

CHAPTER I:

INTRODUCTION

The introduction, which presents the study to the readers, is an important component of the research. Study background, problem statement, research questions and objectives, study scope, and study significance are all included.

1.1 Background of the Study

Within the business industry nowadays, customer loyalty is very important. Especially in the fast food industry, the fastest growing industry, customer loyalty is vital because there are many competitors and substitutes. Businesses keep trying to find ways to enhance their customer loyalty so that they will have a large number of returning customers. Companies are increasingly concentrating on developing long-term relationships with their current customers rather than trying to draw in new ones (Lepojevic, 2018). Low customer loyalty is a result of many businesses' struggles to draw in new clients and keep their current clientele. Less customers means less sales and revenue which leads to decreased profit for the company. To enhance customer loyalty, businesses must focus on customers themselves and how to satisfy them better. Additionally, they ought to strive to keep up positive, long-lasting relationships with their clients.

According to previous research, Burger King Indonesia has been experiencing a decrease in their sales from 2019 to 2020 (Wibisono et al., 2023) (see **Figure 1.1**).

Due to the perception that their food is unhealthy in comparison to Wendy's, Taco Bell, and Subway, Burger King's customers is decreasing (John & Dominko, 2021). According to previous research, while 63% of consumers attempt to eat healthily most of the time, 93% of consumers say they want to eat healthfully occasionally (Wiley, 2019). Burger King serves 15.7 million customers per day (Salamie, 2018), while McDonald's serves 69 million customers per day (Cut, 2022). As you can see, Burger King has less customers compared to its competitors and the number of customers is declining. Eighty-eight percent of American respondents in 2020 expressed either high or moderate satisfaction with Burger King's menu items' quality. However, they are not as happy with Burger King's hygiene and sanitation (Statista, 2022).

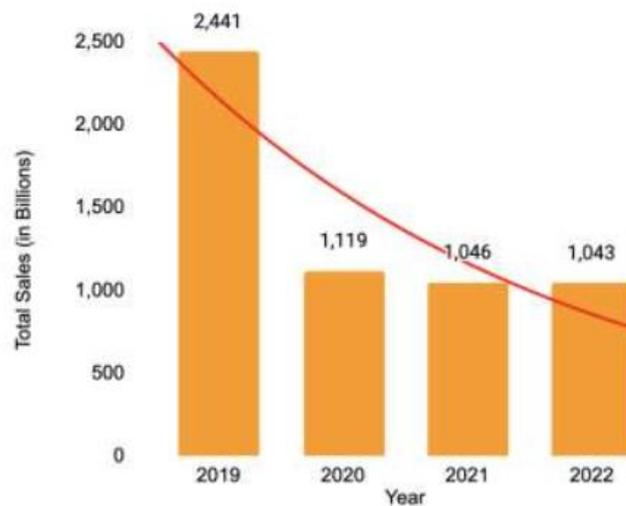


Figure 1.1 Burger King Indonesia Sales Trend YoY (2019-2022)

Source: (BKI Analysis, 2022)

Burger King comes in at number five with 4.9% in the Brand Survei: Fast Food survey, which was carried out by Katadata Insight Center (KIC) (see **Figure 1.2**). The

survey is based on which fast food restaurant provides the best service as well as the best quality products. As shown in figure 1.2, Burger King is ranked 5th, far behind its competitors such as KFC and McDonald's with 38.9% and 33.3% respectively.

