CHAPTER 1

INTRODUCTION

1.1 Introduction

Along with the speed of development in the era of globalization and rapid technological advances, the movement of millennial society, especially students in college, has become very fast. The millennial community's need for practical products is increasing. One of the fastest growing businesses in providing practical products today is the fast-food industry. Fast food industry is one of the business industries launched by many people in this era. The main reason, of course, upholds the value of simple, easy, and practical.

The fast-food industry can be a motivation for people who want to do business easily but still can generate quite a resounding profit. This has led to the proliferation of industrial businesses in the fast-food sector. There are so many small to big brands that have spread all over the place in Indonesia.

1.2 Background of Research

One of the fastest growing businesses in providing practical products today is the fast-food industry. With the existence of fast food, it is expected to create consumer satisfaction which can encourage consumer loyalty to the fast-food industry in Indonesia. So, this is certainly related to how loyal a customer is to consistently spend some of their money in the fast-food industry.

Based on the description above, the author raised the topic "Factors Affecting Student Satisfaction and Student Loyalty to Word Fast Food Industry in Indonesia during Covid-19 (Study at State Polytechnic of Jember, Indonesia)", to identify factors that can increase customer loyalty and customer satisfaction, especially students in the fast-food industry in Indonesia.

Customer loyalty is described as a customer's strong intention to buy products repeatedly from the same company. Therefore, restaurants must be able to understand the needs and desires

of customers to create customer loyalty. Customer assessment of service quality is generated based on a comparison between expectations and the reality of the service they receive. In addition to service quality, there are other factors that can affect customer loyalty, namely product quality.

This research is significantly related to the influence of customer satisfaction and customer loyalty which is influenced by various factors, such as price, service quality, and product quality. However, customer loyalty can be classified based on research on price, service quality, product quality, customer satisfaction to the fast-food industry in Indonesia during Covid-19.

1.3   Research Problem

Customer loyalty is recognized as one of the most important factors in improving profitability and maintaining an organization's position (Hidayat, Adanti, Darmawan, & Setyaning, 2019). The fast-food restaurant industry is very competitive, retaining customers and making them loyal to revisit depending on the experience when they eat the products offered by the restaurant (Hussain, 2018). Loyal customers not only buy the products or services frequently, but also recommend others to visit and buy the same or similar products (Liu et al, 2011).

According to Aryani and Rosinta (2010), customer satisfaction is a key to create customer loyalty. Kotler and Keller, in Bela et al., (2016), satisfaction is feeling happy or disappointed someone who arises because of comparing the perceived performance of the product (or result) to their expectations. Customer satisfaction can be understood to be the difference between customers' expectation before consumption and realization after consumption of product or service (Njei Zephan, 2018).

The competition within the fast-food chain restaurant industry is very high (Hussain, 2018). To attract the attention of consumers, these restaurants bring further innovations to their products and services. This condition drives businessmen to maximize restaurant performance in order to compete in the market (Hidayat, Adanti, Darmawan, & Setyaning, 2019). On the other hand, quality of service has always been a major consideration in measuring consumer loyalty in the restaurant industry (Sunaryo, Prasetyo, Hardjomidjojo, & Nurdianchah, 2019). According to Putro, Samuel, and Karina (2014) the quality of service is an effort to comply the needs and desires of consumers and the accuracy of delivery in the balance of consumer

expectations. After that, the customer's assessment of the quality of service is produced based on a comparison between the expectations and the reality of the service he receives (Japrianto, 2007; Lu, Berchoux, Marek, & Chen, 2015).

The development of business organizations depends on the quality of the products they produce (Romdonny & Rosmadi, 2019) . Product quality is the attribute and characteristic of a good or service that can satisfy its needs based on an assessment of conformity to established measurement standards. If the customer is satisfied with the product, they will buy it again in the future (Hidayat, Adanti, Darmawan, & Setyaning, 2019). According to Kotler and Keller in Herviana and Anik (2018) product quality as the totality of features and characteristics of a product or service that depends on the ability it must satisfy expressed or implied needs.

