

## FACTORS INFLUENCING GENERATION Z'S CUSTOMER LOYALTY IN FOREIGN FAST FOOD RESTAURANT IN BANDUNG

Ninda Yulia Dewi and Fitri Aprilianty

School of Business and Management, Institut Teknologi Bandung, Indonesia

Email: ninda.yulia@sbm.itb.ac.id

*Abstract.* In the recent years, the competition in foreign fast food industry has become more competitive and intense. The competition in result, drives fast food brand to gain competitive advantage. One of the main concern is customer loyalty, specifically the customer loyalty of younger generation which is a big portion for fast food brand customer segment. It become even more significant as the Generation Z put less commitment on fast food brand. As several studies implied that in an intense business competition, it is necessary to create and maintain customer loyalty. This research aims to identify the factors influencing customer loyalty among Generation Z customers in foreign fast food restaurant. The author has analyzed the relationship between related variables which adapted from previous research such as Service Quality, Food Quality, Price, Promotion, Customer Satisfaction, Acculturation on Global Consumer Culture, and Customer Loyalty. The required data were collected with a survey through an online questionnaire spread to 361 Generation Z fast food customers through social media. PLS-SEM is utilized for the analysis purpose of this research, due to the research objective to find out whether or not there is a relationship among the variables. The result of this research is mean to extend the knowledge of fast food brand marketers regarding the customer loyalty, in which the research found that Empathy, Reliability, Food Quality, Price, Promotion, and Cosmopolitanisms influenced Customer Loyalty in Generation Z foreign fast food customer.

*Keywords:* Customer Loyalty; Fast Food Restaurant; Customer Satisfaction; Acculturation on Global Consumer Culture

### INTRODUCTION

Along with the rise of foreign fast food restaurant growth rate, the competition is also increasing. The competition is tough and each brand started to worry about their share of the market. The foreign based brand especially is worried about the emerge of Indonesian based fast food restaurant (Financial Times, 2013). As the generation Z is continuously exposed towards globalization, the current generation crossed the global, social and socio-economical border like never before. Due to the current and future importance of Generation Z as purchasing powerhouse, it has clarified that all together for foreign fast food providers to remain their existence is to observe on what is needed to make Generation Z customer keep satisfied. This is to take advantage of Generation Z market opportunity and remain closely involved with them. Several past studies (Yen & Gwiner, 2003; Zulasmi, 2015; Fornell, 1996) have stated that customer satisfaction is highly important, this is due to the positive result of customer satisfaction towards customer loyalty, which leads to numerous advantages such as higher price tolerance, word of mouth marketing, and higher intention to purchase (Reichheld, 1996). All the more vitally, foreign fast food providers should recognize what creates this segment remain loyal to a brand and the specific factors that influence their loyalty. This research is intended to understand the factors affecting customer satisfaction of Generation Z customers in fast food restaurant and to identify the factors influencing customer loyalty among Generation Z customers in selecting fast food restaurant. Quantitative approach is implemented in this research in the form of questionnaire.

### LITERATURE REVIEW

**Service Quality:** Past researches has affirmed the significance of service quality in fast food joints and found out that the nature of service influences customer satisfaction significantly (Massey & Raduzzi, 2018; Nezakati et al, 2011). An inquiry on five famous fast food brands in the US, exhibiting that that service quality is profoundly corresponded with customer satisfaction and loyalty (Gilbert, 2004). There are five dimensions of Service Quality, those are Tangibility, Reliability, Assurance, Responsiveness, and Empathy.

**H1: Service Quality has significantly correlate with Customer Satisfaction.**

○ **Tangibility:** Tangibility is described as the degree to which physical facilities, employee appearance, and equipment used are sufficient. To secure improvement in quality of service, there is a need to stress on tangible assets (Nezakati et al, 2011).

**H1a: Tangibility has significantly correlate with Customer Satisfaction.**

○ **Reliability:** As indicated by Amstrong (2012) capacity to present the guaranteed service constantly and decisively is known as reliability. It is seen that to have reliability is a fundamental quality to have, especially in the fast food industry.