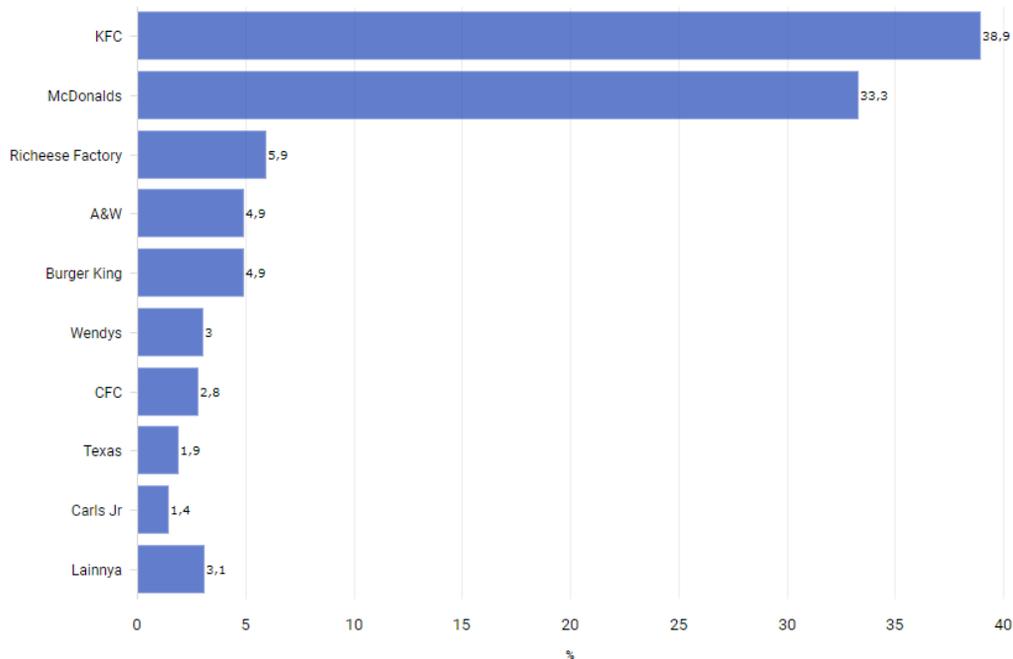


Figure 1.2 Fast Food Restaurants That Provides The Best Service According to Indonesian Citizens (January 2023)

Source: Databoks (2023)

As previously indicated, the fast food sector is expanding at the fastest rate of any industry, with a compound annual growth rate (CAGR) of 5.1% between 2020 and 2027 (Chun & Ochir, 2020). Between 2023 and 2029, the size of the Indonesian foodservice marketplace is anticipated to increase at a CAGR of 13.42% (Mordor Intelligence, 2023) (see **Figure 1.3**). Mordor Intelligence also stated that GrabFood and GoFood, two of Indonesia's leading food delivery services, are growing along with the

country's quick service restaurant (QSR) industry. This makes it easier for QSR in Indonesia to deliver food more easily to customers (see **Figure 1.4**).

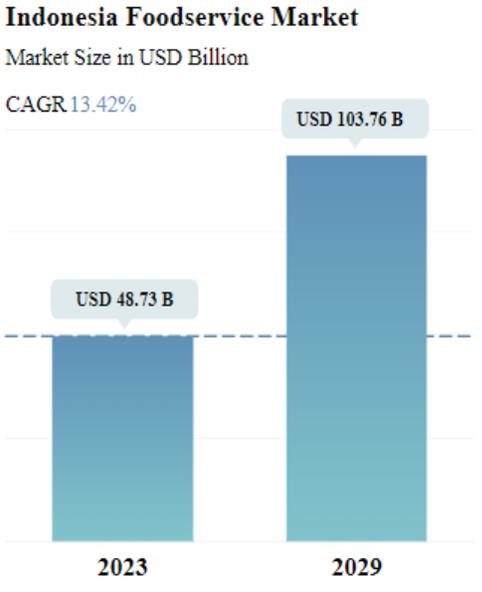


Figure 1.3 Indonesian Foodservice Market Size Expected Growth (2023-2029)

Source: Mordor Intelligence (2023)



Figure 1.4 Indonesian Foodservice Market CAGR % By Foodservice Type (2023-2029)

Source: Mordor Intelligence (2023)

Some businesses experience low customer loyalty, which is a result of poor customer satisfaction and inadequate goods or services. There are many factors affecting customer loyalty, some of them are, and those which will be discussed in this paper are, service quality, restaurant atmosphere, price fairness, country of origin, and customer satisfaction.

Table 1.1 Number of Burger King stores in Indonesia

Year	2016	2017	2018	2019	2020	2021
Number of stores in malls	34	54	76	86	87	87
Number of stores in FSDT	7	13	27	58	69	71
Number of stores in others	13	17	20	19	18	18

Source: Burger King Indonesia

There is multiple research that discusses the different factors affecting customer loyalty, but those factors are varied. This researcher has noticed that there is a lack of studies about factors affecting customer loyalty that focus on the restaurant factors. This study focuses on factors regarding the restaurant, such as service quality, restaurant atmosphere, price fairness, and country of origin. Prior research indicates that achieving customer satisfaction can lead to loyal customers (Khan et al., 2020). Based on the above, the researcher wants to know the impact of service quality,

restaurant atmosphere, price fairness, and country of origin on customer loyalty on Burger King Ciledug.

