

CHAPTER I

INTRODUCTION

1.1 Background Research

According to (Sholihin, 2022) at least 90% of food and beverage companies fail because they are unable to survive the pressure of intense competition. Therefore, it is important for the business to learn on how to make the business survive in the market. There are many factors that need to be considered when starting a food and beverage business, because to be successful in the long term, the business must have a strategy and components that support it. Figure 1.1 implies that in the last three years after pandemic, the growth of the food and beverage business has continued to increase significantly. According to Yvonne (2024) businesses operating in the food and beverage sector will want a larger market share as the industry develops. This competition also includes new entrants to the sector. In an increasingly tight business environment, businesses must pay attention to customer's want in order to remain competitive. In the midst of favorable economic expansion conditions, companies that have the ability to meet customer satisfaction will have superior capabilities than other businesses (Hamzah & Shamsudin, 2020).



Figure 1. 1 Growth of the Food and Beverage Industry 2011 – 2023
Source: Industry Data (2023)

According to statistics compiled by the Central Statistics Agency (BPS), the food and beverage industry is one that contributes significantly and positively to Indonesia. Figure 1.1 shows that the food and beverage industry is expected to maintain its growth trend from 2018 to 2023. This demonstrates that the food and beverage industry is a robust and promising enterprise in Indonesia. Industry actors are encouraged to innovate as a result of the substantial demand for food and beverage products, as evidenced by these favourable outcomes. The culinary industry is one of the most promising, but competition is fierce, and not all culinary companies are able to achieve maximum income and success. This is a summary of the data acquired in Figure 1.1 and Figure 1.2.

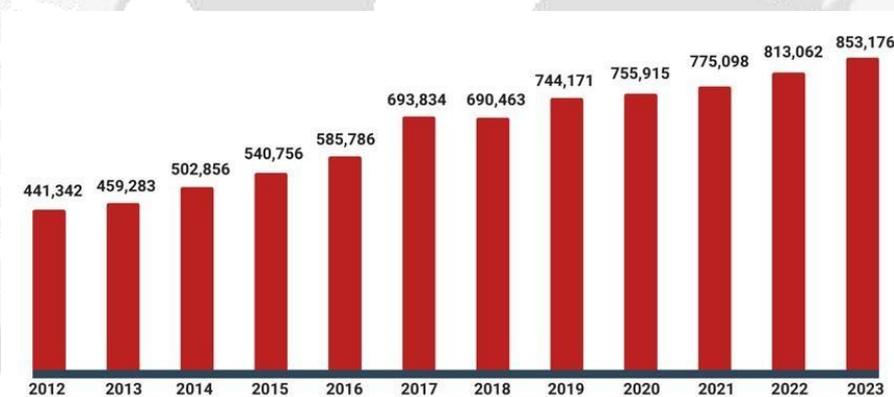


Figure 1. 2 Food and Beverage Industry GDP in Rupiah
Sumber: Badan Pusat Statistik (2023)

One of the food and beverage business brands that is currently starting to enter the industry and is growing rapidly is Momoyo. Founded in 2022 in Jakarta, Momoyo is a business that sells products such as ice cream and real fruit drinks, for example: real fruit tea, milk tea, tea and ice cream. Momoyo's mission is "To make the Momoyo brand more professional, so that partners get value in life, and customers get healthy, fresh and natural drinks." To date, Momoyo's business has succeeded in establishing at least 500 outlets spread throughout Indonesia.

Therefore, the researcher decided to use the Momoyo branch which is located in Pucang Anom, Surabaya.



Figure 1. 3 Momoyo Place Layout
Source: Momoyo Internal Data (2023)



Figure 1. 4 Momoyo Product Menu
Source: Momoyo Internal Data (2023)

It is crucial for Momoyo, a food and beverage business that has recently expanded, to comprehend strategies for ensuring business continuity. The food and beverage industry's long-term survival and competitiveness are contingent upon consumer satisfaction. The long-term growth and profitability of this business are significantly influenced by customer satisfaction. Several factors can influence customer satisfaction. According to Agarwal *et al.*, (2022), customer satisfaction

can be influenced by factors such as customer loyalty and customer happiness. In their research, Zhong & Moon (2020) explained that customer loyalty and customer happiness can be influenced by other factors such as perceived price, service quality, food quality, and physical environment quality. Cuesta-Valiño *et al.*, (2022) stated in the research satisfied consumers are the one who usually will become the loyal customers in a market and prefer a brand over another similar business. Consequently, it is crucial for business professionals in the food and beverage industry to prioritize customer satisfaction, maintain competitiveness, and foster customer loyalty in order to achieve long-term success.

