CHAPTER I

INTRODUCTION

1.1. Background

Social media has become a major catalyst in the development of the café business in Indonesia. Platforms like Instagram and TikTok allow cafes to reach a wider audience quickly and efficiently. Through attractive visual content, cafes can display attractive atmospheres, menus, and promos that are able to invite consumer interest. In addition, social media also serves as a means to build engagement with customers, gather feedback, and create a community of coffee lovers.

Coffee Shop is one of the business areas that is quite developed in Indonesia. The presence of Coffee Shops has also spread in various regions in Indonesia, both in urban and rural areas, although not as much in urban areas. The reason for the development of Coffee Shops is also accompanied by public consumption of coffee which is increasing in various circles, both young and old. In addition, the Coffee Shop is accompanied by a comfortable atmosphere so that the concept of the Coffee Shop is so different from coffee shops in general.

Based on the report of the Chairman of the Specialty Coffee Association of Indonesia (SCAI) Syafrudin, where until the end of 2019 it was recorded that the growth of coffee shops is predicted to reach 15%-20% compared to 2018 which only reached 8%-10%. Meanwhile, the contribution of coffee shops to the absorption of domestically produced coffee is predicted to reach 25%-30% (Zuhriyah, 2019). In addition, based on data from the International Coffee Organization (ICO), it is recorded that the trend of domestic coffee consumption in Indonesia has continued to increase over the past five years. In the 2018-2019 period, the amount of domestic coffee consumption reached 4,800 bags with a capacity of 60 kilograms (kg). In fact, in the 2014-2015 period, the number of domestic coffee consumption was only 4,417 bags. Then, in the following year's period it reached 4,550 bags.

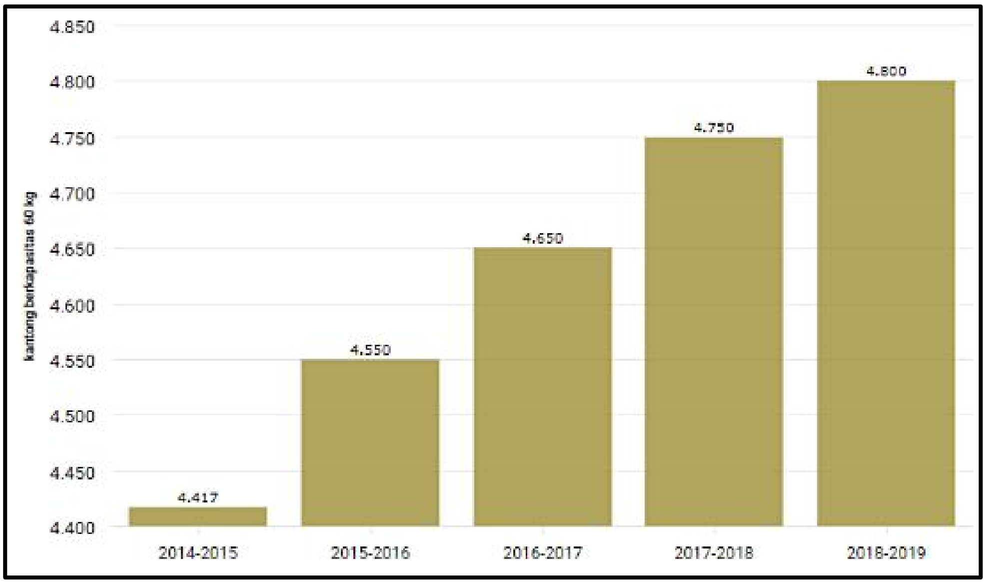

Figure 1.1 Coffee Consumption in Indonesia

Source: (Annur, 2020)

Enjoying coffee has become a tradition for Indonesian people ranging from rural to urban communities. The culture of drinking coffee starts from teenagers, students, office workers, heavy workers and others. This is certainly what opens up coffee business opportunities. To start a coffee business, you can start by opening a coffee shop. Although it looks trivial, coffee shops can generate extraordinary turnover. In addition to great profits, there are several more reasons why the coffee shop business is one of the good business opportunities. One of the cities in Indonesia that has a promising Coffee Shop development is Makassar City.