1.2 Problem Statement

One can infer a problem statement from the discussion's background. The problem statement concluded is the declining level of customer loyalty on fast food restaurants, such as Burger King, as one of them. Customers nowadays also want healthier options, and they perceive fast foods as unhealthy. As shown above in Figure 1.1, there is a declining trend in sales of Burger King in Indonesia. Burger King experienced a decrease in their sales level, which is brought on by a decrease in the number of clients. Burger King is falling behind other competitors such as McDonald's and KFC in terms of service and product quality.

This study aims to investigate the relationship between customer loyalty and factors that improve customer satisfaction. Furthermore, in light of the research's findings, it is expected that Burger King will likely be able to increase customer loyalty by improving customer satisfaction. This research is conducted to test whether service quality, restaurant atmosphere, price fairness, and country of origin positively impacts customer loyalty.

1.3 Research Questions

Considering the background information provided above, the research questions within this study are:

1. Does service quality positively impact customer satisfaction in Burger King Ciledug?
2. Does restaurant atmosphere positively impact customer satisfaction in Burger King Ciledug?
3. Does price fairness positively impact customer satisfaction in Burger King Ciledug?
4. Does country of origin positively impact customer satisfaction in Burger King Ciledug?
5. Does customer satisfaction positively impact customer loyalty in Burger King Ciledug?
6. Does customer satisfaction have a mediating role in the interaction between service quality and customer loyalty in Burger King Ciledug?
7. Does customer satisfaction have a mediating role in the interaction between restaurant atmosphere and customer loyalty Burger King Ciledug?
8. Does customer satisfaction have a mediating role in the interaction between price fairness and customer loyalty Burger King Ciledug?
9. Does customer satisfaction have a mediating role in the interaction between country of origin and customer loyalty Burger King Ciledug?

1.4 Research Objectives

To provide more context, the purpose of this research is to:

1. To examine whether service quality positively impacts customer satisfaction in Burger King Ciledug.
2. To examine whether restaurant atmosphere positively impacts customer satisfaction in Burger King Ciledug.
3. To examine whether price fairness positively impacts customer satisfaction in Burger King Ciledug.
4. To examine whether country of origin positively impacts customer satisfaction in Burger King Ciledug.
5. To examine whether customer satisfaction positively impacts customer loyalty in Burger King Ciledug.
6. To examine whether customer satisfaction mediates the relationship between service quality and customer loyalty in Burger King Ciledug.
7. To examine whether customer satisfaction mediates the relationship between restaurant atmosphere and customer loyalty in Burger King Ciledug.
8. To examine whether customer satisfaction mediates the relationship between price fairness and customer loyalty in Burger King Ciledug.
9. To examine whether customer satisfaction mediates the relationship between country of origin and customer loyalty in Burger King Ciledug.

1.5 Scope of the Study

This researcher focuses and analyzes four independent variables. The variables are service quality, restaurant atmosphere, price fairness, and country of origin. The researcher analyzes one mediating variable which is customer satisfaction. The researcher analyzes one dependent variable which is customer loyalty. In this research, this researcher focuses on customers of Burger King Ciledug in Indonesia.

1.6 Significance of the Study

The significance of the study is as follow:

1.6.1 For the Researcher

For Researcher, it is anticipated that this study will assist the researcher in gaining a deeper comprehension of patron loyalty in Indonesian fast food restaurants, more especially at Burger King Ciledug. It is hoped that this research will deepen the comprehension of the researcher regarding the variables influencing customer satisfaction and provide insights into effective business practices that foster strong customer loyalty.

1.6.2 Business School

It is anticipated that this research will offer all Business School's faculty new insights, leading to more conversations and suggestions about how to boost patron satisfaction and loyalty in eateries as well as repurchase intentions. It is

also expected that this research could participate in the creation of fresh concepts and new theories as well as the updating of the marketing curriculum.

1.6.3 Generation Z, Generation Y, and Generation X

For Generation Z, Generation Y, and Generation X, it is hoped that this research will encourage all of Generation Z, Generation Y, and Generation X to not be afraid to consider and start a business in the food industry by taking into account service quality, restaurant atmosphere, price fairness, country of origin, customer satisfaction, and customer loyalty.

1.6.4 Future Researchers

For Future Researchers, this research is hoped to be a reliable source of information and may act as a good reference for future research. Moreover, after knowing about variables such as service quality, restaurant atmosphere, price fairness, and country of origin, it is expected that future research may be able to explore other variables that are not mentioned and discussed in this research.

