UNDERSTANDING CUSTOMER LOYALTY IN INDONESIA QUICK SERVICE RESTAURANT INDUSTRY

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ABSTRACT

In the restaurant industry, customer loyalty has become the most important strategic goal. The impact of service quality dimensions on customer loyalty is investigated using the SERVQUAL scale’s dimensional structure in fast food restaurant service environments. Pizza Hut is a well-known fast-food chain that appeals to people of all ages, from children to the elderly. Pizza Hut has locations throughout the city as well as internationally. Each branch’s level of service is unquestionably different. Pizza Hut Indonesia will be the subject of this study. A sample of 100 respondents is used to create and test research hypotheses. Quantitative research is the form of research that we used in this study. A questionnaire was used to collect data from everyone who has ever visited Pizza Hut Indonesia. PLS-SEM was utilized to perform the data analysis. According to the data, total consumer loyalty is 44.8 percent. As a consequence of this research, consumer loyalty at Pizza Hut Indonesia is substantially influenced by service quality.

Keywords: Service quality; Customer Loyalty
INTRODUCTION

Service efficiency, according to academics and analysts, is crucial for gaining client retention and loyalty as a distinct advantage (Martinelli & Balboni, 2012). Rather of cooking, people are increasingly opting to eat out (Unilever Food Solutions, 2011). Despite increasing demand, the restaurant sector is very competitive, therefore customer retention is crucial (Wang & Chen, 2009). On the other hand, a restaurant sells more than simply food; it also sells experiences. To increase competition in the foodservice business and promote customer retention and loyalty, more companies are establishing to assess effective advertising techniques. However, few studies on food intake and representation have been conducted in Asia (Seo et al., 2015), with the majority of empirical research focusing on Indonesian full-service restaurants.

Several studies have looked into restaurant efficiency, evaluating the principles and outcomes using various scales. Researchers have not fully examined the rate of fast-food services, despite the fact that restaurant service efficiency must be considered a significant strategy in study connected to satisfaction and loyalty in fast food restaurants (Wu & Mohi, 2015). This term can be regarded the start of customer loyalty in the fast-food sector (Stathopoulou & Balabanis, 2016). As a result, it should be considered one of the mediating elements in the relationship between satisfaction and loyalty. The existing research does not give extensive evaluations of specific interactions, attributes, service efficiency, or customer happiness, nor does it cover the entire background of restaurants and facilities. Customer happiness is becoming increasingly significant in service marketing literature as a result of the benefits connected with attracting existing clients (Wu, 2011). Though consumer loyalty is an important topic for financial services marketers in Indonesia, there is currently little research on the key predictors of loyalty and their relationships (Baumann et al., 2011). Advertisers can benefit from this study's findings on service efficiency and customer happiness. Several researchers assessed the SERVQUAL metrics of tangibility, efficiency, empathy, openness, and certainty on consumer loyalty. This time, the researchers want to evaluate how SERVQUAL affected user satisfaction. Service efficiency, according to other studies, has a direct impact on consumer pleasure but has minimal impact on customer loyalty. When it comes to the company's image and expectations of price fairness, however, there are several factors to consider. Because Pizza Hut is a well-known firm that serves the most famous pasta and pizza, it was chosen for this study.

Service quality, according to Schiffman et al. (2012), determines whether customers remain loyal to a company. Advertisers and customer-service organizations are finding that the expenses of recruiting potential customers are far higher than the price of maintaining current customer connections in today's fast-paced business landscape (Myler, 2016). Enhancing service efficiency, according to Etemad-Sajadi and Rizzuto (2013), is crucial to establishing a competitive advantage. Companies have shifted their focus to the value of preserving competition by evaluating service quality from the perspective of consumers, beginning with a major service quality change initiative, because low service quality contributes to higher costs for attracting new customers (Taap et al., 2011), including the firm's competitors.

