

I. INTRODUCTION

1.1 Background

Coffee (*Coffea spp.*) has become an integral part of urban lifestyle in Indonesia. As consumption patterns increasingly focus on social activities, coffee is no longer viewed merely as a beverage, but also as a symbol of urban lifestyle preferences and a medium for gathering and social interaction (Oktoriani, 2026). This phenomenon is reflected in the growing “coffee culture,” which involves gathering, socializing, and performing informal work in cafés or coffee shops that are increasingly popular in urban areas, as they provide both social spaces and novel consumption experiences (Hapsari & Wijaya, 2024).

The rapid growth of the national coffee industry and modern coffee shops has intensified competition between coffee brands, encouraging companies to implement product differentiation and competitive pricing strategies in order to attract and retain customers (Sales & Mulyati, 2024). In this competitive environment, customers evaluate product uniqueness and price based on previous consumption experiences in shaping repurchase decisions. However, repurchase decisions are more likely to occur when supported by brand trust through confidence in reliability, quality and consistency (Arnu et al., 2025).

Brand trust plays an important role in strengthening the influence of product differentiation and price on customer repurchase decisions. Customers tend to engage in repurchase decisions when positive evaluations are supported by trust toward the brand (Putri et al., 2024). However, evidence regarding the mediating role of brand trust in the relationship between product differentiation, price and repurchase decisions of Kopi Kenangan customers in Surabaya remains limited within the coffee shop context. Therefore, this study employs quantitative explanatory research using SEM-PLS to examine this relationship.

The coffee industry in Indonesia has experienced significant growth over the past decade, reflecting coffee's increasing role as both a strategic commodity and an essential element of urban lifestyle (Wulandari & Daspar, 2025). National coffee production has generally trended upward from 2015 to 2024, despite some fluctuations in certain years (Nugroho et al., 2025). This growth has intensified competition among modern coffee shops, making product differentiation, price, and brand trust important drivers of repurchase decisions. Figure 1.1 presents coffee production trends in Indonesia during 2015–2024 (Zacharie & Denny, 2024).

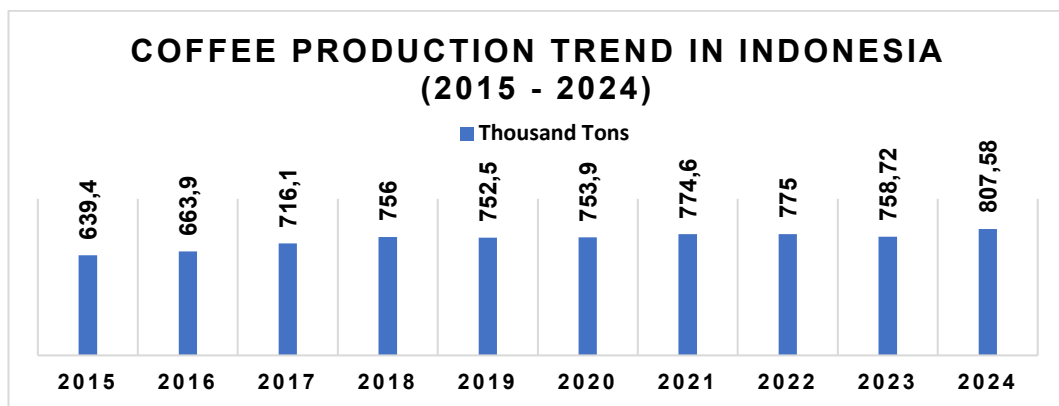


Figure 1.1 Coffee Production Trends in Indonesia (2015-2024)

Source: Badan Pusat Statistik (BPS, 2025)

Based on Figure 1.1, Indonesian coffee production during the period of 2015–2024 showed a generally positive growth trend despite fluctuations in certain years. The gradual increase toward the end of the observation period demonstrated the resilience of the national coffee industry against economic shifts, climate variability and changes in market demand (Zacharie & Denny, 2024). This condition supported the growth of modern coffee shops and intensified market competition, requiring companies to strengthen product differentiation, offer competitive prices, and build brand trust to encourage repurchase decisions. In an increasingly competitive market, customers tend to evaluate product uniqueness, price, and brand reliability before deciding to repurchase products.