1.6.5 For Restaurant Owners or Corporations

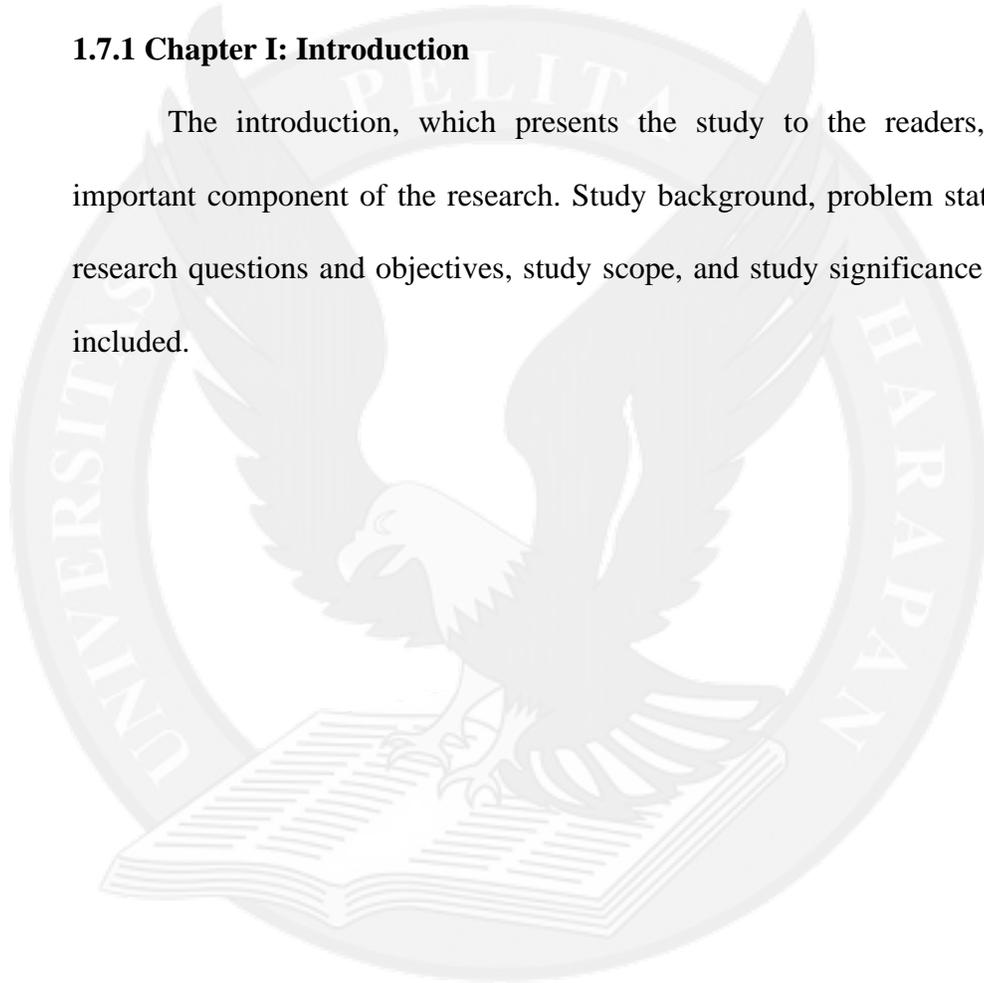
For Restaurant Owners or Corporations, it is hoped that, through this research, restaurant owners and managers, fast food restaurants or not, will

consider the high importance of customer satisfaction with regard to customer loyalty, intention to repurchase, and better customer service.

1.7 Organization of the Study

1.7.1 Chapter I: Introduction

The introduction, which presents the study to the readers, is an important component of the research. Study background, problem statement, research questions and objectives, study scope, and study significance are all included.



1.7.2 Chapter II: Literature Review

The variables covered in the study are introduced and defined in the second chapter. This chapter also presents the conceptual model utilized in the study, the relationships between the variables, and various theories that have been employed by earlier researchers.

1.7.3 Chapter III: Research Methodology

The techniques employed by the researchers are covered in this chapter, including the research design, research paradigm, goal, type, and interference of the researchers, as well as the study's setting, unit analysis, time horizon, data collection, sampling, measurement, and analysis.

1.7.4 Chapter IV: Results and Discussions

This chapter covers the profile of the study participants, the pre-study, the actual study's outcome, the hypothesis test, and, finally, a discussion of the study's findings.

1.7.5 Chapter V: Conclusions and Suggestions

This chapter wraps up the entire investigation and its findings. It also offers advice and recommendations for upcoming scholars who wish to dig even deeper into this case study.