

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Problem

The coffee industry in Indonesia has undergone remarkable transformation over the past decade, evolving beyond an export commodity to become an integral part of urban lifestyle. This development has entered a new phase where generational differentiation emerges as a critical factor, particularly in understanding the consumer behavior of Millennials and Gen Z who dominate the market. Coffee shops have transformed from mere beverage outlets into multifunctional social hubs where people gather, work, or simply relax. This trend is driven by growing interest in specialty coffee variants like single-origin coffee, cold brew, and latte art, along with the burgeoning café culture among younger generations (Taufik et al., 2022). Notably, Millennials demonstrate strong preferences for coffee bean quality and ethical values, while Gen Z shows greater interest in flavor innovation and Instagram-worthy experiences. Furthermore, this growth is fueled by increasing consumer awareness of coffee quality and unique flavor profiles, pushing coffee shops to compete in offering distinctive customer experiences.

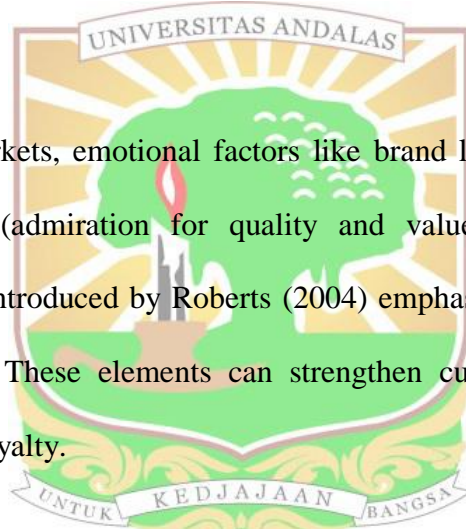
As one of the world's largest coffee producers, Indonesia's coffee market is intensely competitive. A key industry challenge is the alarming 68% brand switching rate among Gen Z consumers (Snapcart.Global, 2023), revealing fragile customer loyalty. The proliferation of both local and international coffee chains like Starbucks, Kopi Kenangan, and Fore Coffee has intensified competition. Today's consumers are

more selective, choosing establishments that offer not just quality beverages but also comfortable ambiance, friendly service, and affordable pricing. More crucially, divergent generational expectations create new complexities in marketing strategies. This dynamic compels businesses to continuously innovate in creating added value through products, services, and overall customer experience.

House of Musi, as our research subject, faces dual challenges: building loyalty in a saturated market while addressing generational differences. This coffee shop offers a unique "coffeethery" concept blending premium coffee with a cozy, modern atmosphere. However, its 32% revenue decline during the first four months of operation underscores the urgency to understand loyalty-building factors amid generational variations. This study will examine the role of lovemarks (brand love and brand respect) as key moderators in developing sustainable loyalty.

The growth phase represents a critical period for any business, including House of Musi. During this stage, companies must demonstrate innovation and adaptability to achieve business maturity. This transition is particularly relevant for enterprises progressing from the Existence Stage to Stage II. While the Existence Stage focuses primarily on survival with owner-centric operations, growth-phase companies must develop structured systems, enhance product capabilities, and expand their market reach. Innovation and adaptation become crucial for overcoming market challenges and achieving sustainable growth that leads to business maturity. Without these capabilities, businesses risk stagnation or failure, as evidenced by many companies unable to progress beyond the Existence Stage.

Customer loyalty remains paramount in the coffee shop industry, where loyal customers not only make repeat purchases but also serve as brand advocates through word-of-mouth and social media. Established drivers of loyalty include brand image, customer satisfaction, and brand trust. A strong brand image creates positive consumer perceptions, while satisfaction ensures experiences meet or exceed expectations. Brand trust, meanwhile, provides customers with security and comfort in their brand choice.



In saturated markets, emotional factors like brand love (emotional attachment) and brand respect (admiration for quality and values) gain significance. The lovemarks concept introduced by Roberts (2004) emphasizes emotional connections as loyalty builders. These elements can strengthen customer-brand relationships, thereby enhancing loyalty.

For House of Musi, cultivating a distinctive brand image through its "coffeethery" concept offers competitive differentiation. However, maintaining consistent image execution across all customer touchpoints presents an ongoing challenge. Customer satisfaction, built through consistent quality, friendly service, and welcoming atmosphere, forms the foundation for loyalty. The observed revenue decline suggests potential satisfaction issues requiring attention.

