

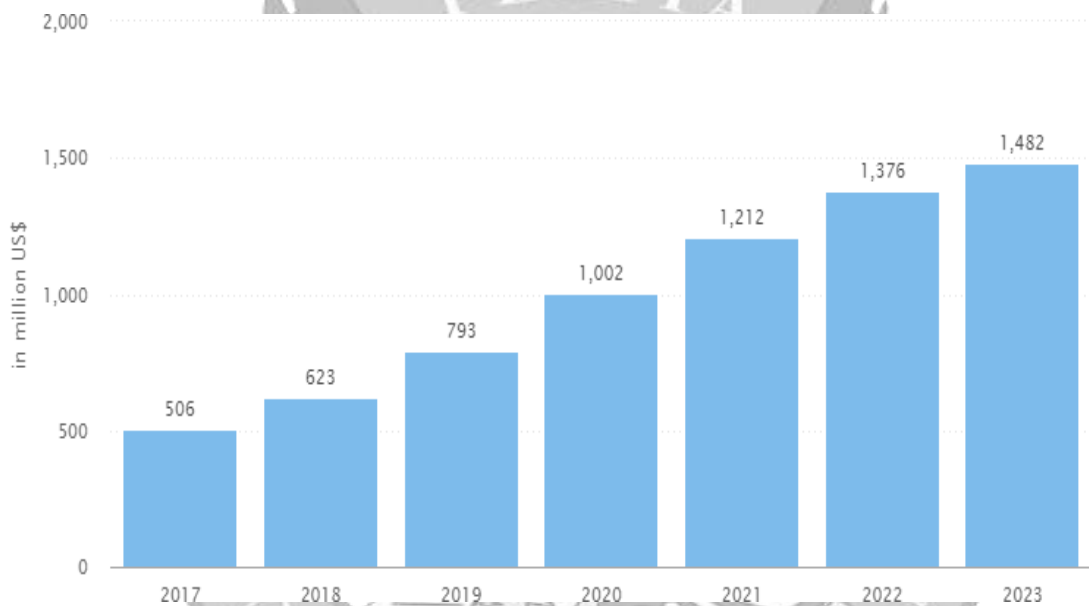
CHAPTER I

INTRODUCTION

1.1 Background

It is no doubt that one of the most growing industries in the world is Food and Beverage. The reason being is because it is an industry that will not fade away as people tend to go out and eat either with their friends or family. The industry never fails to produce a huge amount of revenue each year, causing more entrepreneurs to enter this industry.

Table 1.1 Revenue in the Food and Beverage Industry in Indonesia



(www.statista.com, downloaded on 17 July 2019)

By referencing from the table above, it was predicted that every year from 2017 to 2023, the total revenue of Food and Beverage is increasing. In other words, the prospect of having a business in Food and Beverage industry is really good. As a result, competition between restaurants is getting more intense. Innovations after innovations have to be created in order to attract customers. Besides innovation, marketing is also very important in keeping the customers loyal to the brand. Good strategy marketing is need in order to keep up with the competition among the players in Food and Beverage Industry.



Picture 1.1 Flip Burger in Surabaya
(www.tripadvisor.com, downloaded on 17 July 2019)

This promising industry has been attracting many players from every class of the society, from low to high. Along the streets of Surabaya, there are many small coffee shops established by the local people, serving sachets coffees and deep-fried snacks and yet they are generating quite a large amount of profit for a small amount of capital

Knowing that the competition is getting more aggressive, in this study, this study is going to look at Flip Burger, which had opened since 2016. This infamous burger chain is well known for its delicious burgers with enormous amount of cheese and beef fat in it and also its unending refill drinks. Ever since the first opening, as of 2019, Flip Burger has 16 outlets around Indonesia. Flip has only opened one restaurant in Surabaya which is located in Tujungan Plaza 3. Even though it only has one restaurant in Surabaya, this local fast-food chain has become one of the fastest growing food chain in Indonesia. In order to survive in the fast-food chain industry, it has to expand its territory very fast in order to catch up with the gap between Flip Burger and other overseas' brands such as KFC and McDonalds.

Table 1.2 Comparison on the Price of Common Menu among Competitors

Company	Fish Burger	Chicken Burger	Cheese Burger
Flip Burger	Rp. 40,000	Rp. 36,364	Rp. 40,909
McDonald's	Rp. 26,000	Rp. 28,000	Rp. 26,000
KFC	Rp. 14,091	Rp. 15,000	Rp. 14,545
Carl's Junior	-	Rp. 27,273	Rp. 24,545
Burger King	Rp. 22,727	Rp. 30,000	Rp. 23,182

(pergikuliner.com, hargamenu.com, mcdelivery.co.id, bkdelivery.co.id, zomato.com, downloaded on 17 July 2019)

Looking from the table 1.2, it shows the different price level of the burgers that belongs to the largest fast-food chain in Indonesia. From the table above, it shows that Flip Burger has been selling its burgers at a higher price level than other fast-food chain such as McDonald, KFC, Carl's Junior and also Burger King. Indeed, customers will only approach a fast-food chain that are selling food at an affordable price levels. Despite of selling burgers at the higher levels, Flip Burger has to compete with the other large food chain to gain loyalties from the customers in Indonesia.