However, price plays an important role in communicating the quality of goods and services. At a certain price level, if the benefits perceived by consumer increase, the value obtained by consumers will also increase (Hidayat, Adanti, Darmawan, & Setyaning, 2019). According to Kotler and Amstrong in Herviana and Anik (2018) price is the amount of money exchanged for a product and service. According to Malik, Ghafoor, and Iqbal (2012), Price fairness remains one of the most important rules for increasing customer satisfaction and buying loyalty. In addition, customers who are happy with their product or company rarely bid on each purchase (Hidayat, Adanti, Darmawan, & Setyaning, 2019).

1.4 Research Objective

The general objective of this study is to understand what factors are affecting student satisfaction and student loyalty to word fast food industry in Indonesia during covid-19 at State Polytechnic of Jember, Indonesia. Furthermore, the specific research objectives of this study are as follows:

1. To identify the relationship between quality of service and customer satisfaction on fast food industry in State Polytechnic of Jember Indonesia during Covid-19.
2. To identify the relationship between quality of service and customer loyalty on fast food industry in State Polytechnic of Jember Indonesia during Covid-19
3. To analyse the role of quality of product whether it can affect customer satisfaction on fast food industry in the State Polytechnic of Jember Indonesia during Covid-19.
4. To analyse the role of quality of product whether it can affect customer loyalty on fast food industry in the State Polytechnic of Jember Indonesia during Covid-19.

5. To measure how prices can affect customer satisfaction on fast food industry in State Polytechnic of Jember Indonesia during Covid-19.

6. To measure how prices can affect customer loyalty on fast food industry in State Polytechnic of Jember Indonesia during Covid-19

7. To analyse how customer satisfaction can affect customer loyalty to fast food industry in State Polytechnic of Jember Indonesia during Covid-19.

1.5 Research Question

1. Does quality of service have a significant relationship with customer satisfaction on fast food industry in State Polytechnic of Jember Indonesia during Covid-19?

2. Does quality of service have a significant relationship with customer loyalty on fast food industry in State Polytechnic of Jember Indonesia during Covid-19?

3. How impactful is quality of product can affect customer satisfaction on fast food industry in the State Polytechnic of Jember Indonesia during Covid-19?

4. How impactful is quality of product can affect customer loyalty on fast food industry in the State Polytechnic of Jember Indonesia during Covid-19?

5. To what extent is the prices influence to customer satisfaction on fast food industry in State Polytechnic of Jember Indonesia during Covid-19?

6. To what extent is the prices influence to customer loyalty on fast food industry in State Polytechnic of Jember Indonesia during Covid-19?

7. To what extent is customer satisfaction influence to customer loyalty to fast food industry in State Polytechnic of Jember Indonesia during Covid-19?

1.6 Significance of the Research

Matters that affect customer satisfaction and customer loyalty can vary which is influenced by various factors such as in terms of quality of service, quality of product, and price. However, it can be classified based on the age of consumers and research on price and quality of service and product on student purchasing loyalty to fast food industry in State Polytechnic of Jember Indonesia during Covid-19, which is investigated together because most researchers focus separately on one of the above mentioned.

In that way, this study appears to be useful tools for future researchers in the area of fast-food industry in Indonesia to understand better the driver factors of student purchasing loyalty

and satisfaction. How impact can affect customer loyalty and customer satisfaction (values: quality of service, quality of product, and prices). Because it will assist marketers in developing marketing strategies according to the values of this new generation of consumers.

1.7 Scope of the Research

The conceptual model of the study is mainly focused on the dominant factors affecting student satisfaction and student loyalty to word fast food industry during covid-19 at state polytechnic of Jember, Indonesia. This study focuses on quality of service, quality of product, and prices. Other than that, the scope of this study is targeted to selected Indonesian citizen which is represented by State Polytechnic of Jember Students. This study is designed to be conducted at Jember District because it is the state of State Polytechnic of Jember as one of the well-universities out of 39 polytechnics in Indonesia.

