

# CHAPTER I

## INTRODUCTION

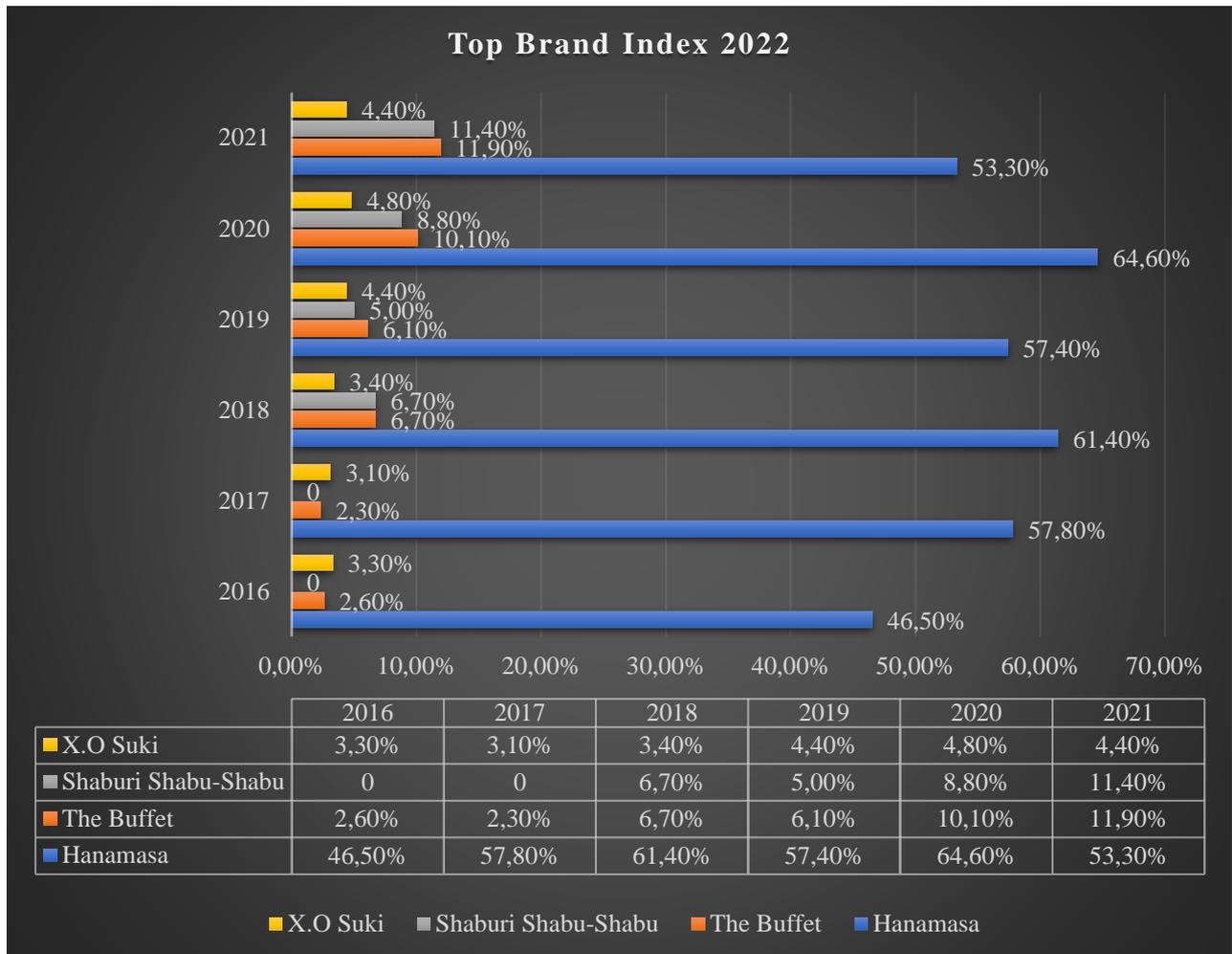
### 1.1 Background of the Study

The Food and Beverage industry has become one industry with rapid development every hour, minute, or second in our daily lives. About 49% of the population's average monthly per capita expenditure is food and beverage consumption. According to statistical analysis of population expenditure per capita in Indonesia, food and beverage consumption has dominated and will continue to grow. With this, the prospects for the culinary business are still very promising (Kompas, 2022).

In the pandemic era, the food and beverages industry is one of the industries that has been affected both positively and negatively. Positively, the online culinary business has experienced a very rapid increase due to the PPKM or PSBB, while negatively, the offline culinary business has experienced a decline. The prospect of online culinary business is increasing to provide many choices of food and beverages for the community; this makes offline culinary businesses impacted because customers have many choices, and offline businesses must think of appropriate strategies to maintain and improve their business. Even so, every business that has been around for a long time has loyal customers, making their brand loyalty strong.