Picture 1.2 Review on Flip Burger from Google
(google.com, downloaded on 17 July 2019)



Picture 1.3 Review on Flip Burger from Zomato
(zomato.com, downloaded on 17 July 2019)

As it was mentioned previously about the price level that Flip Burger is in, food reviews from Google, PergiKuliner.com and also Zomato are showing that Flip Burger is worth a four-star rating. This shows that the food quality that Flip Burger is offering has met the expectation of the customers and accordance to the price level.



Picture 1.4 Double Cheese Burger from Flip Burger
(www.graved.com, downloaded on 17 July 2019)

This research will see on how they improve and maintain their *customer loyalty* to remain competitive with other fast-food restaurant such as McDonalds, Burger King and Carl's Junior. In order to get the desired results, this research is going to look into the variables that contribute to *customer loyalty*. The variables that influence *customer loyalty* are *advertising*, *food quality*, *brand image*, *service quality*, and *customer satisfaction*.

According to Oliver (1999,33) *Customer loyalty* can be defined as "a deeply held commitment to rebuild and re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviors". The satisfaction that customers experience can lead to an increase in *customer loyalty* (Fornell 1992). As the number of customers become satisfied and loyal to the brand, the company will generate more income and the marketshare increases. This can be seen from Picture 1.2, the number of rating Flip Burger received in different platform. Therefore, it is very important for businesses to have good *customer loyalty* rate in order to remain competitive in the market.

As for *customer satisfaction*, a study done by by Fornell, Johnson, Anderson, Cha and Bryant (1996), it stated that *customer satisfaction* can be defined as the overall evaluation based on the total purchase and consumption experience of the customers with the good or service over time. *Customer satisfaction* can be used as a measurement in predicting the future customers' behavior (Hill, Roche & Allen 2007). According to Zeithal and Bitner (2003), they stated that *customer satisfaction* can also be influence by the customers' emotional responses. When there is an increase in *customer satisfaction*, company can be benefited with numerous customers being loyal to the brand which in turn increasing the number of purchases being made and positive word of mouth communciation. When the customer is satisfied with the product or service of the company, it can make the customer to purchase frequently and to recommend products or services to potential customers. This lead to the 4-star rating on the reviews for Flip Burger as refered from Picture 1.3. Therefore, in order to remain strongly competitive in the market, companies have to take note on the *customer satisfaction* level that they have.



Picture 1.5 Flip Burger's Instagram Posts
 (www.instagram.com, downloaded on 17 July 2019)

Advertising can be defined as a way of communication of information about products, services or ideas through the various media in a persuasive manner to random audience. (Bovee, 1992). The study mentioned that relevant news offers relatable information regarding the product or service offered by a company which can affect the customers' product selection and behavioral intentions. As for brand reinforcement, it refers to the strengthening of the customers' positive behavior and build strong and unique relationship towards the brand in their minds. Advertisement that consists entertainment is able to pull the customers' attention to the brand. Furthermore, empathy in advertising can be defined as the customers' ability to feel involved with what is happening in it, creating positive opinions about the product (Stern, 1992). Moreover, familiarity is very important in advertising and it uses repetitive strategies (Tellis, 2004). Repetition can build up the trust among customers towards the brands' products or services. The last but not the least, confusion refers the extent to which viewers find an advertisement difficult to understand (Schlinger, 1979). It is better for the advertisement to be short, simple and powerful in order to bring the message forward. With an effective advertising strategies, brands are able to get the customers attention, generating more income due to their purchases. This can be seen from the instagram posts in Picture 1.5 that Flip Burger posted in an interesting and attractive manner. Therefore, it is very important for this study to look deeper in *advertising*.



Picture 1.6 Flip Burger's Post on Halal
 (www.instagram.com, downloaded on 17 July 2019)

Food quality can be defined as the quality characteristics of the food that is acceptable to consumers which includes external factors like how it looks, the texture of the food, and its flavour; and internal such as nutritional, chemical, physical, microbial of the food, according to a study done by Perez-Gago (2006).

Food quality has become the most important requirement in the industry because customers are very sensitive towards any kind of contamination within the food. This can be shown from the certifications that Flip Burger has such as BPOM and HALAL. Knowing the fact that *food quality* is very important in retaining loyal customers, it is very important to do a research for *food quality* even further so that businesses can remain competitive within the market.

Brand Image is greatly influencing the consumer buying decision (Abimbola, 2015). Abimbola also mentioned *brand image* does not only help in consumer buying decisions, but it also can affect *customer loyalty*. A positive *brand image* can help businesses in gaining competitive advantage and boost the probability of repeat purchases. Wijaya (2013) found that *brand image* can boost the development of a brand because *brand image* has a great impact on the reputation and credibility of the brand and will determine whether the consumers that come by will become a loyalist or just passing-by. By definition, *brand image* represents the emotional aspects of a company or its products, and has a powerful impact on consumer buying behavior (Arora, Stoner 2009). This can be inferred from the higher price level than other fast-food restaurants which is shown in Table 1.2. Therefore, it is very crucial for each and every business to have a strong brand image if they want to remain competitive with other businesses.