Makassar City is one of the big cities in Indonesia and is a *living room* for the eastern part of Indonesia. As a big city that continues to grow, the pace of economic growth and technological and information changes is fairly fast. This can be seen, from the macroeconomic of Makassar which shows quite significant developments, in 2009 economic growth was recorded at 9.20 percent and in 2013 it increased to 9.88 percent. This is because the economic structure in 2013 was dominated by five, namely, the trade, hotel and restaurant sectors with a contribution of 29.60 percent, followed by the processing industry of 17.51 percent and transportation and communication of 15.73 percent. Then, the service and financial sectors were 15.67 and 11.61 percent, respectively (Yudhatama, 2020)

Along with this economic growth, it is undeniable that it has an impact on the development of the business sector which is now increasing, full of competition and competitiveness. Likewise, the number of cafes has grown in recent years which has resulted in increasingly fierce competition among fellow café entrepreneurs in the city of Makassar. In the past, the café was only visited by young executives and the upper middle class who needed a place to unwind after returning from busy activities. However, cafes are not a luxurious barge, now cafes have mushroomed and have consumers for the lower middle class. In Makassar City, there have been many various cafes with modern café categories, including Bangi Kopitiam, Dante Coffee Shop, Phoenam, Three Cups Café and various other cafes. One of the cafes that is quite well known by the people of Makassar City itself is Es Kopi Indonesia.

Based on data on coffee shop visitors in the period from April to June, there was a fluctuation in the number of customers. It was recorded that in April there were 1,320 visitors, then a significant increase to 1,741 visitors in May. However, this figure decreased slightly in June to 1,694 visitors. The increase in the number of visitors in May may be influenced by several factors, this fluctuation in the number of visitors indicates the existence of several variables that need to be considered, such as the effectiveness of promotions, competition with other coffee shops, and the quality of service provided. To get a clearer picture of coffee shop performance, it is necessary to conduct further analysis by considering supporting data such as average transactions per visitor, the type of product that is most frequently ordered, and feedback from customers.

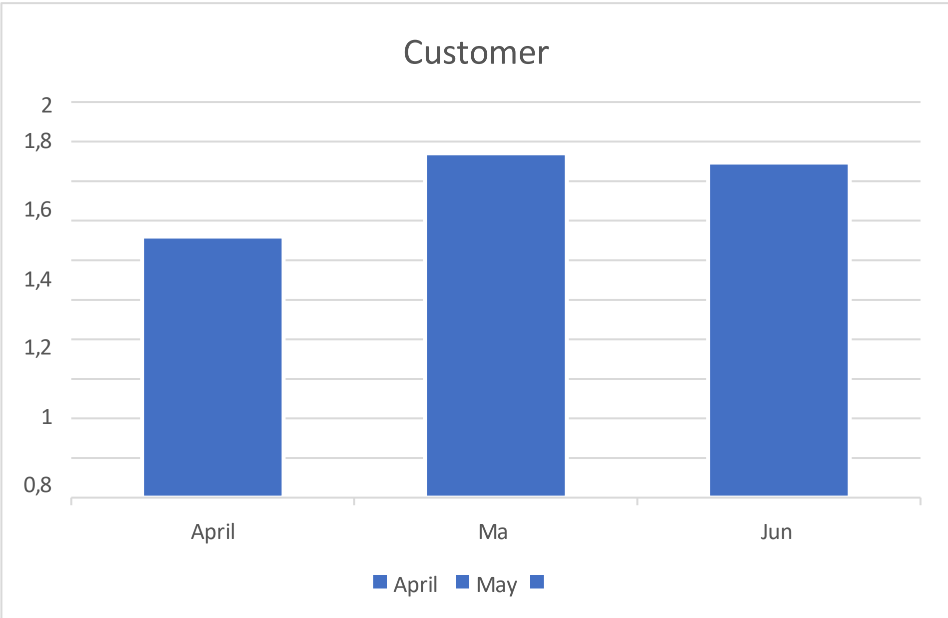

Figure 1.2 Number of Eskopi Indonesia Customers in the Last 3 Months

Source : Eskopi Indonesia

As a café, of course, various efforts are needed to increase customer loyalty from the café so that the business can be run and continue to exist. Without strategic efforts made by Cofee Shop to increase customer loyalty, it will certainly affect the existence of the business itself, namely Cofee Shop. Therefore, various efforts are needed that can be made, including service quality, price and *brand image.*

According to Istiatin, service quality is an achievement or achievement in a service that begins with consumer needs and ends with satisfaction and consumer attitudes and perceptions of products from a company that are in accordance with expectations (Istiatin, p. 2021). As for measuring the quality of service itself as according to Parasuraman, namely tangibles, Reliability, Responsiveness, Assurance and Emphaty (Sitorus, p. 2019)

Regarding the price itself according to Kotler & Armstrong, where the price is the amount of money charged as an exchange rate for a product or service, or the total value that can be exchanged to be able to use the benefits of the product or service (Kotler & Armstrong, 2013). The indicators in measuring prices are as true as they are, namely price affordability; Setting the selling price; Discounts or discounts, and Price competitiveness (Sejati, 2019).

