

THE ROLE OF DIGITAL LITERACY IN ENHANCING THE INFLUENCE OF DIGITAL BRANDING AND CUSTOMER EXPERIENCE ON CUSTOMER LOYALTY AT CAFE LATERA JAMBI

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Abstract

This study aims to analyze the influence of digital branding and customer experience on customer loyalty at Cafe Latera Jambi, as well as to examine the moderating role of digital literacy in these relationships. The study employed a quantitative approach using purposive sampling of 170 Generation Z respondents who were visitors of Cafe Latera Jambi. Data were collected through a questionnaire using a 5-point Likert scale and analyzed using Partial Least Square-Structural Equation Modeling (PLS-SEM) via SmartPLS 4 software. The results revealed that: (1) digital branding has a positive and significant effect on customer loyalty ($\beta = 0.373$; $t = 7.037$; $p = 0.000$); (2) customer experience has a positive and significant effect on customer loyalty ($\beta = 0.450$; $t = 9.311$; $p = 0.000$) and serves as the strongest predictor; (3) digital literacy does not moderate the effect of digital branding on customer loyalty ($\beta = -0.078$; $t = 1.526$; $p = 0.127$); and (4) digital literacy does not moderate the effect of customer experience on customer loyalty ($\beta = -0.018$; $t = 0.382$; $p = 0.703$). Although digital literacy does not function as a moderator, it has a significant direct effect on customer loyalty ($\beta = 0.270$; $p = 0.000$). The research model explains 44.9% of the variance in customer loyalty. These findings imply that digital branding and customer experience strategies can be applied universally to the Gen Z segment without the need for segmentation based on digital literacy levels

Keywords: Digital Branding, Customer Experience, Customer Loyalty, Digital Literacy

Introduction

Competition in the contemporary business world has reached an unprecedented level of intensity. The wave of globalization accompanied by digital transformation has dismantled geographical market boundaries, causing business actors of various scales to now operate in a single, open, and interconnected competitive arena (Dwivedi et al., 2021). Advances in information and communication technology have fundamentally changed the way consumers search for, evaluate, and decide to purchase products or services, compelling every business actor to continuously innovate in marketing strategies, operations, and customer relationship management (Felix & Rembulan, 2023).

One of the most dynamic sectors is the Food and Beverage (F&B) industry. Globally, the F&B market value reached USD 8.22 trillion in 2024 and is projected to grow at a Compound Annual Growth Rate (CAGR) of 6% to reach approximately USD 14.72 trillion by 2034. At the national level, Indonesia's food and beverage industry recorded a growth of 5.53% in the second quarter of 2024, surpassing the national GDP growth of 5.05%, while contributing 40.33% to the non-oil and gas manufacturing GDP (Ministry of Finance, 2024).

The national F&B industry growth has also had a tangible impact at the regional level, including Jambi Province. According to data from the Jambi Provincial Cooperative and SME Agency in 2023, there were 176,051 active SME units, of which 88,359 units (50.19%) had adopted the QRIS digital payment system (Anggraeni & Anggraini, 2025). The cafe business in Jambi has grown rapidly, driven by the increasing digital lifestyle among young consumers and the growing hangout culture closely associated with social media activities (Sutanto & Kusuma, 2025).

Amid this competition, cafe businesses in Jambi face a fundamental challenge: how to maintain long-term customer loyalty. The continuous emergence of new players with fresher concepts, combined with the variety-seeking tendencies of consumers, particularly Generation Z, creates tremendous pressure on cafes seeking to build a loyal customer base (Fahira & Mustamin, 2025). Customer loyalty has become a strategic asset that determines business sustainability amid increasingly fierce competition (Hidayat et al., 2025).

In the context of the digital era, two factors predicted to have a significant influence on customer loyalty are digital branding and customer experience. Digital branding refers to the practice of building and managing brand identity through digital platforms to create positive perceptions and differentiation in the minds of consumers (Denga et al., 2023; Vlachos et al., 2020). Customer experience is defined as the internal and subjective response of customers resulting from direct and indirect interactions with a company throughout the customer journey (Becker & Jaakkola, 2020). Digital literacy emerges as a contextual factor that potentially moderates the strength of these influences, referring to the ability of individuals to access, understand, evaluate, and use digital technology effectively and critically (Iskandar, 2025).

The novelty of this study lies in several aspects: (1) it specifically examines the influence of digital branding and customer experience on customer loyalty in the context of a local cafe in a second-tier city

(Jambi); (2) it explicitly tests the moderating role of digital literacy; and (3) it integrates perspectives from technology acceptance theory with marketing theory within a comprehensive framework. Based on this rationale, this study aims to analyze the influence of digital branding and customer experience on customer loyalty at Cafe Latera Jambi, as well as to analyze the moderating role of digital literacy in these relationships.