The trend in national coffee production corresponded with the growing role of coffee as a strategic commodity supporting economic activities in the downstream sector. Coffee production in Indonesia during 2015–2024 generally increased despite some fluctuations, reflecting the resilience of the industry against economic shifts and climate variability (Sukma & Herdono, 2025). The gradual growth of production provided a strong foundation for the expansion of modern coffee shops including Kopi Kenangan in urban areas. This growth also created opportunities to strengthen customer repurchase decisions, emphasizing the importance of brand trust formed through previous consumption experiences and favorable customer perceptions toward the brand (Mustikasari et al., 2025). The rise in domestic consumption especially in urban regions encouraged coffee shops to implement product differentiation and competitive pricing strategies that support the development of strong and sustainable brand trust and influence customer repurchase decisions in Surabaya.

Fluctuations in coffee production during certain years reflected the influence of external factors such as climate, land productivity and global commodity prices (Siregar *et al.*, 2025). Nevertheless, the overall stability of the industry indicated opportunities for developing more effective and sustainable marketing strategies. Modern coffee shops including Kopi Kenangan could leverage this stability to strengthen customer engagement and build brand trust which ultimately contributes to customer repurchase decisions (Juliyanti *et al.*, 2024). These conditions provide opportunities for Kopi Kenangan to strengthen its position in the modern coffee market by analyzing industry growth and consumer preferences as a basis for designing marketing strategies targeting customers in Surabaya. In this context, brand trust mediates the relationship between product differentiation, price and customer repurchase decisions in the competitive coffee shop industry through positive consumption experiences and evaluations.

The development of the coffee industry in Indonesia in recent years has shown a significant transformation, shifting from merely an agricultural commodity to an integral part of the urban lifestyle (BPS, 2025). As the coffee industry expands, competition in the grab-and-go coffee segment has intensified, making product differentiation, price and brand trust important factors influencing customer repurchase decisions based on previous consumption experiences and positive perceptions toward coffee shop brands (Goodstats, 2025).

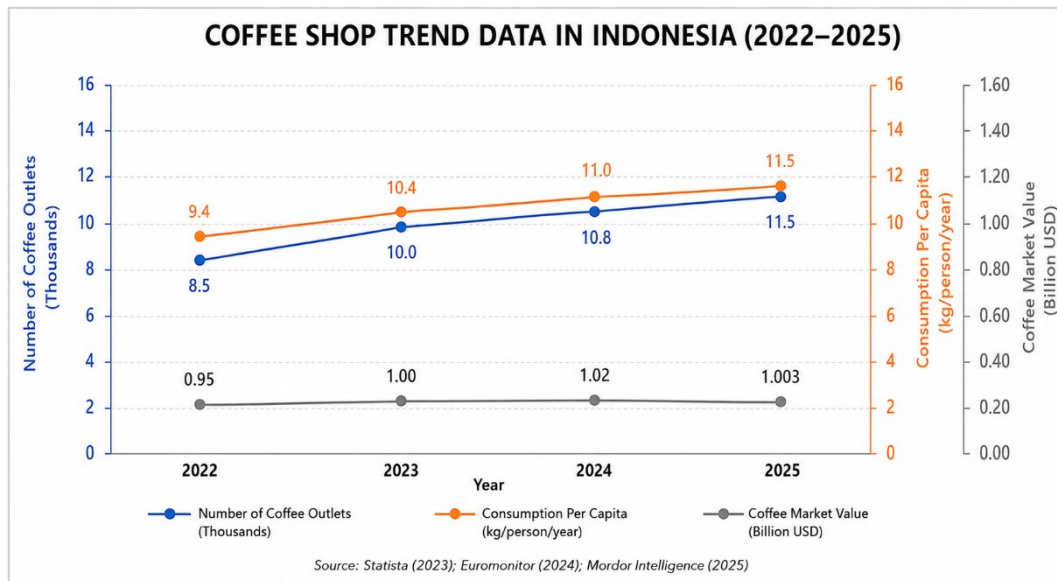


Figure 1.2 Coffee Shop Trend Data in Indonesia (2022–2025)