**H1b: Reliability has significantly correlate with Customer Satisfaction.**

○ **Assurance:** Assurance is portrayed as the degree to which providers of service are capable, amiable, and ready to exhibit trust and assurance (Parasuraman et al, 1991). It suggests that fast food restaurant has employees that are polite, well informed and hospitable and furthermore giving off a sense of security when performing monetary transaction with customer.

**H1c: Assurance** has significantly correlate with **Customer Satisfaction**.

○ **Responsiveness:** Responsiveness is referred as the degree to which a service company are eager to oblige customers and give convenient service. Performing service in a convenient way is exceedingly valued by clients. If the staffs are eager to help their clients when needed, it could lead to customer satisfaction (Zulamsi, 2015).

**H1d: Responsiveness** has significantly correlate with **Customer Satisfaction**.

○ **Empathy:** Empathy is described as the action when service provider offers caring and individualized treatment towards the customer (Parasuraman et al, 1991). Gilbert (2004) advised service firms to comprehend the circumstance from customer's point of view in order to obtain an unmistakable picture of what is really occurring.

**H1e: Empathy** has significantly correlate with **Customer Satisfaction**.

**Food Quality:** The connection between food quality and customer satisfaction in the fast food industry is ended up being one of the key success (Zulamsi, 2015). A few parts of food quality exist, including, fresh ingredients, taste, consistency of quality, and appearance (Shaharudin et al, 2011). Food quality is one the most essential credits that prompts customer satisfaction which lead to customer loyalty (Singh & Sirdeshmukh, 2000).

**H2: Food Quality** has significantly correlate with **Customer Satisfaction**.

**Price:** Price is one of essential variable in the industry of fast food. Value is determined by the perception of customer, which is characterized as price and quality. The aftereffects of research directed on more than 100 eateries found that price was profoundly associated with satisfaction (Andaleeb & Conway, 2006).

**H3: Price** has significantly correlate with **Customer Satisfaction**.

**Promotion:** To improve marketing activities in terms of marketing goods and or services of a company, it is not enough to only develop products, use fixed channels of distribution and price channels, but also be supported by promotional activities (Kotler, 2000). In perspective on Ghezlbash & Khodadadi (2017), promotion has the intervention impact of on advancing loyalty, in which it creates a satisfaction on the customer side precedently.

**H4: Promotion** has significantly correlate with **Customer Satisfaction**.

**Customer Satisfaction:** Customer satisfaction is known as an individual's feeling of pleasure which retrieved from a comparison of product or service perception and expectation (Kotler & Keller, 2006). Customer satisfaction play a vital role for business, in such a case that a customer feel fulfilled with certain product or service, then its position will be great in the market.

**H5: Customer satisfaction** has significantly correlate with **Customer Loyalty**.

**Acculturation on Global Consumer Culture:** Cleveland (2006) stated that the phenomena of globalization, as confirm and bolstered by various trade and initiative internationally, influences the behavior and value of individual, it also affects people behavior in activities related to consumption. Previous researches have come to conclusion that there is a connection between global consumer culture and customer loyalty (Li et al, 2002; Amarullah & Ashari, 2014; Ramadhani, 2015). The AGCC itself consist of Exposure to Marketing Activities of Multinational Companies, Cosmopolitanisms, and Self Identification with Global Consumer Culture.

**H6: Acculturation on Global Consumer Culture** directly influences **Customer Loyalty**.

○ **Exposure to Marketing Activities of Multinational Companies:** Effort of marketing in the terms of advertisement has become a significant role in to compose a symbol of global consumption ever since the invention of mass media. Li et al (2002) stated that positive demeanor should arise from the ingenious promotional efforts, and in result, would generate loyalty of customer towards the publicized brand.

**H6a: Exposure to Marketing Activities of Multinational Companies** has significantly correlate with.

○ **Cosmopolitanisms:** Cosmopolitanisms is about receptiveness to different culture and contrasts between societies. In the event that the cosmopolitan customer sees the international brands as having more prominent quality, subsequently they will see international brands to have higher worth (Carpenter et al, 2012). In this way, Cosmopolitanism customer tends to be more inclined to buy foreign product as opposed to local product, in this way expanding their loyalty toward global brands (Riefler et al, 2012).