Methods

This study employed a quantitative approach aimed at testing the relationships between variables. The quantitative approach was selected because it enables researchers to collect data in numerical form that can be analyzed using statistical techniques objectively (Oranga & Matere, 2025).

The population of this study comprised all visitors of Cafe Latera Jambi, which is infinite in nature. The sampling technique used was purposive sampling with the following criteria: (1) visitors who had visited Cafe Latera Jambi more than twice, and (2) visitors who actively use social media. Based on the SEM rule of thumb of 5–10 times the number of indicators (Sekaran, 2022), with a total of 17 indicators, the sample size was set at 170 respondents.

This study involved four variables: Digital Branding (X_1) with 5 indicators based on Vajjhala et al. (2023) and Vlachos et al. (2020); Customer Experience (X_2) with 5 indicators based on Klaus (2013) and Maklan & Klaus (2011); Digital Literacy (M) as a moderating variable with 4 indicators based on Syafitri et al. (2024) and Tulcanaza-Prieto et al. (2025); and Customer Loyalty (Y) with 3 indicators based on Putri & Aprianingsih (2024) and Ramachandran et al. (2020). All variables were measured using a 5-point Likert scale.

Data were analyzed using Structural Equation Modeling based on Partial Least Squares (PLS-SEM) through SmartPLS 4 software. Model evaluation encompassed the outer model (convergent validity, discriminant validity, and reliability) and the inner model (R-Square, VIF, and model fit). Hypothesis testing was conducted through bootstrapping procedures with 5,000 subsamples at a significance level of $\alpha = 5\%$ (Hair et al., 2022).

Results and Discussion

Respondent Characteristics

Of the total 223 questionnaires collected, 170 questionnaires met the criteria and were eligible for analysis (usable response rate of 76.23%). The majority of respondents were female (57.1%), aged 20–22 years (53.5%), and were university students (72.9%). All respondents were Generation Z individuals who actively use social media and had visited Cafe Latera more than twice.

Measurement Model Evaluation (Outer Model)

The outer model evaluation results showed that all indicators had outer loading values above 0.708 (ranging from 0.748 to 0.871), and all variables had AVE values above 0.50 (ranging from 0.637 to 0.679), thus meeting convergent validity requirements. Discriminant validity was fulfilled based on the Fornell-Larcker criterion and HTMT (all values < 0.90). Construct reliability was also met with Cronbach’s Alpha (0.716–0.882) and Composite Reliability (0.840–0.914), all exceeding 0.70 (Hair et al., 2022).

Table 1. Outer Loading, AVE, and Reliability Results

Variable	Indicator	Outer Loading	AVE	Composite Reliability	Cronbach’s Alpha
Digital Branding (X_1)	DB1	0.793	0.679	0.914	0.882
	DB2	0.855			
	DB3	0.831			
	DB4	0.814			
	DB5	0.826			
Customer Experience (X_2)	CE1	0.837	0.672	0.911	0.879
	CE2	0.823			
	CE3	0.779			
	CE4	0.839			
	CE5	0.818			
Digital Literacy (M)	LD1	0.871	0.671	0.891	0.838
	LD2	0.774			
	LD3	0.845			
	LD4	0.784			

Variable	Indicator	Outer Loading	AVE	Composite Reliability	Cronbach's Alpha
Customer Loyalty (Y)	LP1	0.812	0.637	0.840	0.716
	LP2	0.832			
	LP3	0.748			

Source: SmartPLS 4 Output, processed data 2026

Structural Model Evaluation (Inner Model)

The Adjusted R² value of 0.449 (moderate category) indicates that 44.9% of the variance in customer loyalty can be explained by the variables in the model. No multicollinearity issues were detected (VIF ranging from 1.012 to 1.056). The SRMR value of 0.063 (< 0.08) confirms that the model fits the empirical data adequately (Hair et al., 2022).

Hypothesis Testing

The results of hypothesis testing through the bootstrapping procedure are presented in Table 2 below.

Table 2. Hypothesis Testing Results (Path Coefficients)

Relationship	β	T-Stat	P-Value	Result	Decision
X1 DB \rightarrow Y CL	0.373	7.037	0.000	Significant	H1 Accepted
X2 CE \rightarrow Y CL	0.450	9.311	0.000	Significant	H2 Accepted
M DL \rightarrow Y CL	0.270	4.607	0.000	Significant	-
X1 DB \times M DL \rightarrow Y CL	-0.078	1.526	0.127	Not Significant	H3 Rejected
X2 CE \times M DL \rightarrow Y CL	-0.018	0.382	0.703	Not Significant	H4 Rejected

Source: SmartPLS 4 Output, processed data 2026

The Effect of Digital Branding on Customer Loyalty

The results of H₁ testing demonstrate that digital branding has a positive and significant effect on customer loyalty ($\beta = 0.373$; $t = 7.037$; $p = 0.000$). From the perspective of Service-Dominant Logic (S-D Logic), this finding aligns with the premise that value is co-created through interactions between firms and customers (Vargo & Lusch, 2016). Cafe Latera's digital branding through Instagram and Threads represents a resource integration process in which operant resources such as digital content and interactive communication are integrated to create a value proposition for customers (Al-kumaim et al., 2021). This finding is consistent with Firmanda and Lukiastuti (2022), Wijaya (2023), as well as Felix and Rembulan (2023), who confirmed the positive effect of digital branding on customer loyalty.

