THE INFLUENCE OF PRODUCT QUALITY, PRICE, AND E-WOM ON CUSTOMER LOYALTY AT NAMA BAIK CAFÉ SURABAYA

Aubrey Azriel[1], J.E Sutanto[2]
Universitas Ciputra Surabaya, School of Business and Management CitraLand, Indonesia[1,2]
Email: aazriel01@student.ciputra.ac.id[1], je.sutanto@ciputra.ac.id

Abstract: This study aims to determine the influence of product quality, price, and E-WOM on customer loyalty at Nama Baik Café Surabaya. Design/methodology/approach – The population used is all café visitors in Surabaya, the number of which is unknown. This research uses a non-probability sampling method and purposive sampling technique. The required criteria are consumers of Nama Baik Café in Surabaya who have made a minimum of 2 transactions, aged between 21 and 50 years old, and have an Instagram account. Online questionnaires distributed to 150 respondents and the data was processed using SPSS 20 program. Findings – The results of the research analysis are, it is found that all the variables studied influenced customer loyalty significantly, either partially or simultaneously.

Keywords: product quality, price, E-WOM, and customer loyalty.

1. Introduction

Coffee beverages are now easily found everywhere, whether it's coffee in coffee shops, coffee in packaging that can be brewed at home, or bottled coffee ready for consumption (Yakin et al., 2023). Coffee consumption in Indonesia has continued to increase until the year 2020/2021, with a total of 5,000 bags of coffee weighing 60 kilograms each (ICO, 2021). The high level of coffee consumption in Indonesia has led to an increase in the number of entrepreneurs wanting to open coffee shops or cafes. In 2019, the number of cafe outlets in Indonesia reached more than 2,950, triple the amount from 1,000 outlets in 2016, and this number is expected to continue increasing as the years go by (Aziizah, 2022). To achieve business continuity, businesses must first win the hearts of their customers as an effort to foster loyalty or what is often known as consumer loyalty (Ramanta et al., 2021). The success of building consumer loyalty ensures the survival of a company, especially during uncertain economic conditions Putri & Utomo, (2017). Therefore, for a business to survive and succeed in competition, it must be able to retain customers or foster consumer loyalty.

One cafe business that aims to maintain customer loyalty is Nama Baik cafe. Nama Baik is a cafe located at Embong Malang street 78 B, Surabaya. This cafe has a concept of collaboration between tropical and natural elements and has been established since 2020. They specialize in selling a variety of drinks and food with their flagship menu being Tarik coffee. The cafe offers a diverse menu from heavy meals to light snacks and both caffeinated and non-caffeinated drinks. In terms of sales, Nama Baik cafe has experienced a decrease in visitor numbers and revenue.

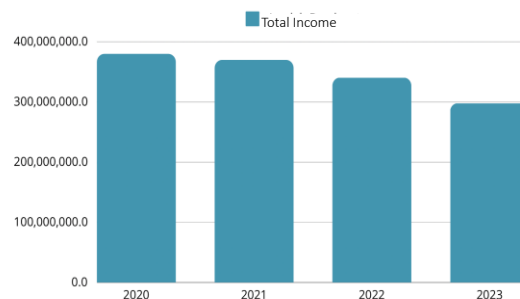Here are the sales revenue data for Nama Baik café:

Figure 1. Sales data of Nama Baik Cafe 2020-2023
Source: Internal Data of Nama Baik Cafe 2020-2023

Based on Figure 2, it can be seen that the revenue of Nama Baik cafe is not stable and has been declining. Since 2022, the sales revenue of Nama Baik cafe has been decreasing until 2023. The instability and decline in revenue of Nama Baik cafe have not been attributed to a specific cause yet, which has prompted researchers to conduct a study to design strategies for the cafe to maintain customer loyalty.