As a result of rising global competition, businesses are seeking to maintain a strategic advantage in a variety of sectors. One strategy is to offer products that are superior to those given by competitors (Hussain et al., 2015; Kim, 2011; Wu et al., 2015; Zameer et al., 2015). The nature of the services offered determines the performance of a service-based business (Thaichon et al., 2014). Service efficiency has no direct impact on consumer happiness, according to a survey by (Bakti & Sumaedi, 2013). Service efficiency, according to Bapat (2017), is a predictor of customer loyalty. Based on the research gap and market phenomena
indicated, analysis tasks may be presented to construct a computational model to bridge the gap between service quality and consumer pleasure. Is there a link between service quality and customer loyalty, as the research question suggests? The goal of this study is to fill in the gaps in our understanding of the relationship between service quality and customer loyalty. The importance of this study rests in its ability to give light on the application of marketing theory and how academics should perceive variables in the future. The author presents a literature review, research theories, conceptual models and research methodologies, data collection techniques, data interpretation and observations from this piece, as well as a debate and research conclusions. As a result, the market for government operations has become more concentrated and competitive. Instead of attracting new consumers, service businesses concentrate on retaining existing ones. In the food industry, it's critical to comprehend how customers choose a restaurant (El-Adly & Eid, 2016).

LITERATURE REVIEW

The fast-food restaurant industry is a complex and quickly increasing industry all over the world. Building relationships with customers and providing exceptional service are crucial in the restaurant industry (Saleem & Raza, 2014). Because services are intangible, they cannot be calculated or quantified. A delivery service delivers the food to the eatery. Food providers serve as a conduit for distribution speed and consistency. Consumer feelings, views, and desires are more important than ever in the fast-food restaurant industry. Customer happiness is influenced by both tangible and intangible factors. The type of menu or menu selection, as well as the quality of service, are essential considerations in restaurant selection and customer satisfaction (Han et al., 2018).

Customers now have access to a wide range of brands. Fast food businesses provide food and service to their customers in a competitive market. As a result, fast food restaurants must foster positive customer relationships (Mason et al., 2016; Montaz et al., 2013). Customer loyalty is essential for establishing positive customer connections (Al-Ansi et al., 2018). Customers that are pleased with their service are more inclined to return (Carranza et al., 2018; Espinosa et al., 2018; Nguyen et al., 2018). De Waal and van der Heijden (2016) propose eight behavioral issues for customer loyalty, but they ignore common elements like weather, location, and climate when assessing customer pleasure and loyalty in fast food businesses. Consumer impressions of service and meal quality are the most critical aspects in keeping customers pleased in fast-food restaurants (Carranza et al., 2018; Shamah et al., 2018).

Customer happiness is a topic that has gotten a lot of attention in marketing science, and it has a variety of different definitions (Kim, 2011; Tarus & Rabach, 2013). Loyalty is defined as an attitude that encompasses desires as well as a willingness to provide suggestions (Eid, 2015). According to Kim et al. (2015), customer happiness is crucial for company growth, and it is better to retain current customers than to acquire new ones. Customer satisfaction will assist you in gaining a competitive advantage (Makanyeza, 2015; Tarus & Rabach, 2013). Financial considerations, organizational process considerations, learning and development considerations, consumer considerations, and critical customer metrics such as customer retention, customer engagement, number of new clients, and customer preferences are all widely used to determine business success. Loyalty is a key factor in determining a company's success. Maintaining long-term client relationships is common (Morgan & Hunt, 1994).

According to academics (Al Otaibi & Yasmeen, 2014), more research is needed into the impact of service quality and customer retention on customer loyalty. According to prior exploratory studies, clients evaluate service efficiency using the same general factors regardless of the type of service. SERVQUAL is a well-known method for evaluating service
efficiency in the service industry. According to the American Society for Quality (Kotler & Keller, 2020), quality is the sum of a product’s or service’s functioning and qualities that contribute to its ability to directly or implicitly meet consumer requests. It also demonstrates that the customer is at the center of the service. Furthermore, a corporation has supplied consistency if its goods and services fulfill the wants and aspirations of its clients. A high-quality company constantly meets the needs of all of its customers. Over the last few decades, service efficiency has gained a lot of momentum as a construct in marketing studies (Izogo & Ogba, 2015). Customer loyalty is directly related to service excellence (Hussain et al., 2015). This is a customer assessment of the company’s overall excellence or service excellence (Zeithaml et al., 1988). Service efficiency refers to the overall perception of customers’ assessments of a company’s operations (Hussain et al., 2015; Wang, 2010). Dependability, assurance, tangibility, empathy, and responsiveness are five characteristics that make up service quality (Loveland & Wirtz, 2011; Wu et al., 2015). Because services are subjective, they are primarily assessed based on existing information. As a result, quantifying them is impossible. Choi and Kim (2013) developed a model that examined the impact of consistency in results on customer satisfaction, discovering that quality influences customer satisfaction and that customer satisfaction functions as a mediator between quality and customer loyalty. Liat and Abdul-Rashid (2011) propose a model of customer loyalty in the hospitality industry, in which loyalty is influenced by satisfaction, which is influenced by service quality; Liat and Abdul-Rashid (2011) also discovered that customer satisfaction mediates the relationship between quality and customer loyalty. Quality is a subjective concept that varies according to one’s experience, characteristics, and needs. Three consistency orientations must be aligned with one another in customer expectations, goods, services, and procedures. Consistent service quality will promote employee loyalty, employee satisfaction, and corporate profitability (Fernandes & Solimun, 2018).