Analysis of outer loading values indicates that the DB2 indicator (Brand Image) and DB3 indicator (Brand Communication) had the highest contributions (0.855 and 0.831, respectively) in forming the Digital Branding construct. This finding suggests that the quality of attractive digital content and brand communication on digital platforms are the most critical elements in Cafe Latera Jambi's digital branding strategy. Meanwhile, the DB1 indicator (Brand Identity), with the lowest outer loading (0.793) and a descriptive mean value in the moderate category (3.34), indicates that brand identity consistency on digital media still requires improvement.

The Effect of Customer Experience on Customer Loyalty

The results of H₂ testing demonstrate that customer experience has a positive and significant effect on customer loyalty ($\beta = 0.450$; $t = 9.311$; $p = 0.000$) and serves as the strongest predictor in the model. Within the S-D Logic framework, this finding reflects the fundamental premise that value is determined by the customer's experience during the consumption process (Vargo & Lusch, 2016). Cafe Latera, with its aesthetic rooftop concept, creates a holistic experience encompassing sensory, emotional, cognitive, behavioral, and relational dimensions. This finding is supported by Hidayat et al. (2025), Haikal and Silitonga (2024), Hoang and Tan (2023), as well as Brunner et al. (2025), who reinforced that integrated physical and digital customer experiences enhance customer loyalty.

Analysis of outer loading values reveals that the CE4 indicator (Behavioral Experience) and CE1 indicator (Sensory Experience) had the highest contributions (0.839 and 0.837, respectively). This indicates that behavioral experience, namely customers' intention and tendency to return, is the strongest dimension in shaping the customer experience at Cafe Latera. Meanwhile, the CE5 indicator (Relational Experience) had the lowest mean value (3.38), suggesting that building emotional closeness and relational bonds between customers and the brand still needs strengthening.

The Moderating Role of Digital Literacy

The results of H₃ and H₄ testing indicate that digital literacy does not significantly moderate the effect of digital branding ($\beta = -0.078$; $p = 0.127$) or customer experience ($\beta = -0.018$; $p = 0.703$) on customer loyalty. Although contrary to the initial hypotheses, these findings can be explained through several arguments. First, from the perspective of Social Cognitive Theory, all respondents are Generation Z individuals with relatively homogeneous digital self-efficacy, resulting in insufficient variation in digital literacy to produce significant moderation effects (Compeau et al., 2020). Second, digital branding content on visual platforms such as Instagram is designed to be easily accessible without requiring high levels of digital literacy (Oliveira et al., 2023). Third, among the Generation Z segment, digital literacy has already become a baseline skill and no longer serves as a differentiating factor (Putri & Aprianingsih, 2024).

Nevertheless, digital literacy was found to have a significant direct effect on customer loyalty ($\beta = 0.270$; $t = 4.607$; $p = 0.000$), indicating that digital literacy more appropriately functions as an independent predictor rather than as a moderating variable. Customers with better digital literacy tend to be more loyal because they can optimally utilize digital features. The practical implication of this finding is that digital branding and customer experience strategies can be applied universally to the entire Gen Z segment without the need for segmentation based on digital literacy levels.

Conclusion

Based on the research findings with 170 Generation Z respondents analyzed using PLS-SEM, the following conclusions can be drawn: (1) Digital branding has a positive and significant effect on customer loyalty at Café Latera Jambi ($\beta = 0.373$; $p = 0.000$); (2) Customer experience has a positive and significant effect on customer loyalty and serves as the strongest predictor ($\beta = 0.450$; $p = 0.000$); (3) Digital literacy does not moderate the effect of digital branding on customer loyalty ($\beta = -0.078$; $p = 0.127$); and (4) Digital literacy does not moderate the effect of customer experience on customer loyalty ($\beta = -0.018$; $p = 0.703$). Although digital literacy does not function as a moderator, it has a significant direct effect on customer loyalty ($\beta = 0.270$; $p = 0.000$). The research model explains 44.9% of the variance in customer loyalty.

For the management of Café Latera Jambi, it is recommended to prioritize holistic customer experience enhancement as the primary strategy for building loyalty, strengthen digital branding consistency across all platforms, and ensure that all digital touchpoints are user-friendly for all customers. For future research, it is recommended to test digital literacy as a mediating or independent variable, use more demographically heterogeneous samples, and incorporate mediating variables such as brand equity or customer satisfaction.

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