Picture 1.7 Flip Burger's Post on Staffs Recruitment
 (www.instagram.com, downloaded on 17 July 2019)

A study has been done by Grönroos (2007), it has defined *service quality* as the result of the comparison between what customers have expected about the service received and what they are actually experienced. *Service quality* is a very important factor for company to be success as it has direct link with the *customer satisfaction* and their behavior intentions (Parasuraman et al., 1985). Knowing this fact, it is very important to conduct a research on *service quality* in order to keep businesses to remain competitive among other competitors and able to retain loyal customers. This can be seen from Picture 1.7 that shows the criterias that Flip Burger are looking at when hiring staffs. Flip Burger is looking for those who have working experience previously, no tatoos, willing to take part in training programs and have real ID. This shows that Flip Burger is taking it seriously when it comes to hiring new staffs for its restaurants to ensure high quality services is maintained.

From the discussion above, it can be seen that in the midst of the strong competition among the fast-food chain, there is a need to do a study about Flip Burger to remain competitive in the market. Therefore, this study will touch the influencing variables, *advertising*, *food quality*, *brand image* and *service quality* towards *customer loyalty* through *customer satisfaction*.

1.2 Research Limitation

In this study, research limitation only on *customer loyalty* to services in Flip Burger Surabaya. *Customer loyalty* is influenced by *customer satisfaction* which is influenced by the quality of service. *Customer satisfaction* with the service is measured based on the dimensions of *advertising*, *food quality*, *brand image* and *service quality*.

In addition, taking survey with at least 100 respondents under the age of 60 years old is needed to achieve a desired result because they have the largest number of population. Hence, it is better to conduct the survey with this group of people.

Furthermore, the research will only be done around the hypothesis that have been mentioned earlier. These data should involve with customers who have consumed Flip Burger for the past 6 months.

1.3 Research Questions

The research questions for this study are as follow:

1. Does *advertising* have significant effect towards *customer satisfaction* of Flip Burger customers in Surabaya?
2. Does *food quality* have significant effect towards *customer satisfaction* of Flip Burger customers in Surabaya?
3. Does *brand image* have significant effect towards *customer satisfaction* of Flip Burger customers in Surabaya?
4. Does *service quality* have significant effect towards *customer satisfaction* of Flip Burger customers in Surabaya?
5. Does *customer satisfaction* have significant effect towards *customer loyalty* of Flip Burger customers in Surabaya?

1.4 Purpose Research

According to the research questions, therefore, the purpose of this research is as follow:

1. It is to analyze whether *advertising* has a significant effect to *customer satisfaction* of Flip Burger customers in Surabaya.

2. It is to analyze whether *food quality* has a significant effect to *customer satisfaction* of Flip Burger customers in Surabaya.
3. It is to analyze whether *brand image* has a significant effect to *customer satisfaction* of Flip Burger customers in Surabaya.
4. It is to analyze whether *service quality* has a significant effect to *customer satisfaction* of Flip Burger customers in Surabaya.
5. It is to analyze whether *customer satisfaction* has a significant effect to *customer loyalty* of Flip Burger customers in Surabaya.

1.5 Benefit of Research

Based on the purpose of the research, this study is expected to have two aspects benefit as follows

1.5.1 Theoretical Benefits

Hopefully, this study can become a source of information or guideline about the influence of *advertising, food quality, brand image* and *service quality* towards *customer loyalty* through *customer satisfaction* of Flip Burger restaurant in Surabaya.

1.5.2 Practical Benefits

It is to become an application to what have been studied and received over the academics period and as a comparison to what has been encountered while analyzing the business.

1.6 Writing System

In order to achieve efficiency in reading this study, this study is organized as follows:

CHAPTER I: INTRODUCTION

It consists of background information, research limitation, purpose of the research, benefits of the research and organizational writing.

CHAPTER II: LITERATURE OBJECTIVE AND HYPOTHESIS DEVELOPMENT

It consists of theoretical basis of *customer loyalty*, *customer satisfaction*, *advertising*, *food quality*, *brand image*, *service quality*, previous research, hypothesis development, research model and thoughts flow chart.

CHAPTER III: RESEARCH METHODOLOGY

It consists of the type of research method, population and sample that are used in this study, methods of gathering the data, operational definition, variables measurement and data analysis method.

CHAPTER IV: DATA ANALYSIS AND DISCUSSION

Contains the results of research in the form of tables and figures, as well as a detailed description of the research results obtained and discussion of the results of data processing. The discussion is comprehensive and can explain the research problems.

CHAPTER V: CONCLUSION, IMPLICATION AND RECOMMENDATION

Contains conclusions from the results of the discussion and their implications as well as recommendations deemed necessary to overcome the deficiencies that exist.

