

## 1.1. Introduction

According to the World Bank data base, Indonesia is the largest economy in Southeast Asia. A diverse archipelago nation of more than 300 ethnic groups; it has charted impressive economic growth since overcoming the Asian financial crisis of the late 1990s. The country's gross national income per capita has steadily risen, from \$560 in the year 2000 to \$3,374 in 2015. Today, Indonesia is the world's fourth most populous nation, the world's 10th largest economy in terms of purchasing power parity, and a member of the G-20. (<http://www.worldbank.org/en/country/indonesia/overview>- - Retrieved on Nov 23, 2016)

According to Worldometer and Trading Economics website, Indonesia's population right now is at 261,821,060 as of Wednesday, November 30, 2016, based on the latest United Nations estimates. In 2015, the population was 255.5 million, so there is an increase of 6,321,060 that means in percent is: 2.47%. That means there is an increase in the market size that JCO could grab the opportunity to increase their sales.

<http://www.worldometers.info/world-population/indonesia-population/> - Retrieved on Nov 23, 2016

Lifestyle changes in Indonesia's urban centers largely follow the trends of established markets, with office workers having less time for cooking, or less interest in doing so, yet demanding health-boosting food. Importantly, shoppers are gaining access to a wider range of products thanks to the country's developing retail infrastructure, with hypermarkets and mini-markets moving deeper into the regions. These changes in lifestyles and demographics throughout the country have resulted in ever increasing demand for fast food restaurants over at least the last 5 years. <http://www.gurita.com/> - Retrieved on Nov 25,2016

The Indonesian Food and Beverage Producers Association(GAPMMI), states that growth in food and beverage industry is higher than the average growth of the national industry. This is supported by the level of food consumption in

Indonesia is high, which in 2009 had reached Rp. 2000 trillion. (www.kompas.com, retrieved on Dec 15, 2010)

In 2011, the value of food and beverage sales reached 660 trillion and increase to 700 trillion in 2012. From the results of the survey showed that the purchasing power of food is relatively stable and tend to show on an upward trend. Based on these data and the level of income and purchasing power continues to rise, the food and beverage industry is a strategic sector that has the potential and is going to continue to grow. (www.beranda.miti.or.id, Dec 15, 2016)

One of the business sectors in the food and beverage industry is now growing rapidly in Indonesia is a franchise business. Education commissioner franchise association Indonesia (AFI), explained that the franchise has promising prospects with the velocity of money is also very significant and it would still be the most desirable business amid trade dynamics. Where in the field of food and beverage businesses still dominate and become the trend of the franchise since last year. (www.kompas.com, Dec 15,2016)

Indonesian bank noted that amounting 42.9% of total sales of the franchise contributed food and beverage sector. research results of Franchise Indonesia magazine also show that the franchise food and beverage sector in 2010 contributed almost 50% compared to other sectors. The following table shows the data the development of franchising in Indonesia, including in the food sector.

**Table 1.1 Development Data of Franchise Business in Indonesia in the Year 1990-2008**

Year	Kinds of Business	
	Local	Foreign
1990's	6	29
2002	47	212
2003	49	190
2004	85	200
2005	129	237
2006	230	220
2008	450	250

Source: Taken from Anggara, Y.(2013). The Effect of Service Quality, product quality, value felt towards customer Satisfaction and Behavior towards J.C.O Donuts and coffee Surabaya. S1 Thesis, Pelita Harapan University, Surabaya, Indonesia.

Rising steadily over the past years, domestic food and beverage sales totaled 900 trillion Rupiah in 2013. The Indonesian Food and Beverage Producers Association (GAPMMI) predicted the market to grow by at least 11% to 1000 trillion RP in 2014. The market outperformed overall economic growth in recent years, and analysts expect this trend to last. Indonesian food consumption is forecasted to grow by 9.1% in 2014 and achieve a compound annual growth rate (CAGR) from 2014 to 2018 of +7.6% (BMI). While soft drink sales are estimated to increase by 11.7% in 2014 and CAGR 2014 to 2018 of 9.3%. Mass grocery retail sales in 2014 are seen at +14.2%, with CAGR 2014 to 2018 of +10.7%.