Trust, established through product consistency, transparent processes, and value commitment, enables long-term customer relationships. For House of Musi, fostering

trust across all experience aspects is essential for developing the ultimate goal of brand loyalty. This loyalty manifests through repeat business and active brand promotion, requiring not just product quality but memorable experiences and emotional bonds.

The potential transition from brand love to brand respect could further solidify House of Musi's market position through demonstrated commitments to coffee excellence, sustainability, or community involvement. These interconnected elements - brand image, satisfaction, trust, loyalty, love, and respect - form a reinforcing cycle that strengthens market position.

While existing research has explored relationships between brand image, satisfaction, trust, and loyalty, studies incorporating brand love and respect as moderators remain limited, particularly for local Indonesian coffee shops. Most prior research focuses on global brands or international markets, limiting relevance to local dynamics. This study aims to address that gap through House of Musi as a case study.

The research seeks to analyze how brand image, satisfaction, and trust influence customer loyalty at House of Musi, with brand love and respect as moderators. Findings should deepen understanding of loyalty formation mechanisms in local coffee shop contexts while identifying strategies to enhance loyalty and maintain competitiveness.

Academically, this study should enrich loyalty literature by incorporating lovemarks as moderators. Practically, it should guide House of Musi in developing

effective marketing strategies that leverage emotional connections to boost loyalty and competitiveness.

Developing optimal value propositions requires aligning internal stakeholder values with external customer priorities. In coffee shops, customers evaluate value through quality, ambiance, and fair pricing combinations. Strong value propositions create competitive advantages by reconfiguring experiences to match customer needs and preferences.

Coffee shop managers must understand customer perspectives, solicit feedback, and choose appropriate strategies - whether offering low-cost generic products or differentiated experiences for specific segments. Consistent value proposition implementation across locations maintains loyalty and strengthens market position.

However, emotional factors significantly influence loyalty. The lovemarks concept offers fresh insights into emotional customer-brand bonds. As moderators, lovemarks could strengthen relationships between brand image, satisfaction, trust, and loyalty at House of Musi.

Unfortunately, research examining these relationships with lovemarks as moderators remains scarce, especially for local F&B businesses like House of Musi. Most previous studies focus on global brands or international markets, creating a knowledge gap. This study aims to analyze these relationships while considering lovemarks' moderating effects.

The research should academically contribute to local F&B loyalty literature while providing House of Musi with strategic guidance for developing effective marketing strategies to enhance customer loyalty and market competitiveness.

### **1.2.Research Questions**

1. What is the effect of Brand Image on Customer Satisfaction at House of Musi?
2. What is the effect of Brand Image on Brand Trust at House of Musi?
3. What is the effect of Customer Satisfaction on Brand Trust at House of Musi?
4. What is the effect of Customer Satisfaction on Brand Loyalty at House of Musi?
5. What is the effect of Brand Trust on Brand loyalty at House of Musi ?
6. How does Brand love and Brand Respect Moderating the relationship between brand image and customer loyalty at House of Musi?
7. How does Brand Love and Brand Respect Moderating the relationship between customer satisfaction and Brand loyalty at House of Musi?
8. How does Brand Love and Brand Respect Moderating the relationship between brand trust and Brand loyalty at House of Musi?

### **1.3.Research Purposes**

1. To evaluate the effect of brand image on customer loyalty at House of Musi.
2. To evaluate effect of brand image on brand trust at House of Musi
3. To evaluate effect of customer loyalty on brand trust at House of Musi
4. To evaluate effect of customer loyalty on brand loyalty at House of Musi



5. To evaluate effect of brand trust on brand loyalty at House of Musi
6. To determine the moderating effect of Brand Love and Brand Respect on the relationship between brand Trust and brand loyalty at House of Musi.
7. To assess the moderating effect of Brand Love and Brand Respect on the relationship between customer satisfaction and brand loyalty at House of Musi.
8. To assess the moderating effect of Brand Love and Brand Respect on the relationship between brand trust and brand loyalty at House of Musi.

#### **1.4.Benefit of Research**

##### **1.4.1. Theoretical Contribution.**

1. This study will contribute to the existing body of knowledge by exploring combined The Influence of Brand Image, Satisfaction, and Brand Trust on Customer Loyalty at House of Musi with Brand Love and Brand Respect as Moderating Variables. It will provide a deeper understanding of how these factors interact and influence a business's ability to thrive in competitive environments.
2. The research contributes academic references regarding the adoption of marketing strategies in the growth phase in small and medium enterprises (SMEs) in the food and beverage sector.
3. The study supports the development of conceptual models relevant for evaluating The Influence of Brand Image, Satisfaction, and Brand Trust on

Customer Loyalty at House of Musi with Brand Love and Brand Respect as Moderating Variables.