Source: BPS and Goodstats (Processed, 2026)

Based on Figure 1.2, the Indonesian coffee shop industry experienced steady growth between 2022 and 2025. The number of coffee outlets increased from approximately 8.5 thousand units in 2022 to around 10 thousand units in 2023 and is projected to reach about 11.5 thousand units by 2025. This expansion reflects the growing role of modern coffee retail in urban lifestyles and increased out-of-home consumption (Peixoto et al., 2023). Easier market entry significantly intensifies competition between brands, making brand trust increasingly important in influencing customer repurchase decisions within the highly competitive and rapidly growing coffee shop industry in Indonesia (Wang, 2025).

Coffee consumption in urban Indonesia continues to rise, positioning coffee shops as an essential part of modern lifestyle. Urban consumers drink coffee not only for functional purposes but also as a social experience that strengthens brand connection and develops brand trust through consumption experiences (Amadea et al., 2025). The following Figure 1.3 presents favorite coffee shop brands in Indonesia from the GoodStats survey in September 2025.



Figure 1.3 Percentage of Favorite Coffee Shops Brands in Indonesia

Source: *Goodstats* (2025)

As shown in Figure 1.3, although Kopi Kenangan ranks first with 18% of respondents, the difference with Fore Coffee is only 1%, indicating competitive vulnerability in Indonesia's modern coffee shop market. This narrow gap suggests that customer preference alone may not be sufficient to sustain repurchase decisions, particularly when competitors offer attractive product differentiation and pricing strategies (Nalendra et al., 2024). Therefore, strengthening brand trust becomes essential to maintain repurchase decisions and reduce the likelihood of customers switching to competing coffee shop brands.

The close preference percentage between Kopi Kenangan and Fore Coffee reflects the importance of maintaining customer preference and strengthening brand trust within the increasingly competitive coffee shop industry (Archie & Rita, 2025). Marketing strategies particularly social media presence, customer interaction and in-store experience play a crucial role in strengthening brand positioning and maintaining customer confidence toward the brand. This condition makes continuous brand communication and positive customer experiences essential for sustaining customer repurchase decisions and strengthening long-term brand trust in highly competitive and rapidly growing modern coffee shop market conditions (Neto, 2025).

Brand trust is not only influenced by product quality and pricing but also by customer engagement and overall consumption experiences. Strong brand engagement encourages customers to develop positive perceptions, emotional connection and confidence toward the brand which ultimately influence customer repurchase decisions (Fachril, 2025). In this context, coffee shop brands need to continuously strengthen customer relationships and maintain positive customer experiences in order to sustain competitiveness within the growing and highly competitive coffee shop industry while strengthening brand trust through consistent service quality (Fihir et al., 2023).

The rapid development of the coffee shop industry also creates opportunities for brands to strengthen customer loyalty through experiential innovation and effective marketing strategies (Wiranti, 2025). In the context of Kopi Kenangan in Surabaya, strengthening brand trust becomes increasingly important in encouraging customer repurchase decisions amid dynamic competition and evolving consumer preferences. Therefore, companies need strategies that consistently maintain customer confidence and strengthen long-term relationships with customers through strong and sustainable brand trust.

Kopi Kenangan holds a strong position in the minds of consumers compared with other coffee shop brands in Indonesia. In the Top Brand Index, Kopi Kenangan records higher scores than Janji Jiwa, Fore Coffee, and Kopi Kulo, indicating strong brand acceptance and loyalty (Amanda, 2024). To illustrate this competitive positioning, Figure 1.4 below presents the Top Brand Index of Kopi Kenangan compared with its competitors from 2022 to 2026.