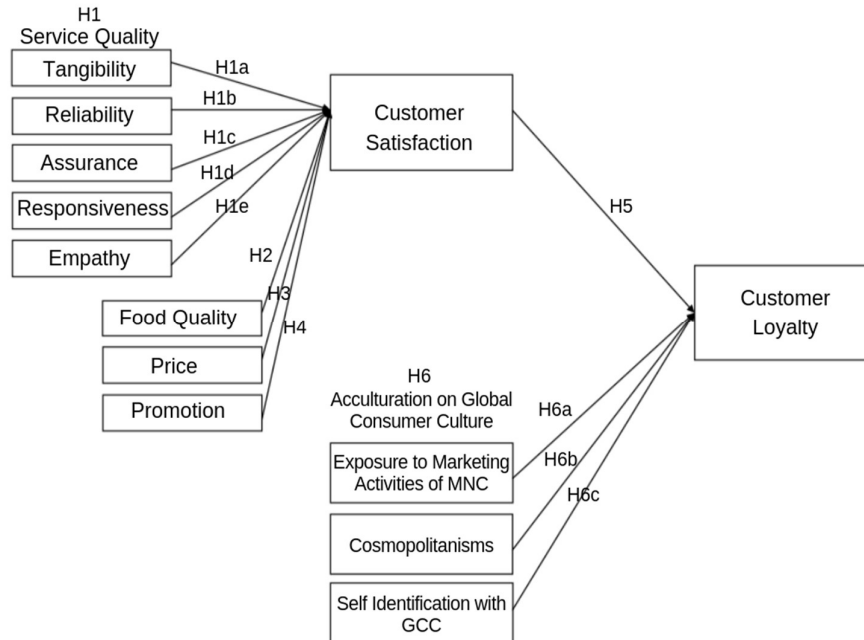
**H6b: Cosmopolitanisms** has directly influence customer loyalty.

○ **Self Identification with Global Consumer Culture:** Cleveland & Laroche (2007) proposed that in the notion of global consumer, a cosmopolitanism individual would be likely to self-identify with the culture of global consumer. they felt that worldwide brands have higher quality, higher status, progressively creative, more and increasingly alluring (Cleveland, 2006). These encouraging mindsets are expected to conveys the positive effect to their loyalty toward worldwide brands

**H6c: Self Identification with Global Consumer Culture** has directly influence customer loyalty.

**Customer Loyalty:** Customer loyalty is a commitment of customer towards a brand or brand's product/service (Dick & Basu, 1994). It represents a vital foundation to build sustainable competitive advantage, which can be realized through the attempt of marketing (Kotler, 2000).

## Research Framework



## METHODOLOGY

This research implemented quantitative approach, quantitative research analysis is an examination technique that seek after to inform the information and, normally, actualizes some type of factual investigation (Creswell & Clark, 2007). For the quantitative approach, the author utilized survey method with questionnaire as its tool. The sample size for this research is about 360 respondents, it refers to the study of Malhotra (2010) in which he stated in the purpose of testing marketing study, 200 is the minimum sample size needed, while the typical range is around 300-500 sample size. The questionnaire then spread through social media (Instagram & Line) as the Generation Z is constantly exposed to online activities. The data collected is analysed using PLS-SEM (Partial Least Square Structural Equation Modeling). Partial least square is a multivariate statistical technique that can handle many response variables and explanatory variables at once. This analysis is a good alternative for the method of multiple regression analysis and main component regression, because this method is more robust or immune (Wong, 2013).

## FINDINGS AND ARGUMENT

### Survey Findings

	P Values	Result
Assurance -> Customer Satisfaction	0.569	Rejected
Cosmopolitanisms -> Customer Loyalty	0.029	Accepted
Customer Satisfaction -> Customer Loyalty	0.000	Accepted
Empathy -> Customer Satisfaction	0.028	Accepted
Exposure to Marketing -> Customer Loyalty	0.908	Rejected
Food Quality -> Customer Satisfaction	0.000	Accepted
Price -> Customer Satisfaction	0.000	Accepted
Promotion -> Customer Satisfaction	0.112	Rejected
Reliability -> Customer Satisfaction	0.001	Accepted
Responsiveness -> Customer Satisfaction	0.299	Rejected
Self Identification -> Customer Loyalty	0.000	Accepted
Tangible -> Customer Satisfaction	0.972	Rejected