As for *Brand Image* , according to Keller, *Brand image* is a set of perceptions and beliefs owned by customers towards a brand that are reflected through associations that exist in the customer's memory (Keller

P.K, 2019). As for measuring the brand image itself, as according to Biel, it is the maker's image (Corporate Image); product/consumer image; and User Image (Biel, 2020).

Customer loyalty, according to Pohan & Aulia, is a commitment that is closely held by customers to buy or prioritize a product in the form of goods or services in a

In addition, there is also research on the influence of service quality, price, and brand image on customer loyalty in the past, such as research (Subaebasni, 2019), (Aqil, 2019), (Haekal, 2019), (Rusdy, 2018) and (Rusmiati, 2022) which concluded that both service quality, price, and brand image affect customer loyalty. This is also in line with the researcher's research on "The Influence of Service Quality, Price, and *Brand Image on* Eskopi Indonesia'*s Customer Loyalty*.

1.2. Problem Formulation

Based on the discussion in the background above, the formulation of the problem in this study is as follows.

1. Does Service Quality affect Eskopi Indonesia's Customer Loyalty in Makassar City?
2. Does Price affect Eskopi *Indonesia* Makassar City Customer Loyalty?
3. Does *Brand Image* affect Eskopi Indonesia*'s Customer Loyalty* in Makassar City?

1.3. Research Objectives

Based on the formulation of the problem above, in general, the objectives of this research are as follows.

1. To find out whether Service Quality affects *Eskopi Indonesia's Customer Loyalty* in Makassar City.
2. To find out whether Service Quality affects *Eskopi Indonesia's Customer Loyalty* in Makassar City.
3. To find out whether *Brand Image* has an effect on *Eskopi Indonesia's Customer Loyalty* in Makassar City.

1.4. Research Uses

1.4.1. Scientific Benefits

This research is expected to be one of the sources, especially "The Influence of Service Quality, Price and Brand Image on Eskopi Indonesia's Customer Loyalty in Makassar City".

1.4.2. Benefits for the Company

This research is expected to be one of the sources for companies related to what must be considered to affect Customer Loyalty through Service Quality, Price and Brand Image of a company.

1.4.3. Benefits for Researchers

This research is expected to be a trigger for further research in finding other influences that affect Eskopi Indonesia's Customer Loyalty in Makassar City.

1.5. Research Systematics

The writing systematics used in this study are as follows.

CHAPTER I: INTRODUCTION

This chapter consists of the background, problem formulation, research objectives and benefits, and research systematics

CHAPTER II: LITERATURE REVIEW

This chapter outlines the theoretical foundation, similar previous research, research framework and hypothesis to be tested.

CHAPTER III: RESEARCH METHODS

This chapter consists of the research design, the location and time of the study, population and sample, data types and sources, data collection techniques, variables and operational definitions, research instruments, data analysis techniques, and hypothesis testing

CHAPTER IV: RESULTS AND ANALYSIS

This chapter consists of an overview of the research object, an overview of the respondents, data analysis and interpretation of the results

CHAPTER V: CONCLUSION

This chapter is the final section that contains the conclusions of the research results and suggestions given for further research.

BAB II

LITERATURE REVIEW

2.1. Theoretical Foundations

2.1.1. Quality of Service

According to Kotler (2020), the definition of service is any action or activity that can be offered by one party to another party that is basically intangible and does not result in any ownership that can be attributed or not associated with one physical product. Service is the behavior of producers in order to meet the needs and desires of consumers in order to achieve satisfaction for the consumers themselves. Kotler also said that such behavior can occur during, before and after a transaction.

Meanwhile, according to Zahara, Andreansyah, and Relawati in the research of Familiar and Ida Maftukhah (2019) stated that the perfect quality of service is when the output exceeds customer expectations and vice versa if the output received is not more than enough, then the quality of service is considered poor. In addition, according to Istiatin, service quality is an achievement or achievement in a service that begins with consumer needs and ends with satisfaction and consumer attitudes and perceptions of products from a company that are in accordance with expectations (Istiatin, 2019).