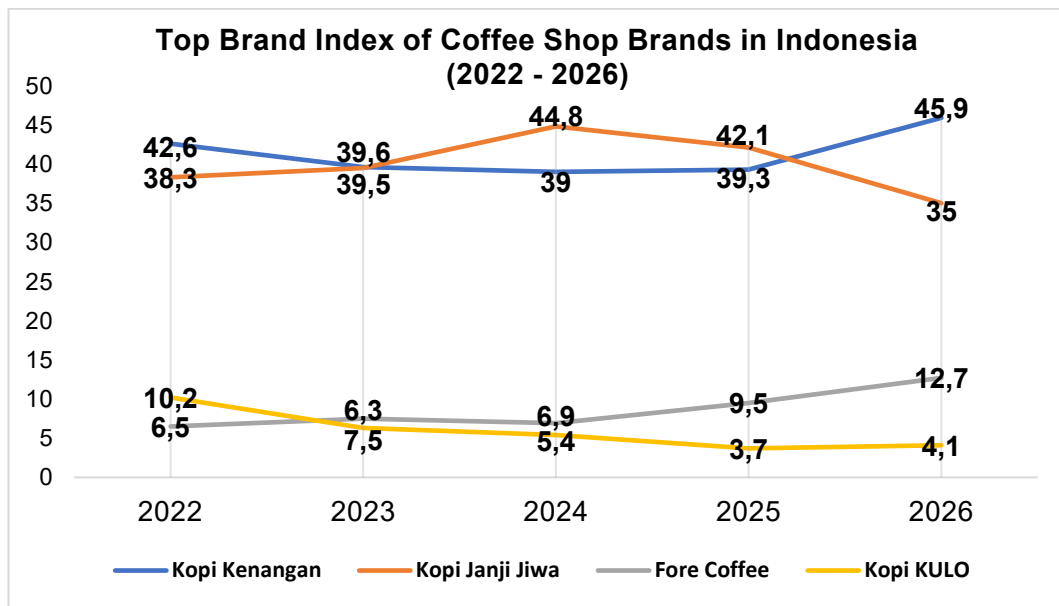


Figure 1.4 Top Brand Index of Coffee Shop Brands in Indonesia (2022 – 2026)

Source: Top Brand Award Indonesia

As shown in Figure 1.4, Kopi Kenangan consistently maintained the highest Top Brand Index score throughout the observed period and reached 45.9% in 2026, indicating strong brand performance and customer preference in the modern coffee shop market (Retnowati et al., 2026). The achievement reflects customer confidence and brand trust. However, a high Top Brand Index does not necessarily guarantee repurchase decisions, as customers may switch to competing brands offering more attractive product differentiation and pricing. Therefore, this study examines role of brand trust in mediating the effect of product differentiation and price on repurchase decisions among Kopi Kenangan customers.

The strong Top Brand Index performance reflects high brand awareness and brand trust of urban consumers (Wangania et al., 2024). Positive perceptions of product quality and in-store experience strengthen brand positioning (Cahyani & Hartono, 2025). This condition indicates that customers choose Kopi Kenangan for perceived value and brand interaction (Wattimena, 2024). Strong brand trust also supports customer repurchase decisions amid competitive market conditions (Mantow, 2025). These conditions are reflected in the growing number of coffee shops in Indonesia as presented in Figure 1.5.