2. Literature Review

Before researcher continues this research further, there are several previous studies with the same topic. According to the research findings of Bulan & Sriwulan (2020), the indicators of product quality have a positive and significant impact on customer loyalty. The relationship to this study is the use of variable product quality and customer loyalty. The research findings of Hartono & Purba (2022) indicate that price has a significant impact on customer loyalty. The relationship to this study is the use of variable price and customer loyalty. Another research by Rafika & Yulhendri (2019) shows that E-WOM has a positive and significant influence on customer loyalty. The relationship to this study is the use of variable E-WOM and customer loyalty.

Framework

The problem formulation in this background-arranged study will be separated into two parts: (1) Theoretical Foundation, and (2) Empirical Studies. Based on the two explanations provided above, hypotheses, statistical tests, and a thesis will be generated. Quantitative research done by Maulidio & Dwiastanti (2022) shows that product quality significantly impacts customer loyalty. Another quantitative research done by Amanda & Alam (2023) shows that price significantly impact customer loyalty. Quantitative research by Azizah & Aransyah (2023) shows that E-WOM significantly impact customer loyalty.

3. Research Methods

Population and Sample

The population used in this study is all café visitors in Surabaya, the number of which is unknown. The sample for this study is taken from the research population. According to Sugiyono (2017) in multivariate analysis, the minimum number of sample members should be 10 times the number of variables studied. In this study, there are 15 question items, so the required sample size is 15 x 10 = 150 samples. This research uses a non-probability sampling

method and purposive sampling technique. The required criteria are consumers of Nama Baik Café in Surabaya who have made a minimum of 2 transactions, aged between 21 and 50 years old, and have an Instagram account.

Validity and Reliability Test
Validity Test

Validity testing is a method used to assess the validity or accuracy of items in a questionnaire under examination (Jonatan & Hamidy, 2021). This study employs validity testing using the Pearson correlation method, where items are considered valid if the significance value is > 0.05

Reliability Test

Reliability testing is an evaluation method used to assess the stability and consistency of measurements obtained from respondents regarding the questions in a questionnaire (Jonatan & Hamidy, 2021). This study employs Cronbach Alpha for Reliability Testing. An indicator is considered reliable when the Cronbach Alpha value is > 0.6

4. Results and Discussions
4.1. Results
Data Analysis

The validity test was conducted by distributing questionnaires to 30 respondents in different locations, ensuring equivalence with the research site in the culinary business sector. The product quality variable (X1) consisted of a 4-item questionnaire, the price variable (X2) had a 5-item questionnaire, and the E-WOM variable (X3) had a 3-item questionnaire. Similarly, the customer loyalty variable (Y) included 3 statement items. These questionnaires met the condition of a significance score < 0.05, indicating the validity of statements X1, X2, X3, and Y. All four variables achieved a Cronbach's alpha score > 0.6, demonstrating their reliability. Moreover, each variable's Cronbach's alpha score was higher than the Cronbach's alpha score if the item was deleted, further confirming their reliability. This research employed a quantitative method and utilized SPSS software, which is designed for efficient data analysis in quantitative research.

Hypothesis Testing
Validity Test

Table 1. Validity Test Results

Variables	Indicator	Pearson Correlation	Significance	Remarks
Product Quality (X1)	X1.1	0,646	0,000	valid
	X1.2	0,665		
	X1.3	0,657		
	X1.4	0,820		
Price (X2)	X2.1	0,671		
	X2.2	0,813		
	X2.3	0,680		
	X2.4	0,656		
	X2.5	0,668		

E-WOM (X3)	X3.1	0,735		
	X3.2	0,697		
	X3.3	0,828		
Customer Loyalty (X4)	Y1	0,710		
	Y2	0,825		
	Y3	0,712		

Sources: Processed Data SPSS (2024)

Based on Table 1., it can be seen that all indicators have a significance of < 0,05, therefore all items in this study can be declared valid.