Perceived price refers to how much people consider a service or product to be valuable based on its price (Alzoubi *et al.*, 2020). Perceived price includes the actual value of the product worth and the benefits gained from purchasing it. Zhong & Moon (2020) discovered that perceived prices able to influence customer satisfaction. Perceived price is also one of the factors that can enhance customer satisfaction (Jeaheng *et al.*, 2020). Consequently, it is crucial for businesses to modify the prices that customers perceive in order to enhance their satisfaction.

The inherent quality, composition, and general excellence of the food or beverage products offered are all referred to as food quality. Lu *et al.* (2020) elucidated that the quality of food is indicative of a business's capacity to satisfy customer requirements when purchasing products. In their research, Hidayat *et al.* (2020) assert that the quality of food can significantly impact consumer satisfaction during a restaurant visit. Customer satisfaction can be substantially enhanced by the purchase of high-quality products. According to Hidayat *et al.* (2020), service quality is the perception of a business's service's quality by customers. Assurance,

empathy, responsiveness, dependability, and tangible items, as well as those that can be seen and felt, are all components of service quality. Service quality is one of the factors that affects consumer satisfaction, according to research conducted by Gopi and Samat (2020). Service quality is an endeavour by a business to fulfil the expectations of its customers. Sagala et al. (2021) conducted additional research that demonstrates that customer satisfaction may be positively impacted by service quality.

The aesthetics, functionality, and overall ambiance of the actual site where the product is given are all aspects of the physical environment that contribute to the quality of the business environment. Several parts make up this facet, such as the interior, cleanliness, comfort, layout, and ambiance. According to Al Halbusi et al. (2020), consumers' impressions and experiences are greatly influenced by the physical environment's quality. Customer satisfaction is highly correlated with the physical environment's quality. By creating a positive first impression, an aesthetically pleasing and well-planned space helps to ensure that customers have a positive and relaxing experience. Businesses in the food and drink industry can increase customer satisfaction by designing their physical spaces to reflect what their target demographic values (Gopi & Samat, 2020).

Customer loyalty refers to customer preferences that are carried out continuously by choosing a particular product or brand compared to other brands that offer similar products. Loyalty indicates that customers have a long-term loyalty commitment and an emotional bond between the customer and a particular business that is more than just a transaction carried out at one time (Gopi & Samat, 2020). Customer loyalty is often determined by a customer's tendency to stick with

purchasing a particular brand and not switch to competing goods or services. Loyalty can have an influence on customer satisfaction. This is because there is trust in buying products repeatedly and this is able to make customers satisfied due to the fulfillment of needs for certain products (Mahato & Goet, 2020).

According to the theory of customer satisfaction, a client is considered happy when they feel good about themselves after interacting with a company's goods or services. Consumers' outward displays of emotion mirror the profound contentment they felt as a result of the encounter. One factor that could affect customer satisfaction is the level of consumer happiness (Zhong & Moon, 2020). Customers are more likely to be satisfied with a product when they experience positive emotions as a result of having their requirements addressed. The significance of corporations prioritizing customer pleasure was highlighted by Ryu et al. (2021). Customer satisfaction will serve as the dependent variable, with price, food quality, service quality, and physical environment serving as the stimulus variables. Mediating variables include customer happiness and loyalty. Previous research has various gaps in this model. A fast-food joint in Pucang Anom, Surabaya, operated by the Momoyo business retail franchise brand, is the focus of this study.