<http://www.gurita.com/> - Retrieved on Nov 25,2016

(Food and Beverage Industry National Statistical Data)

KBLI 2009-2010 digits (Description)	2012		2013		2014		2015	
	Input Value							
	g to 2-digit							
	KBLI (Million Rupiah)							
	Micro	Small	Micro	Small	Micro	Small	Micro	Small
Beverages	574,490	401,275	944,246	650,477	1,007,062	115,509	920,529	1,071,511

Total	35,620,041	25,939,177	52,810,523	83,738,759	67,343,834	57,448,106	89,100,792	82,717,609
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(<https://www.bps.go.id/linkTableDinamis/view/id/1013>)

According to the National statistical data, food and beverage industry is growing from time to time. This means people tends to consume more food and beverages in restaurants nowadays. Although there are ups and downs in the industry, significant increase amount could be seen through 2012 to 2015.

According to the Global Business Guide(2014), Indonesia's economy is largely driven by rising household consumption, and one industry that thrives on this like no other is that of food and beverages. Sales growth is fueled by rising personal incomes and increased spending on food and drink, especially from the growing number of middle class consumers. Consequently, this is also an industry where local companies have been particularly ambitious – and several of them have evolved into successful global exporters. At the same time, the internationalization of local cuisine represents a prime opportunity for foreign companies to sell their products to Indonesian consumers, who are more and more open to new foods and flavors.

[http://www.gbgindonesia.com/en/manufacturing/article/2014/thirst\\_quenching\\_in\\_donesia\\_s\\_food\\_andamp\\_beverage\\_industry.php](http://www.gbgindonesia.com/en/manufacturing/article/2014/thirst_quenching_in_donesia_s_food_andamp_beverage_industry.php) - Retrieved on Nov 23, 2016

By and large, consumers are looking for fast and convenient food without significantly compromising on healthy eating. Growing demand for budget and economy meals, greater convenience and faster service and hygienic food all acted in favor of the rising trend towards convenience stores, fast food towards the end of the review period. Although many more local fast food restaurants have sprung up as a result of continuous demand, however, while new local entrants finds it difficult to survive and growth in some of the existing local fast food brands remain stagnant or struggling, international brands were thriving. One of the fast food chain that keep survive in recent years is J.C.O, Donuts and Coffee. <http://www.gurita.com/> - Retrieved on Nov 25,2016

Along with the development and progress of business in 2013, make urban communities is growing rapidly and changing lifestyles community. A more modern life makes people prefer a new atmosphere and a comfortable place to gather. This led to the industry culinary, coffee shop or café will be able to thrive as well. Café is a business that quickly spread along with lifestyle society. Currently the café renowned began to build many outlets many cities both at home and abroad. Many café compete for can survive and become a market leader, with a variety of concepts and products diverse offered primarily related to coffee drinks (www.bakerymagazine.com, January 5, 2013). The following data café industry growth in Indonesia:

Table 1.2 Industry Growth Café Years 2007-2011

Tahun	Penjualan (Rp miliar)	Pertumbuhan (%)
2007	31.373	-
2008	31.142	-0,74
2009	33.789	8.5
2010	36.577	8.25
2011	39.64	8,37

Main Player: J.Co, Dunkin Donut, Krispy Kréme

Source: SWA Magazine, February (2011)

As one of the main menu are offered by a variety of café, Coffee drinks have become one of the lifestyle of the people of Indonesia. Domestic coffee consumption in Indonesia has increased substantially over the last year. This is demonstrated by the continued development of the industry. Coffee processing and a number of coffee shops in major cities in Indonesia. The development of the coffee world characterized in part by a growing number of coffee emerging modern shop. Which Indonesia is one country with the world's largest coffee producer (www.bakerymagazine.com, September 11, 2011). The following data showing that coffee consumption growth continues to grow in Indonesia.



Figure 1.3 The growth of coffee consumption in Indonesia in 2000-2011

Source: <http://houseofinfographics.com/kopi-indonesia-terbesar-ketiga-dunia/> (20 Maret 2013)

Donuts are foods that are already well known by the public. Its shape and taste of donuts are varied and it attracts many people. This is an exciting business opportunity to provide donuts required by the market (www.usahadirumah.com, March 18, 2013). Donuts have become one of the favorite foods in Indonesia. Until now, it has been a lot of new players popping up that offer donuts with different concepts and specific brands. In the midst of market competition, the owners must be creative to innovate their products by offering new products so that customers do not get bored. Donut businesses are still growing. Based on the statement of the existing donut business franchisees, as well as the increasing number of outlets and business partners, donut business industry is still growing.

(www.peluangusaha.kontan.co.id, February 17, 2013).