Service quality can be found by comparing consumers' perceptions of the services that are actually received or obtained with the services that are actually expected or desired for the service attributes of a company. The relationship between the manufacturer and the consumer extends far beyond the time of purchase to after-sales service, lasting beyond the product ownership period

According to Parasuraman, Zeithaml, and Berry in Sitorus (Sitorus, p. 2019) argue that consumer satisfaction is influenced by the quality of services provided by a company. There are five dimensions of service quality, which are as follows

1. *Tangibles* / Direct evidence

   Tangibles include the appearance of physical facilities such as buildings and room layouts, the availability of parking spaces, cleanliness, neatness and comfort of the room, the completeness of communication equipment, and the appearance of employees.

2. *Reliability* / Keandalan

   Reliability is the ability to provide services as promised. The promised service is such as providing accurate information, helping to solve problems, and providing reliable service.

3. *Responsiveness*

   Responsiveness is the willingness of employees to help consumers and provide fast and responsive service, which includes alertness in serving consumers, speed of handling transactions, and handling consumer complaints.

4. *Assurance* / Jaminan

   Assurance, includes employees' knowledge of the product appropriately, quality of hospitality, attention and politeness in providing service, skills in providing information, ability to provide security, and ability to instill consumer trust in the company.

5. *Emphaty* / Empati

   Emphaty is the individual attention that the company gives to consumers such as the ease of contacting the company, the ability of employees to communicate with consumers, and the company's efforts to understand the wants and needs of its consumers.

2.1.2. Price

According to Kotler and Armstrong (2013), price is defined as a sum of money charged as an exchange rate for a product or service, or the total value that can be exchanged to be able to use the benefits of the product or service. In addition, according to Bulan, price is an exchange rate that can be called the money needed to get a combination of a product and its service (Bulan, 2016)

According to Kotler and Armstrong (2012), it is explained that there are four measures that characterize price, namely price affordability, price conformity with product quality, price conformity with benefits, and price according to price ability or competitiveness. According to Sejati (Sejati, 2016), the indicator of price is price affordability; Setting the selling price; Discounts or discounts and Price competitiveness. This is in line with the price indicator according to Kotler and Keller (Keller, 2009), namely

1. Price affordability, is the actual price of a product written on a product that must be paid;
2. Discounts/discounts, are discounts given by the seller;
3. The determination of the selling price is a price that has been set by

the seller for the consumer.

2.1.3. *Brand Image*

"Brand image is how consumers perceive the brand in real life, which is an opinion formed by consumers as an interpretation of everything the company does." (Ismail, 2012) According to Kotler and Keller (Keller 2012), brand image is a set of perceptions and beliefs owned by customers towards a brand that are reflected through associations in the customer's memory. According to Keller (K. L. Keller, 2014), the main dimensions that shape the image of a brand are contained in the following:

1. *Brand Personality* .

   Brand personality is a distinctive character of a brand that forms a certain personality like a human being, so that the customer audience can easily distinguish it from other brands in the same category, the character is firm, rigid, authoritative, nice, or cheap, warm, loving, social, or dynamic, creative, independent, and so on.

2. *Brand Association*

   Brand associations are specific things that are appropriate or always associated with a brand, can arise from the unique offering of a product, repetitive and consistent activities for example in terms of sponsorship or social responsibility activities, very strong issues related to the brand, or certain people, symbols and meanings that are very strongly attached to a brand.

3. *Brand Attitude and Behavior*

   Brand attitude and behavior is the attitude or behavior of communication and interaction with customers in offering benefits and values that they have. Attitude and behavior include customer attitudes and behaviors, activities and attributes inherent to the brand when dealing with customer audiences, including employee and brand owner behavior.

4. *Brand Benefit and Competence Brand benefits and competence* are distinctive values and advantages offered by a brand to customers that make customers feel benefits because their needs, desires, dreams, and obsessions are realized by what is offered.

According to Aaker and Biel, there are several indicators of Brand Image as follows (Biel, 2009).

1. Corporate Image, which is a set of associations that consumers perceive towards the company that makes a good or service. Includes: popularity, credibility, the company's network, as well as the wearer himself.
2. Product/consumer image (product Image), which is a set of associations that consumers perceive towards a good or service. Includes: attributes of the product, benefits to consumers, and guarantees.
3. User Image, which is a set of associations that consumers perceive towards users who use a good or service. Includes: the wearer himself, as well as his social status.