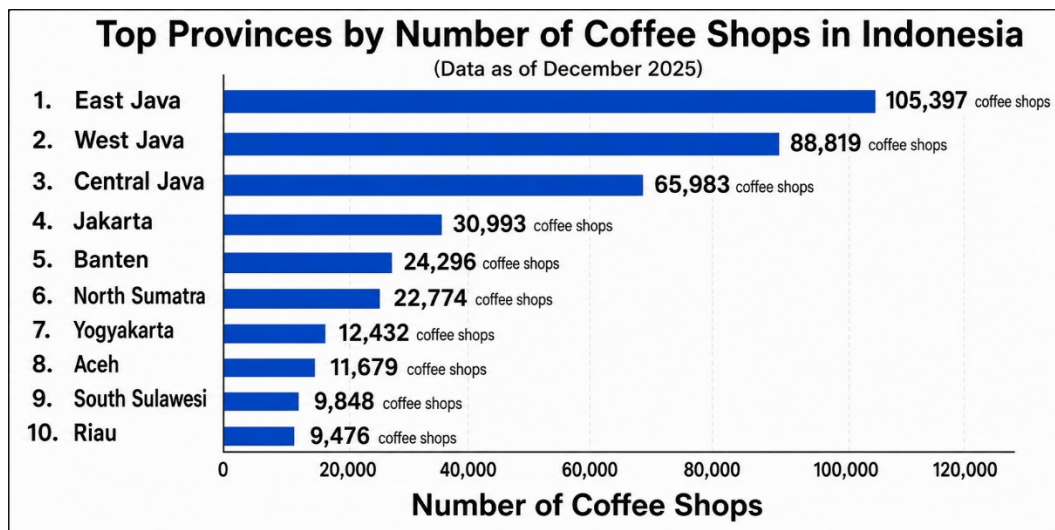


Figure 1.5 Top Provinces by Number of Coffee Shops in Indonesia

Source: Goodstats.id

Based on Figure 1.5, East Java recorded the highest number of coffee shops in Indonesia, indicating intense competition within the coffee shop industry. As the largest city in East Java, Surabaya is considered capable of representing customer repurchase decisions in the modern coffee shop market. These conditions provide opportunities for Kopi Kenangan to strengthen brand trust through product differentiation and competitive pricing strategies (Nasution & Efendi, 2025). Strong brand trust also supports sustainable customer repurchase decisions amid competitive market conditions (Fahlevi et al., 2025).

The Stimulus–Organism–Response (S-O-R) framework explains that consumer behavior is influenced by external stimuli processed through internal psychological evaluations before generating behavioral responses (Mehrabian & Russell, 1974). In this study, product differentiation and price represent the stimuli, brand trust the organism and repurchase decision the response. The application of the S-O-R framework is presented in Table 1.1.

Table 1.1 Research Variables Based on the S-O-R Framework

S-O-R Theory	Variable	Indicators	Reference
Stimulus (S)	Product Differentiation (X1)	• Product Uniqueness • Product Variety • Distinctive Features • Outlet Comfort and Facilities	Kotler & Keller (2016)
	Price (X2)	• Price Fairness • Affordability • Value for Money • Price Acceptability	Monroe (1979)
Organism (O)	Brand Trust (Z)	• Brand Reliability • Brand Honesty • Brand Safety • Brand Confidence	Ballester (2004)
Response (R)	Repurchase Decision (Y)	• Repurchase Intention • Brand Preference • Purchase Frequency • Recommendation Intention	Ferdinand (2002)

Source: Adapted from Mehrabian dan Russell (1974)

Table 1.1 shows that product differentiation and price function as external stimuli represented by their respective indicators, while brand trust serves as the organism that reflects customer perceptions before generating the behavioral response in the form of repurchase decisions. This process explains how external factors shape behavior through evaluation. Accordingly, the S-O-R framework provides the theoretical basis for examining the mediating role of brand trust in the relationship between product differentiation, price and repurchase decisions among Kopi Kenangan customers in Surabaya.

In the evaluation stage, consumers assess whether a product is worth purchasing by comparing the benefits received with the costs incurred, as explained by Perceived Value Theory (Zeithaml, 1988). Product differentiation enhances perceived benefits through uniqueness and added value, while price represents the perceived sacrifice associated with the purchase (Kotler & Keller, 2016). Consumers are more likely to make repurchase decisions when the perceived benefits exceed the perceived costs (Schiffman & Wisenblit, 2019). However, favorable evaluations do not always lead to repurchase behavior, particularly when trust toward the brand is insufficient (Morgan & Hunt, 1994). Therefore, brand trust serves as an important mechanism that translates consumer evaluations of product differentiation and price into repurchase decisions within the increasingly competitive coffee shop industry under varying levels of perceived risk and uncertainty.

Previous studies have reported inconsistent findings regarding the influence of product differentiation and price on repurchase decisions in the coffee shop industry. While some studies found significant direct effects of product differentiation and price on repurchase decisions (Purnama, 2025), others reported that consumers place greater emphasis on perceived value and brand-related factors (Wibowo & Kristiningsih, 2026). Furthermore, limited studies have examined the mediating role of brand trust in explaining how product differentiation and price influence customer repurchase decisions in the Indonesian coffee shop industry, particularly Kopi Kenangan in Surabaya. Therefore, this study addresses both empirical and contextual gaps by examining brand trust as a mediating mechanism between product differentiation, price and repurchase decisions. By integrating Stimulus-Organism-Response (S-O-R) Theory with brand trust as the organism component, this study contributes to a better understanding of consumer decision-making processes in the modern coffee shop industry.