Before 2005, the donuts markets in Indonesia and Southeast Asia were dominated by the Dunkin' Donuts, an American brand. At those time the most known type of donuts were the Dunkin's. The brand of Dunkin Donuts was the king in market because of no serious competitors, including in Indonesia where it had almost 200 outlets. If there were any companies trying to compete with it, they would just lose within a short time. Nevertheless, since 2005, the battlefield

of donuts totally changed. A new brand owned by an Indonesian broke the domination of the Dunkin'. The new brand is J.Co, created by Johnny Andrean, a successful hair-stylist businessman. He introduced the products of donuts different from the Dunkin's. They are thinner, smaller and more crispy. Surprisingly, the market responses were amazing. Furthermore, J.Co does not only sell donuts. It combines them with coffee. Thus, Johnny's brainchild is labeled as the J.Co Donuts & Coffee. Only within a relatively short time, J.Co has changed the map of donuts business competition in Indonesia. Currently, if Indonesians were asked about donuts, they would answer J.Co as the most-preferred brand, overtaking the previous one, the Dunkin's. Furthermore, in a various survey, it is suggested that the consumers would prefer J.Co donuts than the others'. Even the newly-arrived donuts producer from the US, the Krispy Kreme, has still been unable to resist the achievement of J.Co. At present, J.Co has more than 100 outlets throughout Indonesia. Even, since 2008, it has existed in Malaysia, Singapore, the Philippines, Australia and China. It is reportedly that this Indonesian brand is going to expand its markets to other Asian countries, such as Thailand, Japan and Hongkong-China. This is undoubtedly an amazing achievement of Johnny Andrean, of which even him might not have imagined it before. But for sure, when there is a strong will, combined with hard work and determination, everything is possible.

(<http://awangoo.blogspot.co.id/2013/06/competitive-advantage-by-jco-donuts.htm>)

1)

Table 1.3 Data Number of Outlets Coffee Shop

No.	Nama Coffee Shop Pemilik/Group	Number of Outlets
1	J.Co Donuts and Coffee Johnny Andrean	89
2	Excelso Café PT. Excelso Multi Rasa	70
3	Dante Coffee PT. Selera Sukses Pratama	16
4	Kopitiam Oey Bondan Winarno	9
5	Kopi Tiam PT. Bagus Kopi Tiam International	4
6	Ngopi Doeloe	4
7	Regal Coffee Regal Coffee Factory	3

8	Tator Coffee PT. Puri Inti Rasa	3
9	Coffee Club	2
10	Fab Café	2

Source: SWA Magazine, September (2011)

J.Co Donuts and Coffee is a local brand which sells a wide range of variants of donuts and coffee drinks. J.Co founded by Johnny Andrean, a people known as the salon entrepreneurs under the brand name itself which has more than 200 branches throughout Indonesia and introduce a new style of selling bread through one franchise purchased from Singapore. Starting from the perceived value of people, donut is classified in the assessment of heavy food, Johnny changed this paradigm and make the donuts as well as a lifestyle store concept with an open kitchen that has never existed in Indonesia, inspired by donuts in America. J.Co brand refers to the international brand and was created with a simple, memorable, and unique. Global memorable brand name, the logo selection, atmosphere outlets, and product quality must be drafted in accordance with international standards. Selection of forms and colors of the logo J.Co drafted in order to become a brand that is warm for consumers (SWA, May 14, 2009).

J.Co Donuts and Coffee offers a variety of products that J.Coffee, J.Cool Yogurt (fat-free frozen yogurt), J.Club (Donut Sandwich), and J.Pop (baby donuts). Drinks are served with a variety of processed coffee, chocolate, espresso, mocha, capucino. The food on offer is a sense of donuts with unique names like glazzy, Alcapone, black jack, cheese me up, misisipi, monapizza with a variety of toppings; sandwich with cheese variants such content, katsu, omelets; and frozen yogurt with various toping such as oranges, jellies, mochi, almonds, and others. Not only serves donuts, coffee and yoghurt, but J.Co also presents a variety of cakes with new flavors (www.jcodonuts.com).

Table 1.5 Growth of J.Co Donuts and Coffee outlets Year 2008-2010

Tahun	Jumlah Gerai	Pertumbuhan (%)
2008	54	125,00

2009	68	25,93
2010	95	39,71

Until now, there have been more than 150 J.Co outlets scattered around Indonesia and also abroad nations. (www.industri.kontan.co.id, March 4, 2013). J.Co outlets have been scattered in various regions across Indonesia including Jakarta, Bogor, Bandung, Bekasi, Batam, Semarang, Surabaya, Yogyakarta, Solo, Jambi, Semarang, Makassar, Balikpapan, Samarinda, Padang, Medan and Bali. J.Co also has expanded to various countries in Asia such as Malaysia, Singapore, China, and the Philippines (SWA, May 14, 2009).