2.1.4. Customer Loyalty

According to Griffin in Septiani, Rizky Handayani, Putu Wuri Azzahro, Fatimah (2017) stated that customer loyalty is a commitment that is closely held by customers to buy or prioritize a product in the form of goods or services consistently, this causes repeated purchases of the same brand, even though the customer gets situational or marketing influence from competitors to replace other brands. According to Oliver, customer loyalty is a deep commitment to rebuy/subscribe to a product/service consistently in the future.

Kusumastuti & Kodir (2019) there are four types of loyalty that arise when low and high attachments are cross-classified with repurchase patterns, low and high. The types of consumer loyalty are:

1. No Loyalty

   For various reasons, there are some consumers who do not develop loyalty or loyalty to a certain product or service. A low level of attachment with a low rate of repurchase indicates the absence of loyalty. Basically, a business must avoid this non-loyalty group to be used as a target market, because they will not become loyal consumers.

2. Inertia *Loyalty*

   Inertia loyalty is a type of consumer loyalty where there is low attachment with high repurchases. Consumers who have this attitude usually buy based on habit. The basis used for the purchase of products or services is due to the factor of situational convenience. This kind of loyalty usually occurs a lot with products or services that are often used. An example of this loyalty can be seen from the gasoline purchase activities carried out by consumers near their home areas and so on.

3. Latent Loyalty

A type of hidden loyalty is a relatively high loyalty or attachment accompanied by a low rate of repurchase. Consumers who have a latent attitude of repurchase loyalty are also based on the influence of situational factors rather than their attitudes. For example, a husband likes European cuisine, but has a wife who doesn't like European cuisine. So the husband only occasionally visits European restaurants and more often goes to restaurants where the dishes offered can be enjoyed together.

4. Premium Loyalty

This loyalty is what happens when a high level of attachment goes hand in hand with the repurchase activity. Every company certainly expects this type of loyalty from every high-preference business. An example of a type of premium loyalty is the sense of pride that arises when consumers find and use the product or service and are happy to share knowledge and recommend it to friends, family, or others

According to Kotler and Keller in Budiarti (Budiarti, 2021), there are indicators of customer loyalty, which are as follows:

1. Satisfaction, keep buying the product again as long as expectations and satisfaction are met and the conformity between expectations and the reality received.

2. Repeat purchase, buying products continuously and making it a place that sells the best products and good product quality and service and is satisfied with the service received by consumers.
3. Word of Mouth/Buzz, building a product reputation to inform others about good quality.
4. Information Delivery (Evangelical), convincing others to buy a product based on a positive experience during the purchase of the product.
5. Ownership, feeling responsible for the continued success of the product because of the customer's participation in providing a positive response to the product.

2.2. Previous Research

Table 2.1 Results of Previous Research

Yes	Research Name	Research Title	Research Results
1	Subaebasni Henny Risnawaty & A.R Wicaksono (2019)	The Influence of Brand Image, Quality and Price on Customer Satisfaction and Implications for Customer Loyalty of PT Selat Liner Ekspres in Jakarta	The results of the analysis showed that simultaneously independent variables on customer satisfaction were positive and significant. The results of the analysis show that partially loyalty variables, brand image has a positive and significant influence.
2	M. Utha Akil Riff & M. Kholid Mawardi (2017)	The Influence of International Brand Image, Brand Community, Brand Equity on Customer Loyalty (Survey on the Community The Influence of	The results of this study show that the brand image International, brand community, and brand equity simultaneously have a significant influence on customer loyalty. International brand image

Yes	Research Name	Research Title	Research Results
		International Brand Image, Brand Community, Brand Equity on Customer Loyalty (Survey on the Community	has significant loyalty and brand loyalty partly has a simultaneous effect on customer loyalty. This study found that brand equity variables have a dominant effect on customer loyalty
3	Haekal Fikrrizaldy Fasha, Putu Nina Madiawati (2019)	The Influence of Brand Image, Product Quality and Price on Consumer Loyalty Through Consumer Satisfaction as an Intervening Variable of ZARA Products in the City of Bandung	The results of the analysis show that the Brand Image variable partially affects Consumer Authority, then the Product Quality variable partly affects Customer Satisfaction, then the Price variable partially affects Customer Satisfaction, then the Consumer Satisfaction variable partially affects Consumer Loyalty. Then simultaneously there is the influence of Brand Image, Product Quality, Price, and Consumer Satisfaction which has a significant effect on ZARA Consumer Loyalty in the City of Bandung
4	Rusdy Hasby & Dodi Wirawan Irawanto, Ananda Sabil Hussein (2018)	The Influence of Service Quality and Brand Image on Loyalty with Value Perception as a Mediating Variable	The results of the analysis showed that perceived value mediated the relationship between service quality and customer loyalty completely, and perceived value mediated the relationship between brand image and customer loyalty partially. The conclusions and implications for academic and managerial interest of these findings are discussed

