that created by economic or emotional marketing activities, can increase customer satisfaction. If customers are satisfied, then they are motivated to be loyal.

Specifically, this study aims to examine and analyze the influence of utilitarian and hedonic values to the satisfaction of demanding customer loyalty. We hypothesized that the perception of customers on the value can affect customer satisfaction. If customers perceive a high value and feel satisfied, then they are motivated to loyal. In addition, we test the model based on the characteristics of their demanding customers. In the next few sections, we review previous research on utilitarian and hedonic value, research methodology, including a description of the measures used to test the hypothesis. After reviewing the research, we suggest several important implications for managers and research.

## **THEORETICAL RATIONAL AND HYPOTHESES DEVELOPMENT:**

### **UTILITARIAN AND HEDONIC VALUES:**

Value is the evaluation of the subject after his experience in interacting with objects or events, and a dizzy outcome variables in a general model of consumption experience (Babin et al., 1994; Holbrook and Corfman, 1985). Most researchers divide customer value into two categories : utilitarian and hedonic (eg, Babin et al., 1994; Chandon et al., 2000; Chaudhuri and Holbrook, 2001; Hirschman and Holbrook, 1982; Mano and Oliver, 1993; Stoel et al., 2004).

Utilitarian value derived from a conscious effort to achieve the desired result (Babin et al., 1994). This value is instrumental, functional, and cognitive and represents customer value as a means to an end (Chandon et al., 2000). For example, savings, convenience, and quality of the products can be classified as utilitarian value (Ailawadi et al., 2001; Chandon et al., 2000; Chaudhuri and Holbrook, 2001). Marketers usually convinced that market choice and consumer preferences driven by utilitarian value (Arnould et al., 2004). Instead hedonic value is outcomes that are associated with spontaneous responses that are more subjective and personal (Babin et al., 1994). Hedonic value, such as entertainment, exploration, and self-expression (Ailawadi et al., 2001; Chandon et al., 2000). more comes from the fun and enjoyment than from task completion and non-instrumental, experiential, and affective (Chaudhuri and Holbrook, 2001; Hirschman and Holbrook, 1982).

### **CUSTOMERS SATISFACTION:**

In the purchasing decision making process, the customer will not stop just up the consumption process, the customer will conduct an evaluation of the consumption process has done, it is called an alternative evaluation after purchase or after consumption. Process after consumption (postconsumption) refers to consumption, the evaluation of the selection and disposition of product / service experience as well as ideas, (Mowen and Minor, 2002). The results of the evaluation process after consumption is that customers can be satisfied, dissatisfied, angry or happy, (Sumarwan, 2011).

Satisfaction ratings generally agreed derived from comparison of the level of performance of the product or service, quality, or other outcomes perceived by customers with evaluative standards. Usually, the most frequent evaluative standards is a collection of expectations before purchasing from customers which when compared with the perception of the level of product performance, it will resulted in disconfirmation beliefs. It is believed will generate ratings of satisfaction (Bearden and Teel 1983, Oliver 1980; Westbrook 1980). Other standards have been studied in the literature, including the level of product performance or desired results, brand or product category standards, and reasonable performance or results (Oliver and Swan 1989).

### **LOYALTY:**

Schiffman and Kanuk (2010) states that loyalty is a deeply held commitment by the customer to buy back the preferred product or service. Oliver (1999) defines customer loyalty is a strongly held commitment to buy again or subscribe to a particular product or service even though there is the influence of the situation and the marketing activities that could potentially lead to changed behavior. Lovelock and Wright (2004) revealed that loyalty is "a customer 's voluntarily decision to continue patronizing a specific firm over an extended period of time". Customer loyalty is a voluntary decision of the customer to continuously be a customer at a particular company for a long period of time. Assael (1998 : 130) defines loyalty as "a favorable attitude toward a brand resulting in consistent purchase of the brand over time".