The first relationship to discuss in this model is the relationship between Service Quality and Customer Satisfaction. Based on the calculation, two hypotheses are accepted, those are H1b and H1e, while for the rest H1a, H1c, and H1d are rejected. Empathy and Reliability are the accepted variables in which influence customer satisfaction, for Empathy it is due to the fast food restaurant offered many convenience qualities for the customer, such as location and open hours, in which the fast food restaurant can be

easily found and it opens from early until late at night, there are even several branches which opens 24 hours, this is in line with the study of Zulamsi (2015). For Reliability, it is because for foreign fast food restaurant, there is the standard operational procedure for every branch to ensure the consistency of what they try to deliver, for example for the food ingredients they supply the ingredients needed to every branch. The result is also in line with the study of Zulamsi (2015). However, for the Tangibility, Assurance, and Responsiveness is not really influencing the satisfaction of the customer. As for tangibility, most of the customer come to fast food restaurant in a hurry and need an on the go meal, hence they do not really consider the tangible aspects and more focus on the convenience aspect. For assurance and responsiveness, it is related to the employee of the fast food restaurant, the mechanism in fast food restaurant did not necessarily makes the customer and staff interact as much as regular restaurant, because the customer usually sees only the staff while ordering, hence this could be the reason for that. This is in accordance with a past research of Meesala & Paul (2016) since not all the Service Quality measurements similarly influence the satisfaction of customer. The second relationship to discuss is the relationship between Food Quality, Price, Promotion and Customer Satisfaction. From the calculation, H2 and H3 are accepted and H3 is rejected. For food quality, because the main product of fast food restaurant is its food, hence the customer comes to the restaurant expecting fresh, well-cooked, and appetizing meal, the result is in line with the study of Massey & Raduzzi (2018). As for Price, it is important for the customer, most importantly for younger customer because they want to purchase a meal that with worth value for the price, this is in accordance with the study of Khan (2011). Promotion is not considered to influence customer satisfaction, this has the opposite result with the study of Huang et al (2014) due to its limitation on price promotion only. The next relationship to discuss is the relationship between Customer Satisfaction and Customer Loyalty. The H5 is accepted, it means that customer satisfaction influence customer loyalty. This is in accordance with the past studies of Zulamsi (2015), Chiguvu & Guruwo (2105), and Awan (2014). The last relationship to discuss is the relationship between Acculturation on Global Consumer Culture (Exposure to Marketing Activities of Multinational Companies, Cosmopolitanism, and Self Identification to Global Consumer Culture) to Customer Loyalty. From the calculation, H6b and H6c are accepted while H6a is rejected. As for Cosmopolitanisms and Self Identification to Global Consumer Culture are related to the preference and lifestyle of the customer, as Generation Z is constantly exposed to globalization it makes them have certain lifestyle that is more accepting towards foreign materials, it is in accordance with the studies of Li et al. (2002), Amarullah & Ashari (2014), and Ramadhani (2015). Whereas for Exposure to Marketing Activities of Multinational Companies is not considered to influence customer loyalty, this is because the marketing activities such as advertising may make customer interested to purchase the product however it did not necessarily make them committed to certain brand. This result is the opposite of Ramadhani's (2015) finding, this may occur because the different object of the research, in which it was focused on foreign video game which is more significantly noticeable in terms of MNC marketing activities.

## CONCLUSIONS

The result of reviewing past research stated that Customer Satisfaction and Acculturation on Global Consumer Culture are few of the factors which influence Customer Loyalty. After further analysis and calculation, it can be concluded that Customer Satisfaction in terms of Empathy, Reliability, Food Quality, and Price, and also Acculturation on Global Consumer Culture in terms of Cosmopolitanisms and Self Identification with Global Consumer Culture have influence on Customer Loyalty of Generation Z foreign fast food customer. This research shows that Customer Satisfaction and Acculturation on Global Consumer Culture significantly influence Customer Loyalty of Generation Z foreign fast food customer. While for the Acculturation on Global Consumer Culture aspects rely more on the behaviour of the customer, the Customer Satisfaction is one aspect in which can be more maximized by the manager of foreign fast food brand. This means that in order to make the customer commit towards a brand, the customer have to be satisfied with the product and service of said brand. Therefore, it is important to create and maintain Customer Satisfaction to make them loyal. This study gives some recommendations to foreign fast food management that could be useful to develop and maintain long lasting relationship with generation Z customers as well as sustainable growth in competitive market.

