

FACTORS THAT CREATE CUSTOMER LOYALTY IN THE COLD BEVERAGE BUSINESS SECTOR: A STRATEGIC ANALYSIS

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ABSTRACT

Customer loyalty is a key factor in the success of a cold drink business, especially in Kendari City which experiences intense competition. This research aims to identify factors that influence customer loyalty in cold drink businesses in Kambu and Mandonga Districts, Kendari City. The research method used was a qualitative method, with in-depth interviews with cold drink business actors in the two sub-districts. The research results show that product quality, customer service, price, promotions and consumer experience are the main factors that influence customer loyalty. Measuring customer satisfaction through direct feedback and satisfaction surveys provides insights used for continuous improvement in products and services. The implications of this research show that a proactive and responsive approach to customer needs can increase loyalty and business sustainability. This research makes an important contribution to the customer loyalty literature and offers practical suggestions for cold drink businesses in increasing customer satisfaction and loyalty.

Keywords : Product Quality, Customer Loyalty, Price, MSMEs.

INTRODUCTION

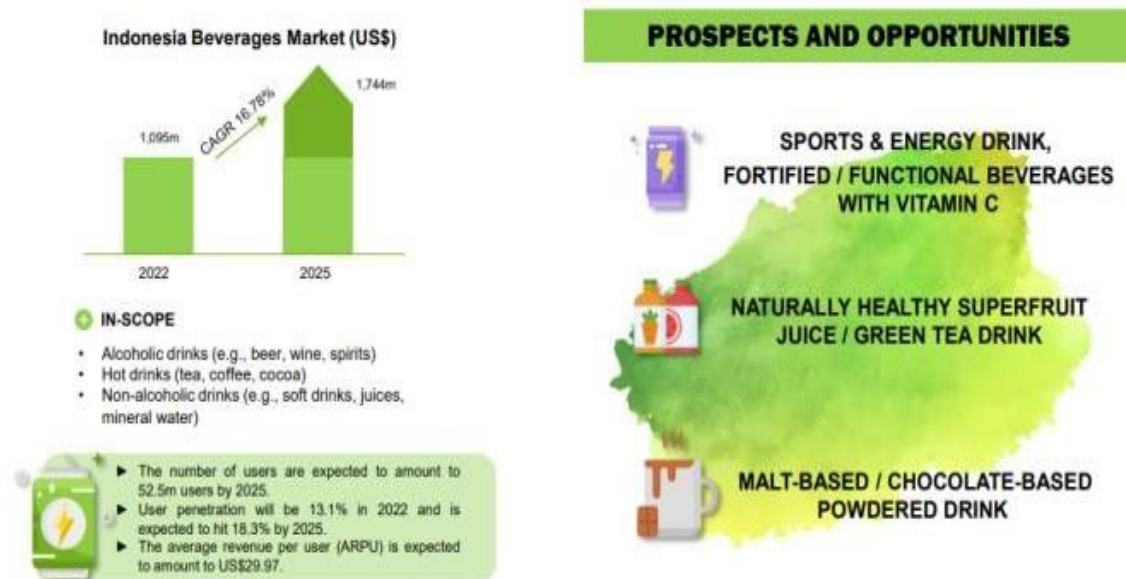
Over the past few decades, the cold beverage industry has experienced significant growth both globally and domestically.



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Source : Mordorintelligence, 2023

In Indonesia, this sector is one of the fastest growing sectors driven by changes in lifestyle , increasing purchasing power and increasing urbanization.



Source : Statista, 2023

In this regard, especially in Kendari City, cold drinks are not only a daily consumer product but also an inseparable part of a modern and dynamic lifestyle . More and more modern cafes, shops and coffee outlets offering various types of cold drinks are now appearing, creating increasingly fierce competition in the local market. This situation not only hinders business growth but also creates income instability, (Husriadi and Nurjanah nd) . Apart from that, running a business requires knowledge and skills in business management itself (Husriadi 2023) .

