

# CHAPTER 1

## INTRODUCTION

### 1.1. Background

Carl's Jr. is a fast food restaurant that sells burger as their main product since 1917 in the United States. The brand continues its growth with an emphasis on quality, service and cleanliness, pioneering concepts such as partial table service and self-serve beverage bars. The introduction of the signature Six Dollar Burger™ in 2001 marked the latest Carl's Jr. advance in the quick-service industry, confirming the chain's constant emphasis on product innovation and representing a desire to satisfy the tastes of young, hungry consumers. Carl's Jr. has become well-known as the place to go all across the West for juicy, delicious charbroiled burgers.

On their first opening in Surabaya, it was very crowd, many young consumers are definitely attracted to try their burger. Because their burger is definitely different with burgers that served by other fast food restaurant in Surabaya like KFC and McDonald. Their signature burger is bigger than other burger served by fast food restaurant, it looks delicious and served with various combination of taste and topping. So they began to open another brand and grows quite successfully in Surabaya.

Carl's Jr. grows quite fast in Surabaya, their brand image is already well known in Surabaya as the tastiest burger. In order to compete successfully in this situation, Carl's Jr. needs to develop

critical promotion strategies such as their Friday promotion. For Friday promotion, consumers may get buy 1 get 1 burger. The aim of such strategies is not only to beat the competitors and retain the customers; it also triggers the new customers by offering the attractive packages. There is no doubt that the main objective of every company is to generate the certain level of sales that may create profit to continue the business activities.

It has been well known that customer perceived service quality and customer loyalty have been the most important success factors of business competition (Zeithaml, 1996 in Rizka and Widji, 2013). Also Zeithaml (1996) in Rizka and Widji (2013) argues that customer loyalty is related to a service provider's ability to maintain its customers' loyalty and persuade them to recommend its services to potential customers. Loyalty of customers, employees and partners are so interconnected that understanding and managing (Dymshits, 2007 in Kiseleva et al, 2016) in one aspect, require understanding and management of the other two. The philosophy of loyalty is to create value, rather than making a profit (Kiseleva et al., 2016). Bruhn (2009) argues in Toedt (2014) that loyalty requires a positive attitude of the consumer towards a company and its services; retention, on the other side, can also exist with a negative attitude towards a company.

To reach customer loyalty, we need to reach the customer satisfaction first. High customer satisfaction has many benefits for the firm, such as increased customer loyalty, enhanced firm reputation, reduced price elasticity, lower costs of future transactions, and higher

employee efficiency (Anderson et al., 1994 in Chin, 2010). Customer satisfaction is one of the primary goals of marketing activities and may lead to increased purchases and repurchases by customers and hence increased profits to a firm (Pride and Ferrell, 1989 in Chin, 2010). Customer satisfaction has long been recognized in marketing thought and practice as a central concept as well as an important goal of all business activities (Anderson et al., 1994 in Chin, 2010). According to Boone and Kurtz (2013) in Kutol and Juma (2016), customer satisfaction is the extent to which customers are satisfied with their purchased goods and services. So, this creates a challenge of maintaining high levels of service, awareness of consumer expectations and improvement in service and products offered (Pizam et al., 1991 in Kleinhans et al., 2016).

Brand loyal consumers may be willing to pay more for a brand (Jacoby and Chestnut 1998; Pessemier 1959; Reicheld 1996 in Zehir et al., 2011). This uniqueness may derive from brand communication, service quality, brand trust, and loyalty when customers interact and use the brand. Similarly, brand loyalty leads to greater market share when the same brand is repeatedly purchased by loyal consumers (Assael, 1998 in Zehir et al., 2011). In summary, superior brand performance and customer brand relationship construct brand trust and loyalty through brand communication and service quality. This loyalty, in turn, may be determined by trust, communication, and service quality of the brand.

Further, this research analyzes why people more preferably choose Carl's Jr. instead of other burgers served by fastfood restaurant. Whether service quality and product quality has significant influence towards customer satisfaction and brand loyalty, for Carls's Jr. in Surabaya.

## **1.2. Research Question**

Due to the background above, therefore, some research question that can be stated as follows:

1. Does the service quality influence the customer satisfaction on Carl's Jr. in Surabaya?
2. Does the product quality influence the customer satisfaction on Carl's Jr. in Surabaya?
3. Does the customer satisfaction influence the customer loyalty on Carl's Jr. in Surabaya?
4. Does the service quality influence the customer loyalty through customer satisfaction on Carl's Jr. in Surabaya?
5. Does the product quality influence the customer loyalty through customer satisfaction on Carl's Jr. in Surabaya?

by states the research question above, its objectives of the study will be stated in the next.

## **1.3. Objectives of Study**

The writer wants to perform this research topic because of it is interesting to know how Carl's Jr. perform in Surabaya and to know the opinion of people who already dine-in on Carl's Jr in Surabaya which is fast food restaurant that provides delicious burger,

comfortable place, and self-service and free-flow beverages. Also, there are some objectives to perform this research as follows:

1. To determine whether service quality influence the customer satisfaction or not on Carl's Jr. in Surabaya.
2. To determine whether product quality influence the customer satisfaction or not on Carl's Jr. in Surabaya
3. To determine whether customer satisfaction influence the customer loyalty or not on Carl's Jr. in Surabaya.
4. To determine whether service quality influence the customer loyalty through customer satisfaction or not on Carl's Jr. in Surabaya.
5. To determine whether product quality influence the customer loyalty through customer satisfaction or not on Carl's Jr. in Surabaya

#### **1.4. Significance of the Study**

##### **1.4.1. For Company**

This exploration may help Carl's Jr. to improve their customer satisfaction and brand loyalty to be better. Also, we may seek problems of their service quality and product quality that Carl's Jr. can consider or take inputs from researcher's suggestions. Other than that, Carl's Jr. in Surabaya will know what is the strengths and weaknesses in customer's point of view.

##### **1.4.2. For Researcher**

This research is expected to be a reference for the researcher to know how the customer satisfaction and brand loyalty works. Also,

give a clearer understanding to the researcher on how Carl'sJr. manage their service quality and product quality to get customer satisfaction and customer loyalty.

### **1.4.3. For Customer**

As insights for the customers to know how Carl's Jr. provide their service quality and product quality to satisfy their customers. Second, recognize the customers on how people can be satisfied and loyal to Carl's Jr. especially in Surabaya. Also, it will be helpful as a reference for those who have not come yet to Carl's Jr. in Surabaya.

## **1.5. Writing Systematic**

This study is divided into five chapters and arranged as follows:

### **CHAPTER 1. INTRODUCTION**

This chapter explains the introduction of research includes background, research question, objectives of study, significance of the study, and writing structure.

### **CHAPTER 2. LITERATURE REVIEW**

This chapter explains summaries from the theoretical basis and concepts that used by the writer to do research, previous research, and hypothesis.

### **CHAPTER 3. RESEARCH METHOD**

This chapter contains research method that includes research design, research model, identification of variable, variable operational definition, variable measurement, data and data sources, data collection tools and methods, population, sample, and sampling technique, and data analysis technique.

#### CHAPTER 4. ANALYSIS AND DISCUSSION

This chapter contains research data description, data analysis, and discussion. It also discusses respondent's description, research variable statistic description, and hypothesis testing.

#### CHAPTER 5. CONCLUSIONS AND SUGGESTIONS

This chapter is the closing of this study that consists of conclusions and suggestions for the research object and for the consumer. or researcher to do a further research. Also, for the other researcher can use this suggestion for consideration and reference to do a further research.