### **DEMANDING CUSTOMER:**

Individual characteristics describe how a person or individual different from the others in terms of specific patterns of behavior (Mowen and Minnor 2001 and Schiffman and Kanuk, 2007 and Adzen, 2005). In particular Schiffman and Kanuk (2007) stated that many individual characteristics such as the demanding customer need for uniqueness, customer innovativeness and lifestyle can provide a picture of patterns of customer behavior. This particular behavior patterns can distinguish and determine the extent or magnitude of the various perceptions of the products or services they consume. Demanding customers are characteristic of customers. Individual characteristics based on psycho - demographic and lifestyle is one character as a customer who likes to "demanding" more or vocal (Kim and Fiore, 2007, Ogle 2004, Sit et al. 2003).

According to Bucklin and Sismeiro (2003). the characteristics of the individual is a set of characteristics that are unique to the individuals named as customer characteristics. Fiore and Kim (2007). showed that a series of characteristics that are unique (different) on the customer is called the customer's individual characteristics (personality, demographic, psychographic and lifestyle) can be a moderating variable. Further Fiore and Kim (2007) provides a concept framework that the characteristics of customers based on psycho - demographic and lifestyle can moderate the influence of utilitarian and hedonic value on customer satisfaction.

### **THE RELATIONSHIP BETWEEN UTILITARIAN HEDONIC VALUES ON SATISFACTION:**

According to Yoo (2010). empirical studies using the utilitarian value and hedonic value to measure the level of shopping satisfaction with online media. One hypothesis is perceived utilitarian value directly influence satisfaction. Further stated communication speed as utilitarian elements can affect customer satisfaction. Then Cottet et al. (2006). also said that the utilitarian value can affect directly to customer satisfaction. In the context of food products, utilitarian value plays an important role in the process of satisfaction. Hares grocery stores provide functionally, such as low price, many kinds of products supplied, easily accessible place. In addition, the findings of which can be delivered is characteristic of outlets, availability of products influence the utilitarian value : the easier products are available, the higher the utilitarian value of the store and the bigger customer satisfaction.

Ryu (2009) in a study that examined the relationship between the values of utilitarian and hedonic with satisfaction at fast - casual restaurant diners find that the utilitarian value has no influence on satisfaction, in

which customer wanted a restaurant where the menu should be sterile, the price is relatively cheap, easy place sought. This is very different to that expected by customers primarily related to price. Restaurant that become the object of Ryu's research is on the top level which automatically prices certainly have a high level, although other indicators strongly support the utilitarian value but the price becomes a major consideration for customers to choose a destination restaurant. Therefore, it is proposed that the kits utilitarian value will affect customer emotions after consumption.

H1. Customer perception over utilitarian value will affect customer satisfaction.

### **HEDONIC VALUE RELATIONSHIP WITH SATISFACTION:**

Hedonic value is the value associated with the multisensory, fantasy, emotional experience in consuming the product or service. Research conducted by Hanzee and Baghi (2011) stated that the role of hedonic value that can create emotions after consumption can be positive or negative. Chituri et al. (2008) also found that the promotion is fully mediates emotion relationship between hedonic value and feeling very peas. Ryu (2009) also found that the value of hedonic influence on visitor satisfaction at a restaurant in South Korea. One finding interesting is that the hedonic value has a greater influence on satisfaction than utilitarian value. Then Cottet (2006) also found that the influence on the hedonic value of shopping at the hypermarket satisfaction, the higher the hedonic value, the higher satisfaction shopping pads. Therefore, we propose that the hedonic value will affect customer emotions after consumption.

H2. Customer perception over Hedonic Value will affect customer satisfaction.