**Relationship of Service Quality and Customer Loyalty**

According to Mahmood et al. (2018), service quality has a favorable impact on customer loyalty. According to Al-Rousan et al. (2010), service quality has an impact on customer loyalty. According to the study by Datsomor (2012), the five characteristics of service quality and customer loyalty have a favorable link. Service quality, satisfaction, and company image have a direct and positive influence on loyalty, according to Makanyeza & Chikazhe (2017); satisfaction and corporate image mitigate the effect of service quality on loyalty. According to the literature, service quality has a direct impact on corporate performance and is linked to increased market share (Tan & Lim, 2012). According to Famiyeh et al. (2018), the characteristics of service quality, empathy, and mechanical dependability have a positive and significant association with customer loyalty; however, assurance, responsiveness, and physical form have no significant relationship with customer loyalty. Service quality aspects are a strong predictor of customer happiness and loyalty, according to a study by Izogo & Ogba (2015). Customer loyalty is influenced by service quality, according to studies (Al-Hawari, 2015). Customer loyalty is measured using five SERVQUAL model dimensions: tangibility, reliability, responsiveness, assurance, and empathy, where empathy is defined as an individual’s care and concern (Rodrigues et al., 2011). Many studies have found a strong link between greater service quality, intended marketing results, increased earnings, customer satisfaction, and customer loyalty (Abdullah, et al., 2011)

The following hypothesis can be made based on the given explanation:

H1: The higher the quality of service, the more customer loyalty will be
RESEARCH METHOD

This study employs a causal associative research method, which employs a quantitative approach to describe the causal relationship between the independent and dependent variables. It will be established that the factors analyzed have a substantial relationship (Sugiyono, 2014). Service quality and customer loyalty - the unit of analysis for individual pizza buyers - are included in the study object. Consumers who have purchased pizza make up the study's demographic. Purposive sampling was employed as a sample strategy. They used the Lemeshow algorithm to calculate the number of samples and got 100 responses. To be analyzed and to obtain results, all data collected in this study was sourced from primary data. Primary data, according to Sekaran & Bougie (2018), is information received directly from researchers on the variables of relevance for specific study purposes. Researchers gathered the basic data by distributing online questionnaires about service quality and how it affects customer loyalty. PLS-SEM was used to analyze the data. Customer loyalty can be measured. The Likert scale is used to examine how strongly the individual agrees or disagrees with statements on a seven-point scale ranging from strongly disagree to strongly agree, according to Sekaran & Bougie (2018), who used it to measure the variables in this investigation.

RESULTS AND DISCUSSION

Descriptive Analysis

The author has distributed a total of 100 questionnaires to 100 respondents. The questionnaire was distributed using a link created via a Google form.