1. Technology Adaptation, according to Merriman (2015) being born in the era when technology is constantly developing push Generation Z to experienced the latest innovation in every aspect of their life, this is also related to one of the dimension of Acculturation to Global Consumer Culture, which is Self Identification with Global Consumer Culture. The Generation Z wants to keep up with the latest technology invented. That being said, adapting latest technology may help with the loyalty of Generation Z. Multiple studies stated (Merriman, 2015, Valerio, 2015) that Generation Z enjoy the convenience of ordering through tablet or automatic machine in fast food restaurant, in many foreign countries this system is already implemented as well. Moreover, nowadays the payment system can be as easily be done by using mobile phone, this is also completing the needs for convenience which is an important quality for Generation Z;

2. Variety of Food Menu, Generation Z is also known as more exposed to other culture and cuisine, this in turn makes them more adventurous in terms of food choices (Cleveland, 2006), this point is also proven by the result of this research. This is related with the Acculturation on Global Consumer Culture dimension, Cosmopolitanisms. Trying new type of food is exciting and therefore

may increase their satisfaction in foreign fast food restaurant (Upson, 2018). From this point, foreign fast food restaurant may come up with the idea to provide a new variety of food to be served.;

3.E-WOM (Word of Mouth), social media is one of the daily chores of Generation Z, from the moment they open their eyes until they return to bed, they are generally engage with social media (Merriman, 2015). Generation Z pay attention to the food and the experience, thus foreign fast food restaurants should be sure to make their dining experience worthwhile (Valerio, 2015). Some portion of that is utilizing a dynamic, engaging campaign in social media to get Generation Z's attention. This generation like to share their experience through the simplicity of social media. It is also proven through this research that social media and word of mouth is an important source of information for this generation.;

4. Student Pricing, Merriman (2015) has stated that the Generation Z is more cost conscious compared to other generation, not to mention that mostly the people around this age only able to generate little income. From this research, it is found that Price is actually one of the variable that affected Customer Satisfaction which in turn influence Customer Loyalty. Hence, it is necessary for fast food business practitioner to evaluate from this aspect. The author recommends fast food restaurant to provide meal that is intended for Generation Z purchasing power. This can be done through serving special menu for student, for example a set menu for student with lower price, the student then can show their student card or identity for a confirmation.