### **ROLE OF MODERATION:**

Although the direct influence between utilitarian value and hedonic value on satisfaction is important to the understanding of customer behavior in a retail with concept modern restaurants or coffee shops, but the difference in the influence seems to have got a concern, so variety of existing research can be used as a universal reference by marketers. The core difference is about the individual characteristics that determine the various influences between perceived utilitarian value and hedonic value on satisfaction. Hypothesized direct influence between utilitarian value and hedonic value on satisfaction is self-explanatory and will further strengthen or weaken the effect, if researchers examined the moderating role of external factors such as the characteristics of the individual (Ajzen, 2005 and Baron and Keny 1986). Bueklin and Sesmeiro (2003) says that in connection with the customer different response to values, then the acquisition of utilitarian and hedonic values of modern coffee shop when viewed simultaneously by individuals is different from when it is seen individually. As a result, customer behavior research on the acquisition value of the benefits of the modern coffee shop to the satisfaction simultaneously can lead to erroneous conclusions because individual responses vary. This suggests that a different set of characteristics for customers who called the customer demanding characteristics can explain the acquisition value of the benefits over the modern coffee shop (Kim and Fiore 2007, Adly 2006, Ogle 2003, Sit et al. 2003). Thus we propose that customer behavior will be influenced by the characteristics of the customer.

H3. Demanding customers weaken the influence of utilitarian value on satisfaction

H4. Demanding customers weaken the influence of hedonic value on satisfaction.

### **RELATIONSHIP OF THE UTILITARIAN AND HEDONIC VALUES WITH LOYALTY:**

In a study by Oliver (1999, p. 34). Loyalty is defined as "strongly held commitment to repurchase or re-subscribe to a product / service consistently preferred in the future." Several previous studies suggested that customer value, or benefits, plays an important role in determining the long-term relationship with, or loyalty to, the company. In order for long-term relationships exist and continue to take place, then the customer should benefit from the exchange with the firm (Gwinner et al., 1998, p. 101). Thus, customer perception over the value can be seen as an important determinant of brand and loyalty to the company.

Research on shopping value also showed a direct relationship between shopping value and the value assigned to the activity of shopping, so the higher the utilitarian and hedonic value of shopping, the greater the assessment by the customer on the value of the activity of shopping (Babin et al., 1994). By using some of the same concepts with utilitarian value, Cronin and Taylor (1992) suggested that convenience, price, and availability can influence the behavioral intention of customers. Gwinner et al. (1998) and Keaveney (1995) revealed that

customers are less likely to switch to another company if they better understand the economic value, time, and energy savings of maintaining a relationship.

In addition, some studies suggest that the hedonic value of shopping, including commercial relationship or friendship that developed between providers and customers, improve customer willingness to maintain the relationship. In a study by Gwinner et al. (1998, p. 104). They reported the story of a focus group respondents regarding their interaction with a service provider: "I love it... He was really witty and always had a lot of jokes... you enjoy doing business with the company." If this positive influence increases the hedonic value of shopping, then there is a greater likelihood that the product will be purchased (Babin and Attaway, 2000).

Therefore, we propose that the value of utilitarian and hedonic values predicted satisfaction and customer behavior. Namely, if a customer has a high perception of the value of utilitarian or hedonic, it is going to be a loyal customer for the company.

H5 : Customer perception over the utilitarian value of the relationship positively related to customer loyalty.

H6 : Customer perception over the hedonic value of the relationship positively related to customer loyalty.

### **RELATIONSHIP OF SATISFACTION WITH LOYALTY:**

Customer satisfaction is important for marketers because it is a determinant of repeat purchases (Woodside et al. 1989). There is a direct positive relationship between customer satisfaction with re buying interest supported by the results of a study of the various categories of products and services, with the satisfaction of the customer, then the customer will have an interest to use the services of the same provider (Heller et.al. 2003). The results of these studies suggests that overall customer satisfaction in the services relate strongly to the behavior of the customer to use the services from the same provider. Chitturi et al. (2008). provides a view of WOM and repurchase intentions as a measure of loyalty, in which one has the will to share experiences and intention to repurchase affected by either positive or negative emotions after consumption (post- consumption emotion). Positive emotions is satisfaction as an emotional response to the above experience after consuming the product in accordance with customer expectations. Thus customer satisfaction will influence customer behavior.

H7: Customer satisfaction affects customer loyalty.