Brand Loyalty is a manifestation of the customer's commitment to the brand by showing a positive attitude and intention to buy again. Customers will choose to buy a brand over other brands even though it is in the same category because they believe that the brand they trust has good quality according to their needs (Dewi, 2019). If the customer is satisfied and believes in the brand, brand loyalty will increase and stabilize. In contrast, if the customer isn't satisfied, there will be a possibility that the customer will switch to another brand which causes brand loyalty to decrease.

X.O Suki is one of the restaurants affected by the pandemic. X.O Suki is part of the X.O Group of Restaurants established in 2005 in Surabaya and later opened branches in Jakarta, Bali, and Medan. X.O Group of Restaurants consists of four Chinese Food concepts: Suki (Steamboat), Grilled, Cuisine, and Dimsum, which has a middle and upper target market. However, X.O Suki in Medan will be discussed, which focuses on steamboats by offering a family atmosphere when self-cooking with various fillings and broths (Chicken Broth, Tom Yam, etc). As one brand that focuses on the all you can eat restaurant, X.O Suki Medan still can't be TOP brands like Hanamasa, The Buffet, and Shaburi Shabu-Shabu.



**Figure 1. 1 Top Brand Index 2016-2021 X.O Suki, Shaburi Shabu-Shabu, The Buffet, and Hanamasa**

Source: Top Brand Index 2022

Figure 1.1 above shows XO Suki, Shaburi Shabu-Shabu, The Buffet, and Hanamasa Top Brand Index for the last six years from 2016 to 2021. From the graph, it can be seen that X.O Suki has the lowest percentage compared to other TOP Brands. In 2017, there was a decline in the X.O Suki brand from 3.3% to 3.1% but increased to 3.4% in 2018. There were significant changes in 2019 at 4.4% and then followed to 4.8% in 2020. However, X.O Suki again decreased to 4.4% in the pandemic era. The decrease in the Top Brand Index (TBI) from X.O Suki shows a

decline in its brand, which means there is a higher possibility the brand loyalty of X.O Suki will decrease.

In Medan, X.O Suki has 2 locations: X.O Suki Sun Plaza Medan and X.O Suki Focal Point Medan. Below is the Google Rating of the two X.O Suki locations.

**Table 1. 1 Google Rating X.O Suki in Medan**

Branches	Rating	Reviews
X.O Suki Sun Plaza Medan	4.4	823
X.O Suki Focal Point Medan	4.4	89

Source: Google Rating 2022

Based on table 1.1 above, it can be seen that X.O Suki Focal Point Medan received a 4.4 rating with 89 reviews while X.O Suki Sun Plaza had the most reviews, as many as 823 people, but the rating obtained was only 4.4. When compared, it can be seen that there is a similar or stagnant rating which may indicate problems. From the reviews given by customers, there have been many complaints regarding service quality and product quality to X.O Suki since the pandemic and still not being responded to properly because one month ago there were still bad reviews. Besides being based on Google Ratings, X.O Suki's rating on Traveloka also only reached 3.8 with five reviews, Foursquare City Guide with 7.2/10 ratings, and Crazfood 4.3 with two reviews. Many bad reviews that appear regarding the poor service and quality of the products offered make X.O Suki's rating in Medan not as high as other brands in the same business category, which indicates that there may be a decline in brand loyalty.

Service Quality is one of the determinants of purchase satisfaction from customers, which is a comparison of what is felt or experienced (also called perceived service) with what the customer expects (called expected service), which

is expected to provide satisfaction to the customer (Sholikin, 2021). The bad review regarding the service quality from X.O Suki Medan is about the unhygienic place because the cleanliness isn't maintained properly. Besides not being clean, the place is also very hot, and the air conditioner used can't provide comfort to customers who are eating hot Suki. The placement of seats close together makes it difficult for customers to move and aren't free when enjoying the food there. When crowded, customers complain that the workers there or the waiters can't handle the situation well because the service provided is very slow in response which may be caused by a lack of employees or not good at work management. Some cases such as workers ignoring customers, not sorting customers who attend according to their order, customers were waiting 15 minutes to ask for menus which caused customers and their families to have to wait, and orders that arrive late (drinks that arrive at the end when drinks should be arrive compared to food).