In order to continue to grow and survive in market share, the company J.Co Donuts and Coffee should be able to compete and create competitive advantage in the 7ps of marketing mix to satisfy consumers so as to create customer loyalty.

Business Dictionary defines marketing mix as “a planned mix of the controllable elements of a product’s marketing plan – product, price, place, promotion- all of which I adjusted into the right combination will be able to serve the needs of the product’s customers and results to income.” The history of marketing mix is actually constructed since 1910s, but it did not bloom until 1940s and 1950s. The concept of marketing mix was firstly suggested by James Culliton in 1948. He called the business executive as a “mixer of ingredients” (Culliton, 1948). One strategy that can be used by J.C.O Donuts in order to increase customer satisfaction is to use marketing mix strategy that is defined by Kotler and Armstrong (1997), which states that the marketing mix is a set of controllers as a tactical marketing tool that combines the company to generate a response wants in the target market. According to Yazid (2001), the marketing mix in the form of product and services need to be added 3P, thus becoming 7P marketing mix (Product, Price, Place, Promotion, People, Process, Physical Evidence).

According to Sumarni and Soeprihanto (2010), "Product is everything that can be offered in the market to get some attention, demand, usage or consumption that can meet the consumer's desires or needs". Products are not always in the form of goods but could also be a service or a combination of both (goods and services). Products that are being offered by JCO Donuts are quality goods. For, JCO always put the quality of the products first when they sell, so that consumers will always get a high-quality products. Various types of raw materials are being used by JCO donuts to create final products.

According to Kar (2011), Product is tangible object or an intangible service that is getting marketed through the program. Tangible products may be items like consumer goods (Toothpaste, Soaps, Shampoos) or consumer durables (Watches, IPods). Intangible products are service based like the tourism industry and information technology based services or codes-based products like cellphone load and credits. Product design which leads to the product attributes is the most important factor. However, packaging also needs to be taken into consideration while deciding this factor.

According to Baines et al (2011), perceived quality could be defined as the standard of something as measured against other things of similar kind; general excellence, archaic high social standing. Consumers' perceptions are enhanced with increasing levels of quality they perceive and lowered with increasing levels of sacrifice they feel.

Johnson and Ettlie (2001) also describe that perceived quality as the result of product performance which in turn can be labeled as the degree of customization and freedom from defects, or how reliably the product meets customer requirements.

In J.C.O's case, their products are:

# J.CO DONUTS



*It is everything you ever wanted in donuts.  
A unique Flavors and delicacy  
once it slowly melts in your mouth.  
Share your moments, sharing the J.CO way.*

J.C.O donuts Picture 1.1



# J.COFFEE

The Unique Flavor of Italian Blends

Enjoy the unique coffee blends only at J.CO.  
From the simple espresso to iced hazelnut latte a sip of  
out finest coffee to start day

J.Coffee,(Picture 1.2)



# J.CLUB

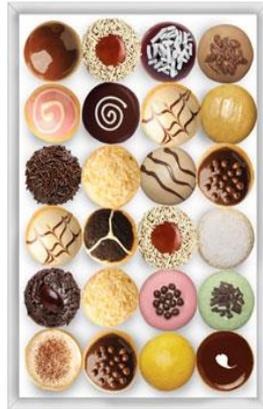
The most mouth watering donut  
sandwich selections

See that one bite can cheer up your,  
come and join the club!

J.Club(picture1.3)

J.POPs  
baby donuts

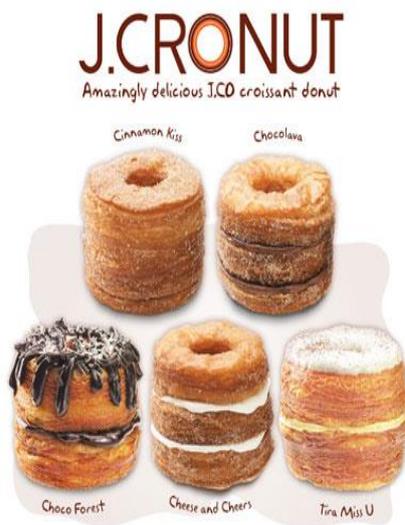
24 Pieces  
in 1 Box



J.pops Baby Donuts(picture 1.4)