### **RESEARCH METHODS:**

#### **PROCEDURES AND SAMPLES:**

We conduct a survey of coffee shop customers using convenience sampling method. We distributed questionnaires to 200 students - whose use as a data collector has been adopted successfully in several previous studies on marketing services (Bitner et al contohnya., 1990; Gwinner et al., 1998) - and ordered them to deploy each of the five questionnaire to anyone who been in the coffee shop. In the questionnaire, respondents were asked to choose a coffee shop visited during a period of time and their perception circling above the coffee shop.

#### **SAMPLE CHARACTERISTICS:**

Of the 1000 questionnaires distributed, 613 are considered useful, with a 61.3 % response rate. Respondents include slightly more men (70 %) than women (30 %) and the age ranged from 20 to 60.

#### **MEASUREMENT:**

Based on previous studies, we develop 9 questions to measure utilitarian and hedonic values, (Table 1 appendix) based studies (Chitturi 2008 Chitturi, 2009, Ryu, 2009, Rintamaki, 2006, Holbrook, 1982, Babin, 1984). 5 questions to the satisfaction (Table 2 Appendix) (Chitturi, 2008,2009, Ryu 2010, Babin 2005, Cottet 2006). And 5 questions for Demanding customer (Table 3 attachments) (Adly 2006; Ogle 2004; Sit et al. 2003 and Dannis et al. 2001). For all items, we use a Likert -type scale with 5 scale (1 - strongly disagree, 5 - strongly agree).

### **ANALYSIS AND DISCUSSION RESULTS:**

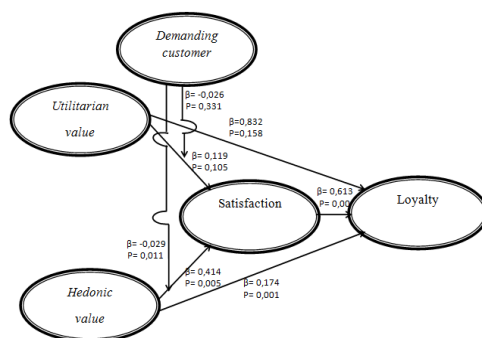
#### **RELIABILITY AND VALIDITY:**

To test reliability scale for, customer value, satisfaction, customer loyalty and demanding customers, we calculated Cronbach's alpha. Among this other alpha of 0.81, 0.74, 0.68, 0.67, 0.67 and 0.76 These values indicate

a moderate internal consistency high up on a grain of questions and constructs associated with them. To test the construct validity of each scale, we held a construct confirmatory analysis (CFA) and analyzed the covariance matrix using maximum likelihood procedure in AMOS 19. Chi square (91.273) CMIN/DF (1,113) RAMSEA (0.074) GFI (0.9230 TLI (0.967) and CFI (0.971) is quite in accordance with those found in the literature. Subsequently, Churchill (1979) suggested that the construct should be tested based on its convergent validity and discriminant validity. Average variance extracted (AVE) for utilitarian and hedonic value is 0.885 and 0, 7748. Everything exceeded the recommended level of 0.50. Therefore, the scale for value and customer satisfaction over the value is having convergent validity (Fornell and Larcker, 1981). AVE value can also be used to evaluate discriminant validity (Fornell and Larcker, 1981). which is evident in the results of our study because greatest shared variance on the factor value is 0.47, lower than the value of the smallest AVE (0.63) for each factor and the measuring tool on a scale of utilitarian and hedonic value (Espinoza, 1999). Similarly, the shared variance between satisfaction and loyalty factors of 0.51, lower than the lowest AVE value (0.71) for each factor and its measuring instrument on the customer 's perception scale of the value.