The background research that has been outlined has motivated the researcher to do research with the title: ***"THE INFLUENCE OF PERCEIVED PRICE, QUALITY OF SERVICE, QUALITY OF FOOD, AND QUALITY OF THE PHYSICAL ENVIRONMENT ON CUSTOMER LOYALTY THROUGH THE MEDIATION OF SATISFACTION AND HAPPINESS OF MOMOYO PUCANG ANOM CUSTOMER IN SURABAYA"***

1.2 Problem Statement

The problem formulation in this research is as follows, as per the background explication that was conducted:

- 1) Does perceived price positively influence consumer loyalty?
- 2) Does the quality of food positively influence consumer loyalty?
- 3) Does service quality positively influence consumer loyalty?
- 4) Does the quality of the physical environment positively influence consumer loyalty?
- 5) Does perceived price positively influence client loyalty via customer satisfaction?
- 6) Does food quality positively influence customer loyalty via customer satisfaction?
- 7) Does service quality positively influence customer loyalty via customer satisfaction?
- 8) Does the quality of the physical environment positively influence client loyalty via customer satisfaction?
- 9) Does perceived price positively influence customer loyalty via customer satisfaction?
- 10) Does food quality positively influence customer loyalty via customer satisfaction?
- 11) Does service quality positively influence customer loyalty via customer satisfaction?
- 12) Does the quality of the physical environment positively influence client loyalty via customer satisfaction?

1.3 Research Purpose

After conducting a thorough background explanation and problem formulation, the objective of this investigation is to:

- 1) To assess the impact of perceived pricing on customer loyalty
- 2) To assess the impact of food quality on consumer loyalty
- 3) To assess the impact of service quality on customer loyalty
- 4) To assess the impact of physical environmental quality on consumer loyalty
- 5) To assess the impact of perceived pricing on customer loyalty via customer satisfaction
- 6) To assess the impact of food quality on customer loyalty via customer satisfaction
- 7) To assess the impact of service quality on customer loyalty via customer satisfaction
- 8) To assess the impact of physical environmental quality on customer loyalty via customer satisfaction
- 9) To assess the influence of perceived pricing on customer loyalty via customer satisfaction
- 10) To assess the impact of food quality on customer loyalty via customer satisfaction
- 11) To assess the impact of service quality on customer loyalty via customer satisfaction
- 12) To assess the impact of physical environmental quality on customer loyalty via customer satisfaction

1.4 Research Benefit

This research will provide benefits that can be explained through theoretical benefits and practical benefits. The theoretical benefits of studying research results through academic contributions, while the practical benefits of studying research results for business people.

1.4.1 Theoretical Benefit

In the context of management studies in particular, the results of this study may pave the way for more investigation into the topic of customer satisfaction in the future. In the food and drink industry, research can lay the theoretical groundwork for future scientific investigations into customer satisfaction. Future studies on factors including perceived price, food quality, service quality, physical environment quality, consumer satisfaction, customer happiness, and customer loyalty may find this research useful as a scientific reference.

1.4.2 Practical Benefit

In practical terms, this research is anticipated to assist business professionals in the food and beverage sector in the implementation of appropriate policies and strategies to enhance customer satisfaction, which in turn fosters customer loyalty. The research findings can serve as a reference for the management of business strategies, enabling them to be more adaptable and capable of adjusting their operational systems to become more competitive.

1.5 Writing System

The initial part includes the cover page, title page, page stating the originality of the final project work, approval page for the final assignment supervisor, approval page for the final assignment examining team, abstract, introduction, index, image index, table index, and other indexes.

Chapter I, also known as the Introduction, comprises the following: a description of the background of the problem, which unites the various components of the phenomenon that is the subject of the research, a discussion of the problem that identifies the limitations of the research, a discussion of the problem that establishes research questions based on the scope of the problem, research objectives as a response to the research design, research benefits, which include theoretical and practical benefits, and writing systematics that regulate the order of research writing.

In Chapter II, the research covers the theoretical underpinnings, which include things like perceived pricing theory, service quality, food quality, physical environment quality, customer happiness, customer loyalty, and customer satisfaction. Previous studies on hypothesis testing, consumer happiness, and research models are also reviewed in this chapter.

Chapter III will go over topics such as study types, populations, samples, data gathering techniques, operational definitions, research variable measurement, and data analysis methodologies.

Data quality analysis, hypothesis testing analysis, and general data analysis overview are all part of Chapter IV, Data Analysis and Discussion.

In Chapter V, Conclusions, will find the following sections: findings about study problems, theories and management underpinnings, and suggestions for moving forward. Appendices and bibliography round out the format of research papers.