J.Cool(picture1.5)



J.Cronut(picture 1.6)

J.C.O Donuts have various kinds of flavors to meet up with their customers bud flavors. Here are the list of its flavors:

- Glazzy                      Jacky Chunk                      Copa Banana                      Black Jack
- Sugar Ice                      Crunchy crunchy                      Jcoccino                      Snow White
- Don Mochino                      Alcapone                      Tiramisu                      Mr. Greent Tea
- Oreology                      Hola Manggo                      Why Nut                      Haven Berry
- Coco Loco                      Mona Pisa                      Cheese me up                      Choconutzzy
- Hellow Berry                      Choco Caviar Chocolate                      Choco Caviar Strawberry
- Meisisipi                      Avocado Dicaprio                      Blueberry More                      Forest Glam
- Hi Lychee



**Picture 1.7: JCO Donut Flavors**

For J.Coffee they serve: Americano, Avocado Frappe, Blueberry Yogurt, Caramel Frappe, Choco Forest Frappe, Chocolate frappe, Chocomint Frappe, Classic Brewed Coffee, Espresso, Green Tea Latte, Hazelnut Chocolate Frappe, Hazelnut Latte, Hot Chocolate, Iced Chocolate, Ice Green Tea, Iced Lemon Tea, Iced Thai Tea, Jcoccino, Jcoccino Frappe, Latte, Macadamia Frappe, Machiato, Mocha Espresso Frappe, Mochabella Frappe, Oreo Frappe, Strawberry Yogurt Frappe, and last but not least, Tiramisu Frappe.

Jclub, they serve: Jclub cheesy rich, Jclub Katsu, Jclub omelette, Jclub Red Velvet, Jclub Salami, Jclub Sausage, Jclub Tuna, and Jclub White Velvet. Basically, Jclub is a burger menu.

J.pops basically they sell the same as JCO Donuts. But, they serve it smaller size. About the flavor, nothing changed. Exactly the same as the JCO Donuts products.

Source: <http://www.jcodonuts.com/id>

J.COOL Yogurt with one hundred percent fat free, it has a sense of premium fruits, such as fresh lychee, fresh strawberry, fresh longan, fresh New Zealand kiwi, orange. J.COOL Yogurt is available in three sizes, namely single, couple

and sharing. The measure is based on the basic grain servings of yogurt. Single, namely the small size that can be enjoyed for singles or a portion for themselves. Couple can be enjoyed for themselves or alone with a lover or with loved ones. As for “share”, it is the portion that can be enjoyed by themselves, or with a group of people, with a wide price range.

Source: <http://bali.antaranews.com/berita/3842/jcool-yogurt-hadirkan-24-pilihan>

Jcronut is a combination of croissant and donut that will make you addicted to eat more of these. A matter of taste and halal status, he said, undoubtedly. This product comes in six flavors are Cinnamon Kiss, Hazel n Gretel, Choco lava, Choco forest, Chesse n cheers, and Tira miss U. Cobain deh latest menu of JCO and guaranteed to addiction. And to pamper its customers every purchase of 5 pieces JCronut direct consumer will get one piece JCronut for free.

Source: <http://www.cirebontrust.com/j-co-donuts-buka-menu-baru-perpaduan-croissant-dan-donut-yang-bikin-ketagihan.html>

According to Agárdi and Bauer(2000), price is an important selection criterion for shoppers. In a recent study of shoppers’ selection of an outlet at which to make a purchase, price was consistently stated as a major influencing factor.

According to Angie Forine, Price is an exchange rate that can be likened to money or other goods for benefits derived from a good or service for a person or group at a particular time and place. JCO Donut Surabaya sets prices that are comparable to the products sold.