**HYPOTHESIS TESTING:**

To test whether H1 - H7 supported, we estimate the parameter estimates ( $\gamma$  and  $\beta$ ) freely with AMOS 19, and the results can be seen in Table 6. The first hypothesis testing (1) is the utilitarian value has significant influence on satisfaction, in Table 6, and it shows that the path coefficient of 0.119 and p-value of 0.15 indicates that the utilitarian value has no significant influence on satisfaction. Path coefficient which is positive (0.119) shows unidirectional relationship but no influence. Thus the second hypothesis is "not proven". The two hypothesis testing (2) is the hedonic value has significant influence on satisfaction, at Table 6, and it shows that the path coefficient of 0.414 and p-value of 0.005 indicates that the hedonic value has significant influence on satisfaction. Path coefficient which is positive (0.414) shows the relationship. Thus the second hypothesis is "proved". Third, hypotheses testing (3) is that demanding customer moderates the influence of utilitarian value on satisfaction, in Table 6. and it shows that the path coefficient of -0.026 and p-value of 0.341 indicates that the demanding customer does not act as a moderating variable of influence of utilitarian value on satisfaction. Thus the sixth hypothesis is "Not proven moderates". Fourth hypothesis testing (4) is demanding customer moderating influence of hedonic value on satisfaction, in Table 6, known that the path coefficient of -0.029 and p-value of 0.011 indicates that the demanding customer serves as a moderating variable that weaken the influence of hedonic value on satisfaction. Thus the sixth hypothesis "proved weakening".



**Figure 1: Line diagram of hypothesis testing result**

Fifth hypotheses testing (5) is that satisfaction has significant on loyalty, in Table 6, and it shows that the path coefficient of 0.613 and p-value of 0.020 indicates that the hedonic value has significant influence on satisfaction. Path coefficient which is positive (0.613) shows unidirectional relationship. Thus the eighth hypothesis is "proved". Sixth, hypotheses testing (6) is that utilitarian value has significant influence on satisfaction, in Table 6, and it shows that the path coefficient of 0.832 and p-value of 0.158 indicates that the utilitarian value has no significant influence on loyalty. Path coefficient which is positive (0.832) shows unidirectional relationship but no influence. Thus the ninth hypothesis is "not proven". Seventh hypotheses testing (7) is that hedonic value has significant influence on loyalty, in Table 6, and it shows that the path coefficient of 0.174 and p-value of 0.001 indicates that the hedonic value has significant influence on loyalty. Path coefficient which is positive (0.174) shows the relationship. Thus the second hypothesis is "proved".

## DISCUSSION:

Based on the analysis result, the utilitarian value has no significant influence on customer satisfaction at modern coffee shops in Surabaya, with a path coefficient of 0.119 and p-value of 0.105 (see Table 6). It can be explained that the choice of the customers visiting the modern coffee shops, one of which is driven by utilitarian considerations. However, it turns out the customers who come into the modern coffee shop not only enjoy the coffee as a primary consideration, but there are other factors sought for example other menu variants than coffee such as a light meal or other menus. No influence of utilitarian value to the satisfaction does not mean the taste of coffee (as part of the utilitarian value) is not in accordance with customer expectations.

Customers want the modern coffee shop not only provide coffee, but want other menu variants besides coffee. In addition there are other considerations such as customer desired hedonic considerations. The findings of this study support the theory of Batra and Ahtola (1990) and Mano and Oliver (1993) stated that different considerations is related to customers freedom components evaluate products and services based on utilitarian and hedonic value in relative terms.

Customers rate attributes associated with the utilitarian value of the modern coffee shop does not mean unattractive. Customers see this functional attributes as a regular, standard. All moderns coffee shop in this study, in average, has the same standards of service that are utilitatrian. So sometimes the customers who came into the modern coffee shop is not because not being satisfied then loyal, but only because of their passing by, coincidentally close to the office or in a position not to consider certain factors primarily there is a place to visit to carry out its activities.

The findings of this study contradict the findings of Babin et al. (1994) which states that consumption of utilitarian value refers to the shopping because of objectives that want to be reached, product purchased to run the task, that is purchasing with consideration as mature as efficiently as possible with emphasis on usability. So the rational aspect of the perception on the attributes of a product that looks utilitarian, will conquer all. However, in the case of specific behavior, customer shows opposite behavior to the modern coffee shop.