1.8 Limitations of the Research

The samples in this study were State Polytechnic of Jember students in Jember District. Thus, the findings cannot be extrapolated to other samples such as those people and their lifestyles in others polytechnic or university and so on. This limitation gives the opportunity for further research to take samples from other polytechnic or university. Furthermore, this study just focuses on factors affecting student satisfaction and student loyalty to fast food industry in State Polytechnic of Jember Indonesia during Covid-19. Hence, future research is suggested to examine customer loyalty and customer satisfaction to other aspect beside fast food industry.

1.9 Definition of Key Terms

The following key terms are utilized in the previous studies research, and it have been defined as below:

Customer Loyalty

The term of customer loyalty means a form of consumer loyalty to use a product or service continuously or continuously. Because it has high satisfaction with the products or services used. And it will tend to arise a sense to recommend the product or service to others, so that they can feel satisfaction like what is felt when using the product or service

used. Loyal customers will be faithful to the brand, as well as the products and services used. Customer loyalty will have a positive impact on the company.

Customer Satisfaction

Customer statification is feeling happy or disappointed someone who arises because of comparing the perceived performance of the product (or result) to their expectations. This term is often used as a measure of how the products and services provided by the company meet or exceed customer expectations. In the service environment, customer satisfaction has been seen as a special form of customer attitude.

Quality of Service

Quality of service in contemporary conceptualization is the comparison of perceived expectations of service with perceived performance. Quality of service can be known by comparing consumers' perception of the real service they receive with the service they actually expect to the service attributes of a company.

Quality of Product

The value of the goods offered by the seller to the customer. Quality of product is a physical condition, nature, and function of the product, based on the level of quality adjusted to durability, reliability, and ease of use, conformity, improvements and other components made to meet customer needs.

Prices

Prices is value or money that customers provide in exchange for a particular offer that will serve to satisfy their needs. Prices set by fast food companies will affect consumer loyalty in the future.

1.10 Structure of the Thesis

This thesis contains five chapters which are introduction, literature review, research methodology, result and discussion, and conclusion. The summaries of each chapter are stated as below:

Chapter 1: Introduction

The first chapter of this research proposal represent an overview of research and it cover 8 segments which are background of research, problem statement, research objectives and questions, significance of the research, scope of the research, limitations of the research, definition of key terms, and structure of the proposal.

Chapter 2: Literature review

All related literature reviews from previous studies are discussed comprehensively in this chapter. Review of determinants on university students' purchase intention towards luxury brands and relevant concept theory along with its explanation are discussed as well. In sum, discussion on dependent variable, independent variables, underpinning theory constructs the link among variables which generate hypotheses development and research framework.

Chapter 3: Research methodology

This section presents the methodology of the study which is consists of research design, population and sampling, measurement of variables, instrument and data collection methods, and data analysis.

Chapter 4: Result and Discussion

This chapter contains about how the data that has been obtained will be processed. To prove true or not the hypothesis that has been described previously. The data processing application used is SPSS. The results of SPSS will also be interpreted.

Chapter 5: Conclusion

This section presents a summary of the research that has been researched. Where after the results of data processing can be obtained in the previous chapter, in this chapter the results will be summarized. In addition, it contains related research studies, ranging from places, populations, samples, and other brief information.

1.11 Chapter Conclusion

This chapter provides explanation regarding the latest issue that is stated on background research and problem statement which lead to research objective and questions development. This chapter provides an explanation of the current issues raised in the research background and the formulation of the problem that leads to the research objectives and developing

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questions. This problem has to do with customer loyalty. Where there are several factors that can affect customer satisfaction and customer loyalty in buying or consuming products, especially in terms of the fast-food industry. Several factors that can be related are service quality, product quality, and price.