Therefore, low customer loyalty can have serious consequences for business continuity in an increasingly competitive market landscape, (Khodakarami, Andrew Petersen, and Venkatesan 2024) . Although much research has been conducted on customer loyalty in the cold drink industry, most of this research focuses on a global or national context, with particular attention to large markets such as Jakarta or other metropolitan cities, (Dhisasmito and Kumar 2020) , (Mustaqimah, Hartoyo, and Nurmalina 2019) , (Lim 2023) . Meanwhile, in-depth and comprehensive studies regarding the factors that influence customer loyalty in the local context, especially in the city of Kendari, are still very limited. Therefore, this research aims to better understand how each of these factors influences customers' decisions to be loyal to a particular cold drink brand or company. Furthermore, it is hoped that the results of

this research will not only provide a theoretical contribution to existing literature but also provide practical recommendations that can be used by Kendari cold drink companies to design more effective and sustainable business strategies. Hopefully this research can be a guide to help entrepreneurs increase customer loyalty, so that they are able to survive and develop in an increasingly competitive market context. Thus, this research makes an important contribution in expanding understanding of customer loyalty in the cold drink industry, especially in the city of Kendari.

LITERATURE REVIEW

To understand the factors that create customer loyalty in cold drink businesses, we can refer to several marketing theories and consumer behavior below:

1. Product Quality Theory

Product quality is one of the main determinants of customer loyalty (Teleaba and Popescu 2021) . According to the product quality theory put forward by (Naini et al. 2022) , product quality is defined as the consumer's perception of the excellence or superiority of a product compared to other alternatives. In addition, product quality has a direct influence on perceived value and repurchase decisions by consumers, (Michael and David 2019) ,.

2. Customer Service Theory

Good customer service is a key factor in building long-term relationships with customers, (Bryson et al. 2020) . (Hütten et al. 2018) in his theory of relationship marketing emphasizes the importance of interactions between companies and customers in creating long-term value and loyalty. Research by Hennig-Thurau et al. (2002) revealed that the quality of personal interaction, empathy, and attention provided by service staff greatly influences customer satisfaction and loyalty, (Huang and Kim 2023) , (Gazzoli, Hancer, and Kim 2013) , (Boonlertvanich 2019), (Boonlertvanich 2019) , (Boonlertvanich 2019). 2019) , (Caceres and Paparoidamis 2007) , (Kalia et al. 2021) .

3. Pricing Theory

Competitive and fair prices are an important factor in influencing customer loyalty. (Monroe 2012) in his theory of price perception states that price is perceived as an indicator of quality and value for consumers. A study by (Janiszewski and Lichtenstein 1999) shows that prices that consumers consider reasonable can increase perceived value and influence intention to repurchase. Pricing that is transparent and commensurate with the quality of the products and services provided is very important in maintaining customer loyalty.

4. Consumer Experience Theory

Positive consumer experiences contribute greatly to customer loyalty. (Wang et al. 2020) in their experience theory states that consumer experience involves emotional involvement and meaningful interactions between consumers and service

providers. Research by (Nasermoadeli, Ling, and Maghnati 2013) , (Schmitt and Zarantonello 2013) , (Waqas, Hamzah, and Salleh 2021) , shows that pleasant and memorable consumer experiences can increase satisfaction and intention to return. Factors such as the atmosphere of the business premises, cleanliness, and personal interactions are important elements in creating a positive experience (Becker and Jaakkola 2020) .

RESEARCH METHODS

This research uses a qualitative approach to explore and analyze the factors that encourage customer loyalty towards cold drink businesses in Kendari City. The population of this study only includes cold drink traders in Kendari City. Samples were collected purposively in Mandonga and Kambu Districts, based on the criteria of the number of cold drink companies and the diversity of business types in the area. The first data collection process included field observations and informal interviews with several economic actors to understand the local context and characteristics of cold drink businesses in Kendari. Research respondents were selected purposively to ensure adequate representation of the various types of cold drink businesses in both. Data collection techniques include in-depth interviews, participant observation, and note-taking. Data analysis used qualitative analysis methods with a thematic approach, including data transcription, initial coding, categorization, theme development, data triangulation, and drawing conclusions. The results of the analysis were compared and validated by triangulating data from interviews, observations and documents to increase the validity and reliability of the results. Conclusions are drawn based on the thematic analysis carried out, linking the findings with existing literature to provide a meaningful theoretical and practical contribution.

RESULTS AND DISCUSSION

The results of this research reveal several key factors that significantly influence customer loyalty in cold drink businesses in Kambu and Mandonga Districts, Kendari City. These factors include product quality, customer service, price, promotions, and consumer experience.



Each factor plays an important role in shaping customer perceptions and decisions to remain loyal to the products and services offered. The following discussion will explore how each of these factors contributes to customer loyalty and what strategies businesses implement to maximize their customer satisfaction and loyalty.