Based on the analysis result, the hedonic value significantly influence customer satisfaction at a modern coffee shop in Surabaya, with a path coefficient of 0.414 and p-value of 0.005 (see Table 6). Hedonic value is the value associated with experiential, pleasure, luxury and emotionally. The findings of the study states hedonic value has an important role in satisfying customer of moderns coffee shop in Surabaya. The existence of a modern coffee shop in Surabaya brings different mindset and life style for customers that rationally sometimes difficult to be accepted. How will it not be like that, by spending minimum one hundred thousand dollars just for a drink in the modern coffee shop actually does not make customers reluctant to come to the modern coffee shop, and even a coffee shop made as the primary choice for a variety of activities. Demanding customer does not act as a moderating variable at the influence of utilitarian value on satisfaction, but the model is statistically acceptable.

In the case of modern coffee shop in the course of the study, the characteristics of demanding customers probably did not exactly act as a moderating variable. This can be explained from the previous analysis shows that the utilitarian value has no significant influence on satisfaction. This may imply that the variation of the utilitarian value can not explain the variable of satisfaction significantly. Therefore, demanding customer will not contribute anything, regardless of the magnitude of demanding customers who do not determine how strong the influence of utilitarian value on satisfaction. This means that when a customer's modern coffee shop is no longer claim benefits of utilitarian value, then the customer is demanding or not demanding it will not affect the level of satisfaction or in other words ignoring / not becomes a priority scale on the utilitarian value and satisfaction. It means that is when utilitarian value is no longer can affect the satisfaction or utilitarian value prepared for granted, can be demanding customers that would only exacerbate the perception of utilitarian value and its influence on satisfaction.

The role of the hedonic value influences on customer satisfaction with the demanding characteristics demands high levels of satisfaction and even harder to be satisfied. There is a tendency that sometimes the demand seem weird. This is because the demanding customers determines coffee shop service standard that is not in accordance with the capabilities of the visited coffee shops. Customers are demanding even less motivated or less able to understand the coffee shop standard with the expected satisfaction. So it will be considered irrational to be wanted. In addition, when a customer after visiting a coffee shop which quality of service is better, then visit another coffee shop which standard beneath it, then the satisfaction level will be difficult to be obtained. Demanding characteristics sometimes influenced by the previous service standard that has higher quality.

The findings of this study reinforce the study of Bloemer and Poiesz, (1989) and according to Bloemer and Ruyter (1998) which states that demanding customers have latent satisfaction type, hard to be satisfied, tends to

be fussy and weird, and always compare it with the standard of service of visited coffee shop with better service. Thus the individual characteristics of demanding customers in this study can be said weakening the influence of hedonic value significantly on satisfaction. The influence of hedonic value on satisfaction proved reinforced by the individual characteristics of the demanding customers. This means that the higher demanding customer, the lower the value and satisfaction that being received also lower. The findings of this study support the findings of the study of Kim and Fiore (2007). Giering (2001) and Walsh et al. (2008) which states that individual characteristics as moderating variables will weaken the influence of utilitarian value on satisfaction. Based on this study that the modern coffee shop in Surabaya has tried to respond to customer needs quickly despite of fulfillment especially utilitarian value does not fully affect on satisfaction, it is because the modern coffee shop customer segments in Surabaya has very high expectations or implement high satisfaction standard. Thus customer is willing to show loyalty because of utilitarian value that acted sumber the former of satisfaction and satisfaction influence loyalty. Increased satisfaction of the value obtained will be followed by an increase in customer loyalty (Heitman 2007). Determining factors of satisfaction in this study is not only influenced by the utilitarian value but also influenced by the hedonic value, as has been discussed earlier in this study, stating that the hedonic value plays an important role in shaping customer satisfaction. Consistent with the findings of Keiningham and Vavra (2001) Over the past few decades, customer satisfaction becomes the spearhead of the company in trying to manage the relationship between producers and customers. How disappointed, producers see that the height of customers satisfaction level do not guarantee the high customers loyalty level. The finding of the study shows that there is a strategy that can be used to improve customers loyalty, that is through the improvement of high satisfaction level with surprise and fundamental AS the pay of bigger loyalty. This study finding is supported by Rust and Oliver (2000) and higher satisfaction is customer reaction when they accept a service or product that only not satisfying, but also giving surprise value or unexpected satisfaction.

