

## ABSTRACT

*This study aims to analyze the effect of innovation and customer engagement on business performance through customer value co-creation behaviors among customers of Dreeps Coffeeshop Tembalang. The research is based on the view that business performance in the service industry is not only determined by product quality, but also by the company's ability to develop innovation, build customer engagement, and encourage customers to participate in value creation. This study uses a quantitative approach with survey data collected through questionnaires from 226 respondents who had purchased products and interacted with Dreeps Coffeeshop Tembalang.*

*The data were analyzed using SPSS and Structural Equation Modeling with AMOS. The results show that innovation has a positive and significant effect on customer participation behaviors and customer citizenship behaviors. Customer engagement also has a positive and significant effect on customer participation behaviors and customer citizenship behaviors.*

*The findings indicate that business performance can be improved when customers are encouraged to participate, provide feedback, recommend the business, and support the company voluntarily. Therefore, Dreeps Coffeeshop Tembalang needs to strengthen innovation and customer engagement as strategic efforts to enhance customer value co-creation and business performance.*

**Keywords:** Innovativeness, Customer Engagement, Value Co-Creation.