In addition, customers also complained that workers didn't provide assistance or fast service. Based on customer reviews, there are many complaints regarding the presence of cockroaches in the soup and on the table. When the customer conveyed this to the worker, the worker didn't even apologize or change the soup and instead responded to the customer with, "So what do you want?". When the customer asked for the manager to be called, the manager didn't come after two calls; the customer had to go to the manager by themselves. The workers are also very unfriendly, disrespectful, arrogant, and indifferent. Even workers yell to the customers when they want to sit down; workers yell, "Can't sit here," and they also make customers quiet because the worker has to focus on remembering

orders when the customer asks what their orders are. Workers also look unprofessional and don't show good SOP (Standard Operating Procedures). Workers are even confused about where to deliver orders and slam plates when they should provide good service and make customers feel a sense of family and comfort there. The worker also argued when the customer complained, didn't apologize to customer, and instead the worker said he or she was busy and told the customer to wait even though at that time the customer was with friends as many as 14 people. With bad service that isn't resolved even though it has complained, it can continue to make customer trust lost or disappointed with the services provided, resulting in decreased brand loyalty because previously loyal customers instead switch to other brands because they are disappointed with the service they get.

Apart from service quality, there are also bad reviews regarding product quality. Product quality is the quality of the attributes or properties described in the goods and services in question, usually associated with the quality or usability and functional benefits (Herawati et al., 2019). If the quality of the products offered can provide benefits, satisfaction and according to customer needs, the quality of the products provided is good and appropriate. However, at X.O Suki Medan, several complaints about product quality are considered less fulfilling customer desires. Customers feel that the food at X.O Suki Medan is different from before; the flavors they know have been reduced or lost, making them think it is better to spend their money on other brands. The taste of the soup offered by X.O Suki feels mixed even though there are two flavors, namely chicken broth, and tom yam, in every product offered. Still, the taste is mixed into 1, making it difficult for customers to

distinguish the taste of each broth. In addition, many customers say the soup contains too much MSG (monosodium glutamate, a flavor enhancer), which makes them thirsty all the time while eating. The pans used are also old, worn, charred, black, or dirty, which should be replaced with new ones because it will affect the quality of food and the customer's health. In addition, according to customers, the menu offered lacks variety, especially in vegetarian options. The availability of various ingredients is sometimes unavailable, such as fish and beef meatballs, even though it was only 2 PM when the customer wanted to order it, and it was not available. With the inconsistent quality of the products offered, such as the complaints above, it will be difficult to make customers stick with the brand because the quality of the products they want and believe is different, which can cause them to be disappointed and lose trust in the brand and reduce brand loyalty.

In addition to service quality and product quality, customer engagement is an important key to developing interest and managing interactions to increase customer engagement with the brand. Customer engagement is a form of participation of potential customers or loyal customers with the organization. This relationship is maintained between customers with offers or activities offered by the organization. The engagement that occurs aims to convey meaningful messages or information to make customers excited and want to be involved with the organization (Hidayah, 2018). Customer engagement can be done offline and online. If it is offline, then it is customer interaction with workers directly at the location, while if it is online, the customer can interact using social media. When

customer engagement increases, it can predict and reduce customers risk of switching to other brands because customers feel invited and valued for their involvement with the organization. They will choose to remain loyal, which can increase brand loyalty. Based on the review, there were complaints about offline customer engagement. There is a box of criticism and suggestions at the restaurant location that should convey what the customer wants to convey. Still, the cellphone number written in the box isn't active when contacted, thus making the customer unable to convey or involved in providing criticism and suggestions. When the customer fails to contact the cellphone number, X.O Suki has lost their opportunity to approach and build a relationship with the customer. When viewed online, the customer engagement of X.O Suki is still less qualified compared to other brands, even though customer engagement will be very helpful in interacting and maintaining customer relationships with the brand.

Besides, X.O Suki doesn't seem to pay much attention to customer engagement on their Instagram. It can be seen when compared to Instagram Shaburi. When compared to Instagram Shaburi, Instagram X.O Suki Medan will show a significant difference in their creativity in creating content. Most of the content posted by X.O Suki Medan is in the form of food photos that look like the photos directly, while Shaburi offers their food by sharing content that has clear visuals and information. Information such as the name of the food or the promotions offered is prominently displayed on Shaburi's Instagram. In addition, X.O Suki Medan is still less creative in making videos or reels to make customers interested

in their brand. X.O Suki Medan's less unique content and creativity will reduce customers' enthusiasm to get to know the brand more deeply, making the X.O Suki

Medan brand experience a decline due to a lack of confidence or customer interest in the brand.

Instagram X.O Suki Medan has 1321 posts and 3,975 followers while Shaburi has 1738 posts and 72.6K followers. When viewed in terms of posts, X.O Suki is still quite active in posting, but when viewed from likes, X.O Suki is very far from Shaburi. Shaburi's posts generally get a lot of likes, but X.O Suki only has an average of fewer than ten likes. The lowest likes that X.O Suki has is two likes, and the most recent one, the highest, only reached 199 likes.