Yes	Research Name	Research Title	Research Results
			in this paper
5	By S. S. Srivastava, A.A., & Sri Purnami (2022).	The Influence of Product Quality, Promotional Prices and Brand Image on Customer Satisfaction at Brand Furious Bali	The results of the study showed that: product quality, price, promotion and brand image were partly positive and significant to consumer satisfaction in the Furious Bali brand company in Denpasar.

Source: Processed from various previous studies

2.3. Frame of Mind

Based on the background of the problem, the theoretical foundation, and the results of previous research, the following framework of thought was produced as a reference in formulating a research hypothesis.

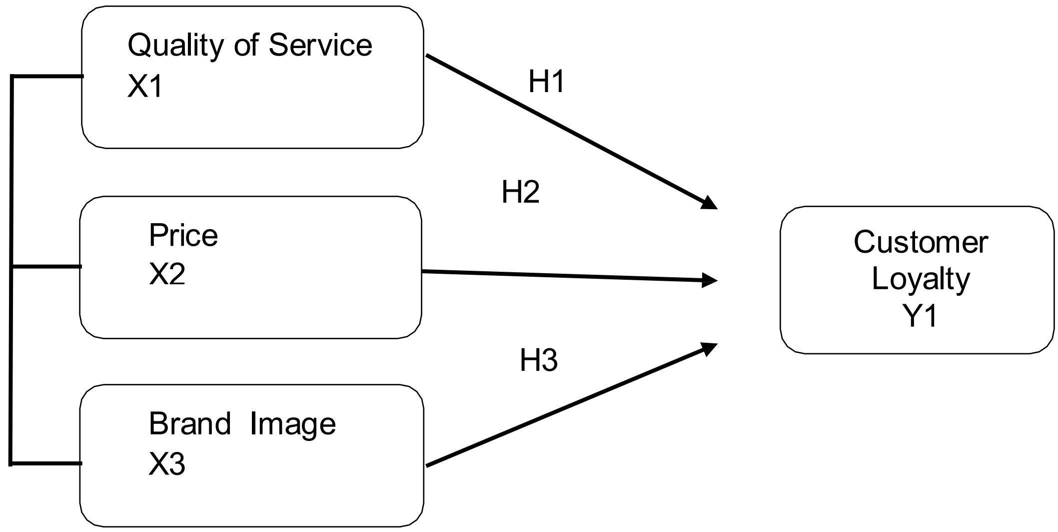

Figure 2.1 Frame of Mind

2.4. Hypothesis

H1 : Good service quality will have a positive effect on the loyalty of Indonesian iced coffee customers.

H2 : Competitive prices will have a positive effect on the loyalty of Indonesian iced coffee customers.

H3 : A strong brand image will have a positive effect on the loyalty of Indonesian iced coffee customers.

Brief Description

1. Service Quality (X1): Includes service speed, employee friendliness, cleanliness of the place, and completeness of the menu. Good service quality is expected to increase customer satisfaction and encourage them to become loyal.

2. Price (X2): Competitive prices or in accordance with the value received by customers can be the main consideration in choosing products. Prices that are too high can make customers move to other brands, while prices that are too low can lead to low quality perceptions.
3. Brand Image (X3): A positive, unique, and relevant brand image to the target market will make customers feel connected to the brand. A strong brand image can build customer trust and encourage them to become loyal.
4. Customer Loyalty (Y1): Defined as the tendency of customers to continue buying products or services from the same brand for a certain period of time. Customer loyalty can be measured through the frequency of purchases, recommendations to others, and willingness to pay a higher price.

Reasons for Variable Selection

1. Quality of Service: Quality of service is an important factor in the service industry such as F&B, including Indonesian iced coffee. Customers will be more likely to be loyal if they are satisfied with the service provided.
2. Price: Price is a very sensitive factor for consumers.
3. Competitive pricing can attract new customers and retain existing ones.
4. Brand Image: A strong brand image can differentiate a brand from its competitors and create customer loyalty.