JCO DONUTS	
each	7,5
1/2 dozen	46,0
1 dozen	78,0
2 dozen	124,0
JPOPs baby donuts	
box of 24	49,0
Family Treats	
1/2 dozen donuts + 2POPS 24	89,0
1 dozen donuts + 2POPS 24	122,0
Mix Package	
1/2 dozen 2CLUB + 1/2 dozen donuts	110,0

**Picture 1.8 JCO price example (left)**

In the J.C.O's case, price offered for each menus are affordable starting from IDR7000-50.000. (<http://shifaliengling.blogspot.co.id/2015/04/strategi-pemasaran-jco-4p.html>) According to the price table that they set in their outlets(see photo on the right), they are using consumer price sensitivity, where the more consumers buy, the cheaper they have to pay. They use this strategy to stimulate demand. According to Yusmar, Zulfaddii(2005), former student at University Selangor, JCO always target a high income customer because their price are quite too expensive from their competitor as they use price skimming strategy or known as premium pricing strategy. Other than donut, they also knew for their high quality of the frozen yogurt that they sold. Jco Donut's headquarter was located at Jakarta, Indonesia. Most of the J.CO Donut & Coffee outlet was built in urban environment. By doing this, it will help and increase the J.CO Donut & Coffee sale and customer rate. For their customer, J.CO Donut & Coffee aim the children up to adult as their main customer. That is why they have variety type of food to fulfil their customer appetite regardless of their age and different background. J.CO Donut & Coffee food is quite pricy hence it makes people that have medium to high income suitable for J.CO Donut & Coffee goods.

Source:<http://www.slideshare.net/zulfadliyusmar/jco-donut-coffee-marketing-principles-of-marketing>

According to Kotler(2003), Sales promotion is one those incentives which has influenced customer to make instant buying decision than to wait later. According

to Dunne et al., (2010, p. 392), promotion is a marketing activity that retailers use to bring traffic into stores and generate sales by communicating current offerings to targeted consumers. According to Ailawadi, Harlam, César, & Trounce, (2006), promotion can increase sales through sales switched from other stores and increase in consumption from existing consumers. Dunne et al. (2010) propose four basic types of promotion: advertising, sales promotions, publicity and personal selling. According to Bemmaror & Mouchoux, (1991), two unique tools that create differences between retailer and manufacturer promotional programs include in-store sales promotion and advertising.

According to Tjiptono (2008), the essence of promotion is a form of marketing communication. What is meant by marketing communications is a marketing activity that seeks to disseminate information, influence / persuade, and / or remind the target market of the company and its products to be willing to accept, buy and loyal to the products offered by the company concerned.

J.CO uses social media for their promotion. For their strategy alternatives, J.CO uses the Product Life Cycle to ensure that they do not lose their customer, profit and to delay the decline of a well-established product which has the potential of generating further revenue. J.CO also uses the BCG Growth-share matrix and the identification of the five forces driving profitability. For J.CO Donuts & Coffee's market communication mix, it is their policy that they rarely advertise on television and radio. They usually rely on sales promotion during the festive season and public relations to promote their products or services. They also do a lot of corporate social responsibility (CSR) program. They have CSR activities three times a year and occasional management meetings. Their weaknesses are from the lack of promotion and activity to develop more loyal customers as well as to retain the customers. The external weaknesses that J.CO Donut & Coffee face is they do not provide any online ordering or deliveries to their customers. For opportunities, J.CO have planned to further expand their franchise to new locations. For J.CO, they know that their products are considered pricey to some and this is their opportunity to offer attractive promotions, offers

and discounts to their loyal customers. For J.CO Donuts & Coffee's market communication mix, it is their policy that they rarely advertise on television and radio

According to McCarthy, place is defined as the "direct or indirect channels to market, geographical distribution, territorial coverage, retail outlet, market location, catalogues, inventory, logistics and order fulfillment". Place refers either to the physical location where a business carries out business or the distribution channels used to reach markets. Place may refer to a retail outlet, but increasingly refers to virtual stores such as "a mail order catalog, a telephone call center or a website.