## REFERENCES

- Amarullah, S & Ashari, R. (2014) 'The Influence of Global Consumer Culture Toward Social Media User's Attitude and Loyalty For Music Video of International Artists In Youtube', *2014 Korean Scholars of Marketing Science International Conference*.
- Amstrong, K. (2012) 'Principles of Marketing, 14th Edition', *Pearson Education Inc*, New Jersey.
- Andaleeb, S.S. and Conway, C. (2006) 'Customer satisfaction in the restaurant industry:an examination of the transaction-specific model', *The Journal of Services Marketing*, Vol. 20 No. 1, pp. 3-11.
- Carpenter, J., Moore, M., Doherty, A. M., & Alexander, N. (2012), 'Acculturation to the global consumer culture: a generational cohort comparison'. *Journal of Strategic Marketing*, Vol. 20, No.5, pp. 411-423.
- Cleveland, M. (2006) 'The local, the global, and the Creole: ethnic identification, acculturation to global consumer culture, and consumptionscapes', *Doctoral dissertation, Concordia University*.
- Cleveland, M., & Laroche, J. (2007) 'Acculturation to the global consumer culture: Scale development and research paradigm', *Journal of Business Research*, Vol.60, pp. 249-259.
- Creswell, J. W. and Plano Clark, V. L. (2007) 'Designing and Conducting Mixed Methods Research', *Sage Publications*, London.
- Dick, S.A. and Basu, K. (1994), 'Customer loyalty: toward an integrated conceptual framework', *Journal Academic Marketing Science*. 22 (2), pp. 99-113
- Ghezelbash, S., and Khodadadi, H. (2017) 'Evaluating The Impact of Promotion Price, Product Quality, Service Quality, Customer Satisfaction and Repeating Purchase Incentives (Case Study: Amiran Chain Stores)', *Journal of Internet Banking and Commerce*, Vol. 22, No 8, pp. 1-17.
- Gilbert, G. R., Veloutsou, C., Goode, M. M., & Moutinho, L. (2004) 'Measuring customer satisfaction in the fast food industry: a cross-national approach', *Journal of Services Marketing*, Vol.18, No. 5, pp. 371-383.
- Kotler, P. (2000) 'Marketing Management, Millenium Edition', *Marketing Management*, 23(6), 188-193.
- Kotler, P. and Keller, K. (2006) 'Marketing Management: twelfth edition', *Prentice-Hal*.
- Li, H., Daugherty, T., & Biocca, F. (2002) 'Impact of 3-D advertising on product knowledge, brand attitude, and purchase intention:the mediating role of presence', *Journal of Advertising*, Vol. 31, No.3, pp. 43-57.
- Malhotra, N. K. (2010). *Marketing Research: An Applied Orientation 6th Edition*. London: *Pearson*.
- Massey, J. E. and Raduzzi, A. (2018) 'Customer Satisfaction & Brand Loyalty in the Fast Food Industry', *International Research Symposium in Service Management*.
- Meesala, A., & Paul, J. (2016). 'Service Quality, Consumer Satisfaction, and Loyalty in Hospitals: Thinking for The Future', *Journal of Retailing and Consumer Services*, Vol.40, pp. 261-269.
- Merriman, M., 2015, *What if the next big disruptor isn't a what but a who? A new generation with unique experiences, beliefs and behaviors*.
- Nezakati, H., Omid, A., Lee Kuan, Y. (2011) 'Factors Influencing Customer Loyalty Towards Fast Food Restaurant', *International Research Symposium in Service Management*.
- Parasuraman, A., Berry, L. L., Zeithaml, V. A. (1991) 'Understanding Customer Expectations of Service', *Sloan Management Review*, Vol. 32(3)
- Ramadhani, S. A. (2015) "The Effect of Global Consumer Culture and Personality on Indonesian Video Gamer's Behavior", M.Sc Thesis, Institut Teknologi Bandung, Bandung.
- Reichheld, F.F. (1996) 'The Loyalty Effect', *Harvard Business School Press*, Boston.
- Shaharudin, M. R., Mansor, S. W., & Elias, S. J. (2011) 'Food quality attributes among Malaysia's fast food customer', *Journal of International Business and Management*, Vol. 2, No.1, pp. 198-208.
- Singh, J. and Sirdeshmukh, D. (2000) 'Agency and Trust Mechanisms in Consumer Satisfaction and Loyalty Judgments', *Journal of*

*the Academy of Marketing Science*, 28, 150-167.

Upson, M., 2018, Impact of Gen Z on the Restaurant Industry, *Consolidated Concepts*, Retrieved on 20 March 2019 from <http://www.emerging.com/wp-content/uploads/2018/02/Impact-of-Gen-Z-on-the-Restaurant-Industry.pdf>

Valerio, D., 2015, Redefining loyalty for retail, *Ernst and Young*, June 17, Retrieved on 22 March, 2019 from [https://www.ey.com/Publication/vwLUAssets/EY-americas-retail-report-june-2015/\\$FILE/EY-americas-retail-report-june-2015.pdf](https://www.ey.com/Publication/vwLUAssets/EY-americas-retail-report-june-2015/$FILE/EY-americas-retail-report-june-2015.pdf)

Wong, K. (2013) 'Partial Least Squares Structural Equation Modeling (PLS-SEM) Techniques Using SmartPLS'. *Marketing Bulletin*, Vol. 24.

Zulamsi, R. A. (2015) 'Customer Satisfaction Influence towards Customer Loyalty: Evidence from Fast Food