<table>
<thead>
<tr>
<th>No</th>
<th>Statement</th>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gender</td>
<td>Male</td>
<td>34</td>
<td>34,0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>female</td>
<td>66</td>
<td>66,0%</td>
</tr>
<tr>
<td>2</td>
<td>Age</td>
<td>17-21</td>
<td>80</td>
<td>80,0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22-25</td>
<td>12</td>
<td>12,0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26-30</td>
<td>5</td>
<td>5,0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31-35</td>
<td>3</td>
<td>3,0%</td>
</tr>
</tbody>
</table>
Table 1 shows the collected data with a total of 100 respondents, it can be seen that more than 50% where the majority of respondents who filled out the questionnaire were women, 66% (66 respondents), and only 34% male (34 respondents). From Table 1, it can also be seen that the majority of respondents' age is 17–21 years, which is 80% (80 respondents). It can be seen in Table 1 that the majority of the frequency of visiting it or how often it is rarely is 39 respondents (39%). It can also be seen that the majority visit considerations because of taste as much as 52% (52 respondents). The majority of expenditures are in the price range of Rp. 50,000–Rp. 100,000 as many as 39 respondents (39%). The results showed that most respondents agreed with the K.L. 1 indicator, namely as many as 12 respondents (57.15%). It can be seen that the majority of respondents agree with the K.L. 2 indicator, namely as many as 12 respondents (57.15%). It can also be seen that the majority of respondents agree with the K.L. 3 indicator, namely as many as 12 respondents (57.15%). It can be seen that the majority of respondents agree with the K.L. 4 indicator as many as 13 respondents (62%). It can be seen that the majority of respondents agree with the K.L. 5 indicator as many as 12 respondents (57.15%). The results show that most respondents strongly agree with the CL1 indicator, as many as 40 respondents (40%). The majority of respondents agreed with the CL 2 indicator as many as 40 respondents (40%). It can also be seen that the majority of respondents agree with the CL 3 indicator, as many as 40 respondents (40%). It can be seen that the majority of respondents agree with the CL 4 indicator, as many as 38 respondents (38%). The majority of respondents strongly agree with the CL 5 indicator, as many as 35 respondents (35%).

<table>
<thead>
<tr>
<th>3 How often to buy pizza</th>
<th>Tidak Pernah</th>
<th>Jarang</th>
<th>Lumayan Sering</th>
<th>Sering</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7</td>
<td>39</td>
<td>34</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>7,0%</td>
<td>39,0%</td>
<td>34,0%</td>
<td>20,0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4 Consideration</th>
<th>Rasa</th>
<th>Harga</th>
<th>Pelayanan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>52</td>
<td>12</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>52,0%</td>
<td>12,0%</td>
<td>36,0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5 Expenses</th>
<th>&lt;Rp. 50,000</th>
<th>Rp. 50,000 - Rp. 100,000</th>
<th>Rp. 100,000 - Rp. 300,000</th>
<th>&gt;Rp. 300,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>39</td>
<td>38</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>4,0%</td>
<td>39,0%</td>
<td>38,0%</td>
<td>19,0%</td>
</tr>
</tbody>
</table>

Source: Data Processed Result (2021)
A latent variable can have strong reliability if the composite reliability value is greater than 0.7, according to Hair et al. (2019). The alpha value of Cronbach's is more than 0.7. According to Hair et al. (2019), each construct passes the convergent validity requirements with an AVE value of 0.5. Cronbach's alpha and composite reliability scores for all latent variables tested in this study are greater than 0.7, indicating that all latent variables are trustworthy. The square root AVE of each variable is greater than the correlation value across variables, demonstrating that all constructs meet the convergent validity condition. As a result, it's possible to say that this research passed the discriminant validity test.

Table 3. Reliability Test

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>0.834</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>0.850</td>
</tr>
</tbody>
</table>

Discriminant validity is assessed using the Fornell-Lacker criterion. The Fornell-Lacker criterion, according to Hair et al. (2014), compares the value of AVE's square root with the correlation between variables. Discriminant validity is achieved when the square root value of the AVE for each variable is greater than the correlation value between variables in the model.

Table 4. Fornel-Larcker criteria

<table>
<thead>
<tr>
<th>Variable</th>
<th>Service Quality</th>
<th>Customer Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>KL1, KL2, KL3, KL4, KL5</td>
<td>0.749, 0.766, 0.770, 0.747, 0.840</td>
<td>0.765, 0.791, 0.788, 0.829, 0.777</td>
</tr>
</tbody>
</table>

Note: AVE (Average Variance of Extracted, CR= Composite Reliability, *significant (one-tailed test, p<0.05)
Cross-loading of the indicator, the Fornell and Larcker criterion, and the Heterotrait-monotrait (HTMT) correlation ratio can all be used to assess discriminant validity. When it comes to cross-loading, the factor loading indicators on the assigned construct must be greater than all other loading indicators, with the factor loading cut-off value more than 0.70. Hair et al. (2011) and Hair et al. (2014) are two examples of this. If the HTMT is greater than 0.90 for conceptually related items, there is a problem with discriminant validity (Henseler et al., 2015).