1.2 Research Problems

Based on the background and research gap identified in the previous section, the increasingly competitive coffee shop industry indicates that product differentiation and price alone may not be sufficient to encourage customer repurchase decisions (Solomon, 2018). In this context, brand trust becomes an important factor influencing customer confidence and repurchase decisions through previous consumption experiences (Morgan & Hunt, 1994).

Therefore, this study examines the mediating role of brand trust between product differentiation, price and customer repurchase decisions of Kopi Kenangan in Surabaya. Furthermore, understanding brand trust is expected to provide insights into consumer purchase behavior within the competitive coffee shop industry (Kotler & Keller, 2016). Based on these conditions, the research problems of this study are formulated as follows:

1. How are customer perceptions toward Kopi Kenangan in the competitive coffee shop industry in Surabaya?
2. Does product differentiation affect the repurchase decision of Kopi Kenangan customers in Surabaya?
3. Does price affect the repurchase decision of Kopi Kenangan customers in Surabaya?
4. Does product differentiation indirectly affect the repurchase decision of Kopi Kenangan customers in Surabaya through brand trust?
5. Does price indirectly affect the repurchase decision of Kopi Kenangan customers in Surabaya through brand trust?
6. To what extent does brand trust mediate the relationship between product differentiation, price, and the repurchase decision of Kopi Kenangan customers in Surabaya?

1.3 Research Objectives

The objectives of this study are formulated to address the previously stated research problems and provide direction for the research process. This study aims to examine the mediating role of brand trust in the relationship between product differentiation, price and the repurchase decision of Kopi Kenangan customers in Surabaya. The increasing competition within the coffee shop industry requires companies to understand factors influencing customer repurchase decisions and confidence toward a brand (Schiffman & Wisenblit, 2019).

Furthermore, this study is expected to provide theoretical and practical contributions regarding consumer purchase behavior within the competitive coffee shop industry. The findings are also expected to provide insights for companies in developing strategies related to product differentiation, pricing and brand trust in order to strengthen customer repurchase decisions (Monroe, 1990). Therefore, the research objectives of this study are formulated as follows:

1. To analyze customer perceptions toward Kopi Kenangan in the competitive coffee shop industry in Surabaya.
2. To examine the effect of product differentiation on repurchase decision toward Kopi Kenangan products in Surabaya.
3. To examine the effect of price on repurchase decision toward Kopi Kenangan products in Surabaya.
4. To analyze the indirect effect of product differentiation on repurchase decision through brand trust toward Kopi Kenangan products in Surabaya.
5. To analyze the indirect effect of price on repurchase decision through brand trust toward Kopi Kenangan products in Surabaya.
6. To determine the mediating role of brand trust in the relationship between product differentiation, price, and repurchase decision toward Kopi Kenangan products in Surabaya.

1.4 Research Contributions

Every study is expected to provide benefits for various stakeholders, both theoretically and practically. The expected contributions of this study are as follows:

1. Theoretical Contribution

This study is expected to contribute to the development of marketing literature, particularly in understanding role of brand trust in mediating the relationship between product differentiation, price, and repurchase decision. The findings are expected to enhance understanding of repurchase decision in the coffee shop industry and support future research on consumer behavior and brand trust.

2. Practical Contribution

a. For the Company

The findings of this study are expected to provide practical insights for the management of Kopi Kenangan in developing strategies that strengthen consumer repurchase decision. By understanding the influence of product differentiation and price on brand trust and repurchase decision, the company can strengthen value and brand competitiveness. These insights may support managerial decisions in product development, pricing and consumer trust.

b. For the Researcher

This study is expected to enhance the researcher's understanding of consumer behavior, particularly role of brand trust in mediating the relationship between product differentiation, price, and repurchase decision. In addition, this study provides valuable experience in conducting scientific research, applying SEM-PLS analysis, and interpreting research findings systematically. The results are also expected to serve as a useful reference for future research related to marketing and consumer behavior in various contexts.