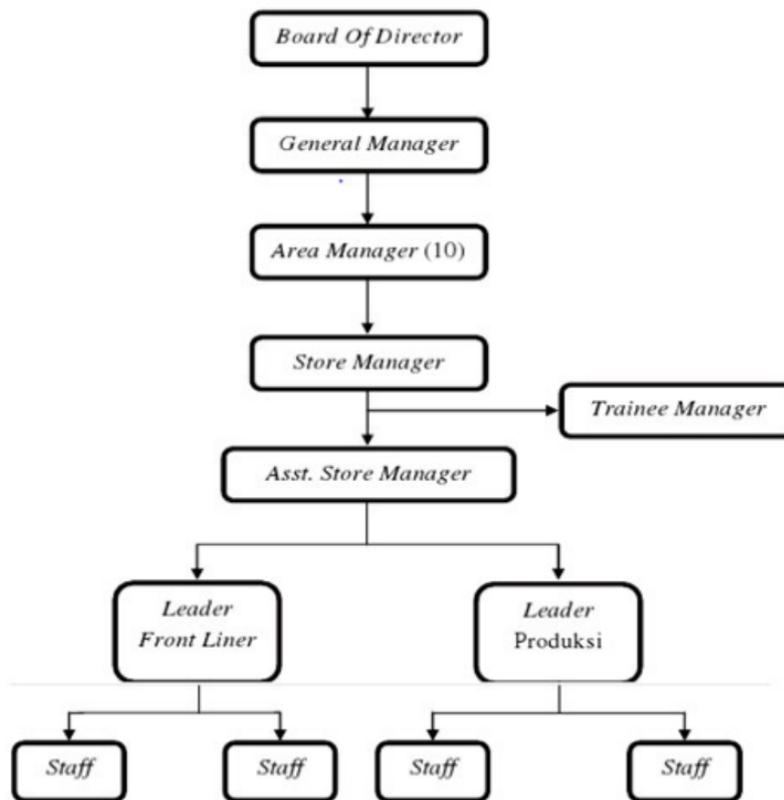
In JCO's case, they prefer to sell the product directly to their customer which also known as direct distribution to consumer. In Surabaya JCO outlets are spread out across Surabaya. We would not find it hard to find one near us. JCO outlets in Surabaya:

- 1) J.CO Donuts & Coffee - Mall Galaxy
- 2) J.Co Donuts & Coffee - Supermal Pakuwon Indah, Jl. Bukit Darmo Boulevard, Babatan, Wiyung, Kota SBY, Jawa Timur 60213
- 3) J.Co Donuts & Coffee - Tunjungan Plaza
- 4) J.Co Donuts & Coffee - Plaza Surabaya
- 5) J.Co Donuts & Coffee - Mall Surabaya Town Square Lantai Akuarium, Jl. Adityawarman, Sawunggaling, Wonokromo, Kota SBY, Jawa Timur 60242
- 6) J.Co Donuts & Coffee - City Of Tomorrow, Lt. G, Jalan Ahmad Yani No. 288, Gayungan, Dukuh Menanggal, Gayungan, Kota SBY, Jawa Timur 60234
- 7) J.Co Donuts & Coffee - Lenmarc Mall
- 8) J.Co Donuts & Coffee - Jl. Ahmad Yani No.19, Jagir, Wonokromo, Kota SBY, Jawa Timur 60243 (Royal Plaza)
- 9) J.Co Donuts & Coffee - Jl. Abdil Wahab Siamin- Golden City Mall, Dukuh Pakis, Kota SBY, Jawa Timur 60225

10) J.Co Donuts & Coffee - Ps. Atum Mall, Jl. Bunguran, Bongkaran, Pabean Cantian, Kota SBY, Jawa Timur 60161

11) JCO Marvel City Mall

People, according to Kirkup & Rafiq (1999) along with Warnaby et al. (2005), the variables classified under people are operational staffs (i.e: doorman), cleaners, security officers and store staffs.



**Picture 1.9**

The picture above is the organizational structure of the company JCO Donuts and Coffee. Each position in the organization has a different function. According to Trip Advisor website, JCO's service is good and lots of people love it, making it so crowded and sometimes until their available space is not sufficient to hold out all the customers. Making it having a very long cue. Source: <http://documentslide.com/documents/2-paper-jco-donuts.html>; [https://www.tripadvisor.co.id/Restaurant\\_Review-g297717-d3241306-Reviews-J\\_Co\\_Donuts\\_Coffee-Batam\\_Riau\\_Archipelago\\_Riau\\_Islands\\_Province.html](https://www.tripadvisor.co.id/Restaurant_Review-g297717-d3241306-Reviews-J_Co_Donuts_Coffee-Batam_Riau_Archipelago_Riau_Islands_Province.html)

Kotler and Keller (2012) described the process in service marketing mix as a structure that guides and establishes the right set of services and marketing activities that mutually benefit a long-term relationship. (Kotler, P., & Keller, K. L. (2012). Marketing management. Kendallville: Pearson.)

In JCO Donuts and Coffee's outlets, they serve their customers as quickly as possible. They have established their rule that they have to prepare everything ready, so that customers do not need to wait too long for their donuts and coffees. Even if they ran out of donuts in their display trays, they could make new donuts quickly.