**Evaluation of the Structural Model (Inner Model)**

The R-Squared (R²) test and the significance test using path coefficient estimates are used to evaluate the structural model in SEM with PLS. Hair et al. (2019) claim that criteria Multikolinearity > 10 is considered critical, 5-10 is considered likely, 3-5 is considered advised, and 3 is considered desirable. As a result, there is no problem with multicollinearity, and the independent variables are uncorrelated.

**R Squared (R²) Testing the Coefficient of Determination**

Output for R² value using smartPLS 3.0 computer program is obtained:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Service Quality</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>0.448</td>
<td>0.442</td>
</tr>
</tbody>
</table>

The R2-value is used to determine how much an independent latent variable influences the latent dependent variable. According to Hair et al. (2014), if the R2 value is greater than 0.75, it is considered substantial; if the R2 value is between 0.5-0.75, it is considered moderate; and if the R2 value is less than 0.5, it is considered weak. Customer loyalty has a R squared value of 0.448. This denotes that the model is rated as poor.
Significance Test

The significance test of the SEM model with PLS aims to analyze the effect of exogenous variables on endogenous variables. Hypothesis testing with the PLS-SEM method is carried out by performing a bootstrap process with the help of the PLS 3.0 smart computer program so that the relationship between the influence of exogenous variables on endogenous variables is as follows, according to Hair et al. (2019) $Q^2$ Prediction $> 0 – 0.25$ : small prediction, $0.25 – 0.50$ : medium prediction, $0.50$ : big prediction. The research model has a moderate predictive value because it has a $Q^2$ prediction value of 0.412.

Table 8. Q Squared Predict

<table>
<thead>
<tr>
<th>Construct</th>
<th>RMSE</th>
<th>MAE</th>
<th>Q2 Predict</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>0.804</td>
<td>0.612</td>
<td>0.412</td>
</tr>
</tbody>
</table>

Source: SmartPLS 3.0 Processing Results (2021)

Table 9. Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Beta</th>
<th>SE</th>
<th>T Statistics</th>
<th>P-Values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Service quality $\rightarrow$ customer loyalty</td>
<td>0.669</td>
<td>0.046</td>
<td>14.408</td>
<td>0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Source: SmartPLS 3.0 Processing Results (2021)

DISCUSSION

Customer loyalty is influenced by service quality, according to the findings of the study. In a more specific context, consumers will increase customer loyalty if they have the perception that Pizza Hut always provides the best service to consumers. The findings of the study come from the literature, which suggests that service quality has an impact on customer loyalty (Al-Hawari, 2015; Ladhari et al., 2011; Mahmood et al., 2018). Moreover, the results of the literature speculation confirm that customer personality traits might influence the relationship between quality and loyalty.

CONCLUSION

This study aims to contribute to a better understanding of consumer loyalty in the Indonesian fast-food restaurant business. The studies revealed that customer loyalty is largely determined by service quality. The research hypothesis testing revealed that at Pizza Hut Indonesia, service quality has a considerable or strong impact on customer loyalty. The study's findings are consistent with previous research (Mahmood et al., 2018). Pizza Hut Indonesia has a reasonably high level of customer loyalty. The findings of this study show that service quality has an impact on customer loyalty. Based on the conclusions drawn from the preceding, it can be stated that future researchers can expand this research by including more diverse and in-depth characteristics, such as customer satisfaction variables and servicescapes. Prices and the findings of this study can be expanded in the future, and the number of respondents will continue to rise. The study item is examined more thoroughly so that diverse outcomes can be
crisper and more detailed than previously and can be generalized. If the research is conducted in a comparable way, the outcomes of this study will be of little use to future scholars.

REFERENCES


Eid, R. (2015). Integrating Muslim customer perceived value, satisfaction, loyalty and retention