#### **IMPLICATION FOR MARKETER:**

For modern coffee shop entrepreneur in performing innovation, it should give more attention to the right combination or composition between utilitarian value and hedonic value, and also consider customer characteristics as demanding customers, because both values is complete each other in influencing satisfaction and loyalty level of customers.

#### **LIMITATIONS:**

This study is performed by not differencing modern coffee shop based on the foreign modern coffee shop with inner modern coffee shop, thus it is not able to find out the contribution of each modern coffee shop, based on its origin, to customers loyalty. This study tries to put the characteristics of demanding customers as interaction moderation between utilitarian and hedonic value with satisfaction, although empirically, this study has not receive strong support, but from the statistics analysis, the model can be accepted. The use of demanding customers variable at the case of modern coffee shop customers that oriented to utilitarian value especially in Surabaya is might be not right.

#### **FUTURE RESEARCH SUGGESTIONS:**

This study examines the influence of perceived innovativeness on loyalty through utilitarian and hedonic value and customers satisfaction with demanding customers moderation at modern coffee shop in Surabaya. Loyalty that being measured is a total loyalty to modern coffee shop, meanwhile the ability of modern coffee shop in influence the satisfaction level and customers loyalty is different from one and each other, thus there is a need of a study that specially examines one modern coffee shop or a study that compare internal modern coffee shop with foreign modern coffee shop to find out the high level of customers loyalty to modern coffee shop by using moderation variable such as lifestyle and ethnocentric.

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**Lampiran :**

**Table 6: Maximum Likelihood Estimates  
Regression Weights: (Group number 1 - Default model)**

		Estimate	S.E.	C.R.	P
Kepuasan <---	Utilitarian_Value	,121	,074	1,631	,105
Kepuasan <---	Hedonic_Value	,019	,007	2,847	,005
Loyalitas <---	Kepuasan	,441	,059	7,466	***
Loyalitas <---	Utilitarian_Value	,15	,078	1,911	,058
Loyalitas <---	Hedonic_Value	,253	,076	3,309	,001
KEP.1 <---	Kepuasan	1,000			

			Estimate	S.E.	C.R.	P
KEP.2	<---	Kepuasan	1,019	,063	16,244	***
UV.1	<---	Utilitarian_Value	1,000			
UV.2	<---	Utilitarian_Value	1,095	,056	19,399	***
UV.3	<---	Utilitarian_Value	,595	,054	11,045	***
HV.1	<---	Hedonic_Value	1,000			
HV.2	<---	Hedonic_Value	,873	,116	7,502	***
HV.3	<---	Hedonic_Value	1,081	,128	8,461	***
KEP.3	<---	Kepuasan	,691	,060	11,571	***
KEP.4	<---	Kepuasan	,840	,065	12,885	***
KEP.5	<---	Kepuasan	,902	,069	13,000	***
LO.1	<---	Loyalitas	1,000			
LO.2	<---	Loyalitas	1,054	,127	8,267	***

			Estimate
Kepuasan	<---	Utilitarian_Value	,119
Kepuasan	<---	Hedonic_Value	,414
Loyalitas	<---	Kepuasan	,613
Loyalitas	<---	Utilitarian_Value	,285
Loyalitas	<---	Hedonic_Value	,552
HV.1	<---	Hedonic_Value	,815
HV.2	<---	Hedonic_Value	,579
HV.3	<---	Hedonic_Value	,786
KEP.1	<---	Kepuasan	,893
KEP.2	<---	Kepuasan	,845
KEP.3	<---	Kepuasan	,692
KEP.4	<---	Kepuasan	,731
KEP.5	<---	Kepuasan	,735
LO.1	<---	Loyalitas	,779
LO.2	<---	Loyalitas	,791
UV.1	<---	Utilitarian_Value	,910
UV.2	<---	Utilitarian_Value	,978
UV.3	<---	Utilitarian_Value	,630

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