A. Product quality

1) The Importance of Product Quality

Research finds that product quality is important for customer loyalty in cold drink businesses in Kambu and Mandonga Districts, Kendari City. Consistency of taste, freshness and cleanliness are key factors that influence customer satisfaction.

2) Flavor Consistency

Business players emphasize that maintaining the consistency of the taste of cold drinks is the main key to customer retention. Customers tend to return to businesses that feel familiar and meet their expectations every time they make a purchase. This consistency strengthens customer confidence in the product offering, reduces the risk of dissatisfaction and increases loyalty.

3) Cleanliness

Cleanliness is another important aspect that customers pay great attention to. Clean and hygienic commercial facilities reflect a commercial entity's commitment to the health and safety of its customers. Economic establishments implement strict hygiene standards in the production and serving of their cold drinks. Maintaining cleanliness not only ensures safe consumption but also increases customer trust in the company. Studies show that customers' perceptions of cleanliness can significantly influence their purchasing decisions and brand loyalty.

B. Customer service

The results of this research show that customer service plays an important role in creating and maintaining customer loyalty in cold drink businesses in Kambu and Mandonga Districts, Kendari City. Customer service quality is characterized by several key characteristics: friendliness, speed, and personalized service.

a. Service Characteristics

Friendly service creates a pleasant atmosphere for customers so they feel appreciated and comfortable. Fast service ensures that customers do not have to wait

long to receive their orders, this is especially important in the cold drinks sector where product freshness is a priority. Additionally, personalized service, such as remembering a customer's usual preferences, provides a personal touch that can build a closer relationship between the customer and the service provider.

b. The Importance of Customer Service

Good customer service is not just about one-time interactions, but about building lasting relationships. These long-term relationships are strengthened by consistent positive interactions where customers feel valued and prioritized. This is in accordance with literature findings which emphasize that continuous positive interaction can increase customer satisfaction and loyalty.

C. Price

a. Pricing

In the cold drinks sector in Kambu and Mandonga Districts, product pricing is a complex process that takes into account several key factors. The cost of raw materials is the first and most influential factor, where economic actors must ensure that the raw materials used are of high quality while remaining within reasonable budget limits. The manufacturing process also plays an important role, where production efficiency can help control costs and ultimately influence selling prices. In addition, market analysis is carried out to understand the prices prevailing in the market, consumer purchasing power, and pricing strategies implemented by competitors. By considering these three factors, economic actors can set competitive prices according to the value provided to customers.

b. The Importance of Competitive Pricing

The importance of competitive pricing cannot be ignored to build customer loyalty. Research shows that customers in the cold beverage industry are very price sensitive. They tend to compare prices between different sellers before deciding to buy. Therefore, ensuring that the price offered is commensurate with the quality of the product is an important strategy. Consumers are more likely to be loyal to companies that offer quality products for the price they pay, so perceived value is the main key to customer retention.

c. Pricing Strategy

Business actors in Kambu and Mandonga sub-districts use various pricing strategies to attract and retain customers. One effective strategy is to offer discounts for large purchases. This not only encourages customers to make more purchases, but also increases the frequency of their visits. In addition, special price offers for certain time periods or for loyal customers are also used as a loyalty tool. These incentives can take the form of special discounts, bundle promotions, or loyalty programs that offer rewards or points for repeat purchases. This strategy helps create a stronger bond between customers and businesses, increases loyalty and encourages repeat purchases.



A. Promotion as a Customer Loyalty Factor

a) Promotion Type

The research results show that various types of promotions carried out by cold drink companies in Kambu and Mandonga Districts play an important role in creating and maintaining customer loyalty. Seasonal discounts are one of the most effective forms of promotion. These promotions are often held during specific time periods, such as holidays or special events, to attract the attention of new customers and increase sales. Additionally, bundled product packages – where multiple products are sold together at a special price – have proven attractive to customers looking for more value for their purchases. These packages not only increase sales but also motivate customers to try the various products on offer. Loyalty programs are one of the most important advertising strategies. These programs encourage customers to make repeat purchases by offering points that can be exchanged for free products or special discounts. Respondents said this loyalty program was very effective in encouraging customers to return and make repeat purchases.

b) Promotion Effectiveness

Promotions have two main goals: attracting new customers and retaining old customers. Attracting new customers is one of the main successes of seasonal discounts and complete packages. These promotions not only increase brand awareness but also attract customers who have never tried the product before. This is in accordance with marketing theory that attractive and varied promotions can influence consumer purchasing decisions (Kotler & Keller, 2016). On the other hand, retaining existing customers is the result of a well-designed loyalty program. Customers who feel appreciated through points and special rewards tend to be more loyal and continue to make purchases. Research shows that customers who regularly

benefit from loyalty programs have higher retention rates than those who do not participate in such programs. This is consistent with previous research findings that show loyalty programs can increase customer retention by offering meaningful incentives.