#### **1.4.2. Practical Contribution**

1. Insights for Business Strategy Development: The findings of this study will provide House of Musi with valuable insights into how The Influence of Brand Image, Satisfaction, and Brand Trust on Customer Loyalty at House of Musi with Brand Love and Brand Respect as a Moderating Variables can be leveraged to enhance consumer experience during the growth phase. This will help in refining the company's overall business strategy and marketing tactics.
2. Guidance for Future Marketing Campaigns: The research will provide practical recommendations for designing more effective marketing campaigns by identifying the most impactful strategies and tactics that resonate with consumers in the growth phase.
3. Contribution to Academic Literature: This study will contribute to the academic field of marketing and consumer behavior by providing new insights into the role of Brand Image, Satisfaction, and Brand Trust on Customer Loyalty and Brand Love and Brand Respect particularly in the context of businesses during their growth phase.
4. Strategic Decision-Making for Business Expansion: For entrepreneurs and managers, the research will offer strategic insights into the factors that



drive consumer decisions, helping them make informed decisions as they scale their businesses and navigate the challenges of growth.

## **1.5. Scope of Research**

### **1.5.1. Research Location**

This research focuses on House of Musi Coffeeshop, located in Padang, West Sumatra. The location was chosen due to its relevance to the implementation of The Influence of Brand Image, Satisfaction, and Brand Trust on Brand Loyalty at House of Musi with Brand love and Brand Respect as a Moderating Variables.

### **1.5.2. Topic and Research Focus**

The primary focus of this research is to analyzing The Influence of Brand Image, Satisfaction, and Brand Trust on Brand Loyalty at House of Musi with Brand love and Brand Respect and as Moderating Variables

## **1.6. Thesis Structure**

This research process is composed five parts systematically as follows:

### **Chapter I: Introduction**

This section introduces the background of the study, explaining the reasons for selecting the topic and its relevance to the challenges faced by House of Musi Coffeeshop. The primary focus is Influence of Brand Image, Satisfaction, and Brand Trust on Brand Loyalty at House of Musi with Brand love and Brand Respect as a Moderating Variables. It also outlines the research questions and objectives. The expected outcome of this section is to provide a clear

understanding of the study's context and guide readers toward the central issues being analyzed.

## **Chapter II: Literature Review**

This chapter provides the theoretical foundation for the study, including concepts related to Influence of Brand Image, Satisfaction, and Brand Trust on Brand Loyalty at House of Musi with Brand love and Brand Respect as a Moderating Variables. It reviews prior studies to identify knowledge gaps and explain how this research addresses them. By examining theories and past findings, this section establishes a conceptual framework for the study. The expected result is a deeper understanding of the connection between customer loyalty and the key variables of the research.

## **Chapter III: Research Methodology**

This section describes the research design and methods utilized to collect and analyze data. A quantitative approach is adopted to examine Influence of Brand Image, Satisfaction, and Brand Trust on Customer Loyalty at House of Musi with Brand Love and Brand Respect as Moderating Data is gathered through structured questionnaires distributed to customers of House of Musi Coffeeshop. The questionnaire includes scaled items to measure perceptions of product consistency, customer satisfaction, and the effectiveness of technological innovations.

The collected data is processed and analyzed using SmartPLS software. Statistical tests, including descriptive analysis, correlation, and regression analysis, are employed to identify relationships and measure the influence of

technological innovations on the identified variables. The goal of this section is to provide a systematic and measurable analysis that delivers accurate insights into the research questions and objectives.

#### **Chapter IV : Research Result**

This section presents the findings derived from the collected data. The results from interviews, observations, or other analyses are organized to address the research questions. It focuses on demonstrating how impact of Brand Image, Satisfaction, and Brand Trust on Customer Loyalty at House of Musi with Brand Love and Brand Respect as a Moderatoras well as highlighting challenges encountered during their implementation. The intended outcome is valid and relevant data that supports analysis and interpretation, helping answer the research objectives.

#### **Chapter V : Conclusion**

This section summarizes the key findings of the study and ties them back to the original objectives. It provides a final assessment The Influence of Brand Image, Satisfaction, and Brand Trust on Customer Loyalty at House of Musi with Brand Love and Brand Respect as a Moderatorit offers practical recommendations for business practitioners and suggestions for future research. The ultimate goal is to deliver strategic insights beneficial for the management of House of Musi and contribute to the broader academic literature on this topic.