

ABSTRACT

The rapid growth of the coffee shop industry in Indonesia, particularly in Semarang City, has intensified business competition among coffee shop entrepreneurs. This condition requires businesses to continuously improve service quality, operational consistency, and customer satisfaction in order to maintain business performance. One managerial approach considered capable of supporting sustainable business performance is Total Quality Management (TQM). This study aims to analyze the effect of Total Quality Management on business performance with competitive advantage and customer satisfaction as mediating variables in coffee shops in Semarang City.

This research uses a quantitative approach with primary data collected through questionnaires distributed to coffee shop owners or managers in Semarang City. The sampling technique used was purposive sampling with a total of 120 respondents. Data analysis was conducted using Structural Equation Modeling (SEM) with the assistance of AMOS software.

The results of this study indicate that Total Quality Management has a positive and significant effect on business performance, competitive advantage, and customer satisfaction. Furthermore, competitive advantage and customer satisfaction are proven to mediate the relationship between Total Quality Management and business performance. These findings indicate that the implementation of TQM not only directly improves business performance but also indirectly through the creation of competitive advantage and increased customer satisfaction.

The theoretical implication of this study is to enrich the literature related to TQM implementation in service-based SMEs, especially in the coffee shop industry. Practically, this study provides recommendations for coffee shop business owners to consistently implement quality management practices in order to improve competitiveness and business sustainability.

Keywords: Total Quality Management, Competitive Advantage, Customer Satisfaction, Business Performance, Coffee Shop