c) Loyalty Program

Loyalty programs play an important role in long-term advertising strategies. Reward points for repeat purchases will encourage customers to continue doing business with the business. Respondents noted that customers often prefer to return to a location that earns them points rather than try a new location that doesn't offer the same benefits. In addition, special rewards given after reaching a certain number of points make customers feel appreciated and cared for, helping to increase loyalty.

B. Consumer Experience

The findings of this research highlight the importance of consumer experience in building customer loyalty in cold drink businesses in Kambu and Mandonga Districts, Kendari City. Consumer experience is divided into three main aspects: description of the experience, importance of the atmosphere of the place, and customer experience orientation.

1) Overview of Consumer Experience

Respondents said positive consumer experiences contributed greatly to customer loyalty. Key aspects of this experience include a clean location, comfortable atmosphere, and fast service. The cleanliness of the business premises is the first factor that customers pay attention to, which includes the cleanliness of the service area, equipment and environment. A clean place gives a good impression and makes customers feel comfortable and safe in consuming the products offered.

2) The Importance of the Atmosphere of a Place

The atmosphere of a commercial company also greatly determines customer satisfaction and loyalty. Attractive and aesthetic decoration can create a pleasant and comfortable atmosphere for customers. Respondents stated that attractive decorations can increase the visual appeal of a property, making it easier for customers to linger and return later. In addition, cleanliness is maintained in all business areas, including floors, tables and chairs, providing a sense of comfort and showing the professionalism of company management.

3) Customer Experience Focus

In more detail, focusing on cleanliness of tables and comfort of seating is the main concern of economic actors. Clean tables and comfortable seating allow customers to enjoy their drinks without interruption, creating a pleasant experience. Friendly service is also no less important. Warm and friendly interactions between employees and customers can increase customer satisfaction and build stronger, more personal relationships, resulting in greater loyalty.

C. Customer satisfaction

a) Measurement of customer satisfaction

Research findings show that cold drink companies in Kambu and Mandonga Districts, Kendari City actively measure customer satisfaction through two main methods: direct feedback and satisfaction surveys. Direct feedback is usually obtained through day-to-day interactions with customers, where businesses proactively ask customers for their opinions and suggestions regarding the products and services they receive. This method allows businesses to better understand customer experiences in real time and respond quickly to any complaints or suggestions raised. In addition, satisfaction surveys are also used as a more formal tool to measure customer satisfaction. These surveys are usually conducted periodically and cover various aspects of customer experience, such as product quality, speed of service and cleanliness of the business. By collecting structured data through surveys, businesses can analyze customer satisfaction trends over time and identify areas for improvement.

b) Use of Information for Improvement

The information obtained from feedback and satisfaction surveys is directly used by companies to make improvements in two main areas: products and services. Product innovation includes various efforts aimed at improving the quality of cold drinks offered, such as adapting recipes to customer preferences, improving the quality of raw materials, and innovating new products to maintain customer interest. Economic players are also implementing stricter quality control measures to ensure that every product introduced meets the standards that customers expect. Meanwhile, service improvements include staff training to improve service skills, improving queuing systems to reduce waiting times, and improving customer interactions to create a more personalized and user-friendly experience. By integrating customer feedback into daily operations, businesses can continually improve and adapt their services based on customer needs and expectations.

CONCLUSION

This research tries to identify factors that influence customer loyalty in cold drink businesses in Kambu and Mandonga Districts, Kendari City. The research results found that product quality, customer service, price, promotions and consumer experience are the main factors that influence customer loyalty. Product quality, friendly and responsive customer service, prices commensurate with product quality, effective promotions, and positive consumer experiences are important things in retaining customers. Suggestions given to cold drink businesses include improving product quality, customer service training, competitive pricing strategies, effective use of promotions, measuring and analyzing customer satisfaction, innovation in consumer experience, and further research on customer loyalty factors in the sector. cold drink business in another city. From this research, it can be concluded that a

proactive and responsive approach to customer needs and preferences is an effective strategy in maintaining customer loyalty. The suggestions given to cold drink businesses can help them increase customer loyalty and increase the success of their business.

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