Reliability Test

Table 2. Reliability Test Results

Variables	Indicator	Cronbach's Alpha Overall	Cronbach's Alpha if Item Deleted	Remarks
Product Quality (X1)	X1.1	.649	0,591	Reliable
	X1.2		0,611	
	X1.3		0,598	
	X1.4		0,499	
Price (X2)	X2.1	.733	0,689	
	X2.2		0,629	
	X2.3		0,685	
	X2.4		0,700	
	X2.5		0,724	
E-WOM (X3)	X3.1	.622	0,538	
	X3.2		0,582	
	X3.3		0,419	
Customer Loyalty (Y)	Y.1	.611	0,522	
	Y.2		0,405	
	Y.3		0,579	

Sources: Processed Data SPSS (2024)

Based on Table 2., it shows that all variables have Cronbach's Alpha values > 0.6 and all variables have Cronbach's Alpha if Item Deleted values lower than Cronbach Alpha Overall. Therefore, it can be said that all variables are considered reliable

Multiple Linear Regression Equation
In testing hypothesis, it produces multiple linear regression equations and Partial Test (t-test).

Table 3. Result of t-Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,130	0,492		0,264	0,792
	Product Quality	0,190	0,068	0,226	2,812	0,006
	Price	0,256	0,055	0,377	4,673	0,000
	E-WOM	0,306	0,068	0,315	4,493	0,000

Sources: Processed Data SPSS (2024)

Table 4. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	435,569	3	145,190	117,553	0,000
	Residual	180,324	146	1,235		
	Total	615,893	149			
a. *Dependent Variable*: Customer Loyalty						
b. *Predictors*: (Constant), Product Quality, Price, E-WOM						

Sources: Processed Data SPSS (2024)

The partial test (t-test) obtained on Table 3. indicates that the significance values for product quality, price, and E-WOM are < 0,05, indicating that the variables of product quality, price, and E-WOM significantly influence consumer loyalty. It is concluded that hypotheses H1, H2, and H3 are accepted.

Simultaneous Test (F Test)
This test is used to determine the presence of simultaneous effects between independent and dependent variables. If the significance value is < 0.05, then the independent variable has a simultaneous effect on the dependent variable.

Based on Table 4. all independent variables, namely product quality, price and E-WOM simultaneously have a significant influence on the customer loyalty.

Coefficient of Determination
Table 5. Coefficient of Determination Result

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,841[a]	0,707	0,701	1,111
a. *Predictors*: (Constant), Product Quality, Price, E-WOM				
b. *Dependent Variable*: Customer Loyalty				

Sources: Processed Data SPSS (2024)

Table 5. t shows that that the R square value is 0.707, indicating that 70.7% of the variance in consumer loyalty is explained by the variables of product quality, price, and E-WOM, while the remaining 29.3% is explained by other variables outside of this study.

4.2 Discussion
The result of the first hypothesis test can be said that the better the product quality of Nama Baik Cafe can increase customer loyalty, it is supported by previous research conducted by Taufik et al. (2022) and research conducted by Bulan & Sriwulan (2020). The result of the second hypothesis can be said that if the price set is affordable and aligned with the product quality, consumers are likely to become more loyal, it is supported by previous research conducted by Hartono & Purba (2022) and research conducted by Amanda & Alam (2023).

The result of this hypothesis test can be said that the better E-WOM of Nama Baik café increases the customer loyalty, it is supported by previous research conducted by Joana & Martok (2023) and research conducted by Azizah & Aransyah (2023). The results of the fourth hypothesis can be said that increasing product quality (X1); price (X2); and E-WOM (X3) can simultaneously increase customer loyalty (Y) of Nama Baik cafe Surabaya.

5. Conclusion

The analysis and discussion's outcomes are outlined here, along with some information about them:

1. Product quality has a significant influence to customer loyalty.
2. Price has a significant influence to customer loyalty.
3. E-WOM has a significant influence to customer loyalty.
4. Product quality, price, and E-WOM has a significant influence to customer loyalty.

Suggestion

Nama Baik cafe can improve product quality by innovating products that follow current trends, increase prices by conducting promotions on special dates, and actively creating interactive and consistent content on Instagram. Future researchers are expected to add other variables that have not been examined in this study.

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