In addition to likes, comments on X.O Suki's posts are also very few and very difficult to find; this is very different from Shaburi, who almost has over 20 comments on each post. X.O Suki Medan rarely has comments that show customer interactions with one another. It is rare to find customers tag their friends to invite them to eat together at X.O Suki Medan. Failure to interact between customers makes the relationship between customers weak. X.O Suki Medan also rarely responds to questions from customers, whether it's about food products or other information. Customers express their confused feelings because there is no clear information through comments, but they don't even get a reply; this can make customers reluctant to ask questions or interact again.

Still related to Instagram, X.O Suki Medan only has a few Highlight stories compared to Shaburi, which is very far. Shaburi highlighted their stories regarding menus, promos, specific food series, vouchers, and other crucial information, but

that happened to X.O Suki Medan, which still lacked essential and desired information to customers. XO Suki Medan and Shaburi have home packages, so customers can enjoy them by ordering at home. Still, there is a difference, where XO Suki Medan only accepts orders via WhatsApp. In contrast, Shaburi delivers various applications such as Boga Apps Delivery, ShopeeFood, GoFood, GrabFood, Traveloka Eats Delivery, Tokopedia, and WhatsApps. When compared, it is obvious that XO Suki Medan is still lacking in understanding customer desires because customers will be happier, feel comfortable, trust, and safe for brands that can provide what they want; for example, Shaburi use various applications for ordering or customer can become members so they get a better experience and foster a sense of belonging to the brand.

The interaction that should have occurred between the customer and X.O Suki Medan on social media, especially Instagram, was not carried out properly. When customer engagement is not good, this will affect the short and long term because the customer who initially wanted to interact ended up not being appreciated or not reciprocated, so the customer switching to another brand would be high. When loyal customers move to other brands, brand loyalty will also get its impact so that it decreases.

From considering the gaps that occur, the writer is interested in understanding the problem more deeply and analyzing it to find out how the influence of service quality, product quality, and customer engagement toward brand loyalty at X.O Suki Medan. Thus, the title for this research is "**The Influence**

## **of Service Quality, Product Quality, and Customer Engagement Towards Brand Loyalty at X.O Suki in Medan."**

### **1.2 Problem Limitation**

To understand why the brand loyalty at X.O Suki in Medan decrease, the writer did the research "The Influence of Service Quality, Product Quality, and Customer Engagement Toward Brand Loyalty at X.O Suki in Medan." The research will focus on the problems and analyze how it influences the brand loyalty decrease.

The problem limitations of this research are:

1. This research will analyze four variables which consist of three independent variables, namely Service Quality, Product Quality, and Customer Engagement, along with Brand Loyalty as dependent variables.
2. The object of this research is X.O Suki in Medan (X.O Suki Sun Plaza and X.O Suki Focal Point Medan).
3. The research will be conducted in Medan, North Sumatra, 2022.
4. Questionnaires are limited only to X.O Suki Medan customers.
5. The research and analysis questionnaire will use SPSS software tools.

### **1.3 Problem Formulation**

From the background of the study, the problem formulation that the writer can formulate are:

1. Does Service Quality partially influence Brand Loyalty at X.O Suki in Medan?
2. Does Product Quality partially influence Brand Loyalty at X.O Suki in Medan?

3. Does Customer Engagement partially influence Brand Loyalty at X.O Suki in Medan?
4. Do Service Quality, Product Quality, and Customer Engagement simultaneously influence Brand Loyalty at X.O Suki in Medan?

#### **1.4 Objective of the Research**

The objective/ aim to conduct this research are:

1. To research or investigate whether service quality partially influence brand loyalty at X.O Suki in Medan.
2. To research or investigate whether product quality partially influence brand loyalty at X.O Suki in Medan.
3. To research or investigate whether customer engagement partially influence brand loyalty at X.O Suki in Medan.
4. To research or investigate how the brand loyalty can be simultaneously influenced by the service quality, product quality, and customer engagement at X.O Suki in Medan.

#### **1.5 Benefit of the Research**

The benefits of the research are:

##### **1.5.1 Theoretical Benefit**

The expectation of this research will give benefit for the company and the writer to understand how the brand loyalty decline influenced by the service quality,

product quality, and customer engagement. This research will contribute to developing the theory of the influence of service quality, product quality, and customer engagement toward brand loyalty.

### **1.5.2 Practical Benefit**

1. For the company

This research will help the company to understand how brand loyalty are affected by the service quality, product quality, and customer engagement.

2. For the customer

Through this research, the customer can know how the service quality, product quality, and customer engagement affect their brand loyalty.

3. For the next researchers

To provide the new or subsidiary information regarding the influence of service quality, product quality, and customer engagement towards brand loyalty.