Physical Evidence according to Sylvia Tjan(2015), the variables classified as physical evidence are exterior design: Outer design or appearance of the building. This includes the architecture, building materials and interior design: Inner design and layout of the building. This includes lighting, air-conditioning (temperature), floor, finishes, music, the overall ambiance inside JCO's outlets.

In JCO's case, according to the comments in trip advisor website, the place is wonderful, cozy, stylish, and perfect place to have an appointment with someone. Overall, customers love the design of JCO's outlets giving it 4star average rate out of 211 customers who commented.

[https://www.tripadvisor.co.id/Restaurant\\_Review-g297717-d3241306-Reviews-J\\_Co\\_Donuts\\_Coffee.html](https://www.tripadvisor.co.id/Restaurant_Review-g297717-d3241306-Reviews-J_Co_Donuts_Coffee.html)

Based on the exposure of phenomena and theories that have been put forward, the researcher submits the research with the title "The Analysis of 7P Marketing Mix Effect on Repurchase Intention Through Customer Satisfaction At JCO Surabaya".

## **1. 2 Research Limitations**

This study was conducted to determine the factors that affect Repurchase Intention by consumers. Factors affecting Repurchase Intention by

consumers will be limited by the Marketing Mix factor, ie 7P (Product, Price, Place, Promotion, People, Process, Physical Evidence), and Customer Satisfaction. The subject of this research is JCO Donut outlets in Surabaya. The respondent characteristics researched were: respondents who live in Surabaya, respondents had made purchases at JCO Donut Surabaya at least once in the last 6 months, men and women with age limit of 18-60 years (Kotler & Armstrong, 2009).

### **1.3 Research Problems**

1. Is there a significant effect of price towards the buying decision JCO's customer satisfaction?
2. Is there a significant effect of place in JCO's Customer satisfaction?
3. Is there a significant effect of Product (taste) towards JCO's customer satisfaction?
4. Is there a significant effect of promotion towards JCO's customer satisfaction?
5. Is there a significant effect of people(staffs, employees, etc) towards customer satisfaction?
6. Is there a significant effect of process towards customer satisfaction?
7. Is there a significant effect of physical evidence towards customer satisfaction?
8. Is there a significant effect of JCO's customer satisfaction towards Customer satisfaction?

### **1.4 Research Objectives**

1. To determine whether there is significant effect of price towards JCO's customer satisfaction
2. To determine there is a significant effect of place in JCO's Customer satisfaction
3. To determine there is a significant effect of Product (taste) towards JCO's customer satisfaction
4. To determine there is a significant effect of promotion towards JCO's customer satisfaction

5. To determine there is a significant effect of people(staffs, employees, etc) towards customer satisfaction
6. To determine there is a significant effect of process towards customer satisfaction
7. To determine there is a significant effect of physical evidence towards customer satisfaction
8. To determine there is a significant effect of JCO's customer satisfaction towards Customer Repurchase Intention

## **1. 5 Research Contributions**

### **1. 5. 1 Theoretical Advantage**

This research will help to determine the effect of factors affecting Repurchase Intention. This research also helps to explain the relationship between 7P (Product, Price, Place, Promotion, People, Process, Physical Evidence) and Customer Satisfaction to Repurchase Intention. The results of this study are expected to be a reference and reference of the application of theory in industry, as well as various references and reference of the application of theory in industry, as well as reference for the relevant research field.

### **1. 5. 2 Empirical Advantages**

This research will be useful for JCO Surabaya as this research can be used to improve Repurchase Intention of consumers, especially if there are 7P elements (Product, Price, Place, Promotion, People, Process, Physical Evidence) and Customer Satisfaction and Repurchase Intention in purchasing process . This research will also be useful for all those who want to start a new business to be entrepreneurs especially those trying to set up a business. This thesis will help culinary business owners by providing some information about the influence of 7P (Product, Price, Place, Promotion, People, Process, Physical Evidence) and Customer Satisfaction on Repurchase Intention.

## **1.6. Research Outlines**

Research outline explains the systematic writing of this study. The outline is divided into five chapters as follows:

### Chapter I

This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

### Chapter II

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of theories that apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

### Chapter III

This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

### Chapter IV

This chapter organizes the logical presentation of all findings in the research questions, and focus on how these key findings relate back to the theory and prior researches presented in the beginning of the study.

### Chapter V

This chapter outlines the implications, conclusions, and recommendation supposed to advance the study of the research topics by its theoretical, methodological, or substantive contributions that may be necessary to overcome the limitations of existing empirical facts.