

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Ice cream is one of several dairy products consumed globally. It is blended with diverse ingredients and frozen using innovative methods to produce a soft, creamy product. According to [Globoledge.msu.edu](http://Globoledge.msu.edu) (accessed on March 9th, 2023) the top three worldwide ice cream consumers came from the Europe, North America, and Oceania contingents. New Zealand has the highest per capita ice cream consumption worldwide, with 28.4 liters consumed per year. The country is widely renowned for the high quality of its dairy products. The United States ranks second in consumption with 20.8 liters per year and generates more than 872 million gallons per year. Australia comes in third place with 18 liters per year. Then Finland is in fourth place. In Finland, 14.2 liters of ice cream are consumed annually. Based on total size, China is the world's largest individual market, producing an estimated 4.3 billion liters of ice cream. While the United States ranks second, producing around 2.7 billion liters. According to [ExpertMarketResearch](http://ExpertMarketResearch) (accessed on March 9th, 2023) the global ice cream market was worth USD 77.5 billion in 2022, and the market is projected to grow at a CAGR of 4.3% during 2023–2028, reaching USD 99.77 billion by 2028.



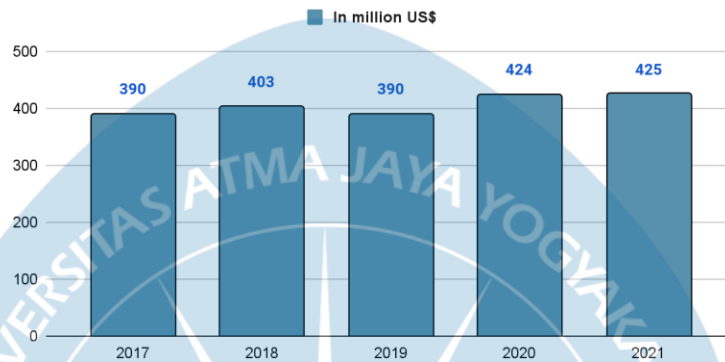
**Figure 1.1 China ice cream market size**

Source: [Daxueconsulting.com](http://Daxueconsulting.com), 2022 (accessed on March 9th, 2023)

Throughout the projection period, the Asia-Pacific region dominates the market on a global scale, with China being the most important country in the Asia-Pacific ice cream market. For the

last five years, China's ice cream market has grown steadily. According to Daxueconsulting.com (accessed on March 9th, 2023) the China ice cream industry was valued at 160 billion RMB in 2021, with an 8.84% growth rate. In 2027, this industry is expected to be valued at 39.27 billion USD (275.19 billion RMB).

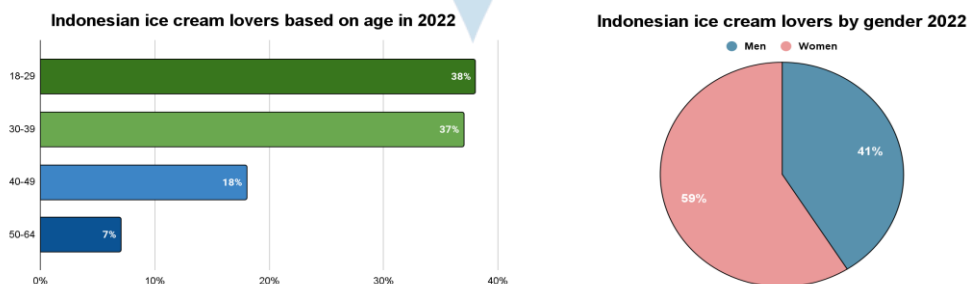
**Retail sales of ice cream and frozen desserts in Indonesia 2017-2021**



**Figure 1.2 Retail sales of ice cream and frozen desserts in Indonesia 2017-2021**

Source: DataIndonesia.id, 2023 (accessed on March 9th, 2023)

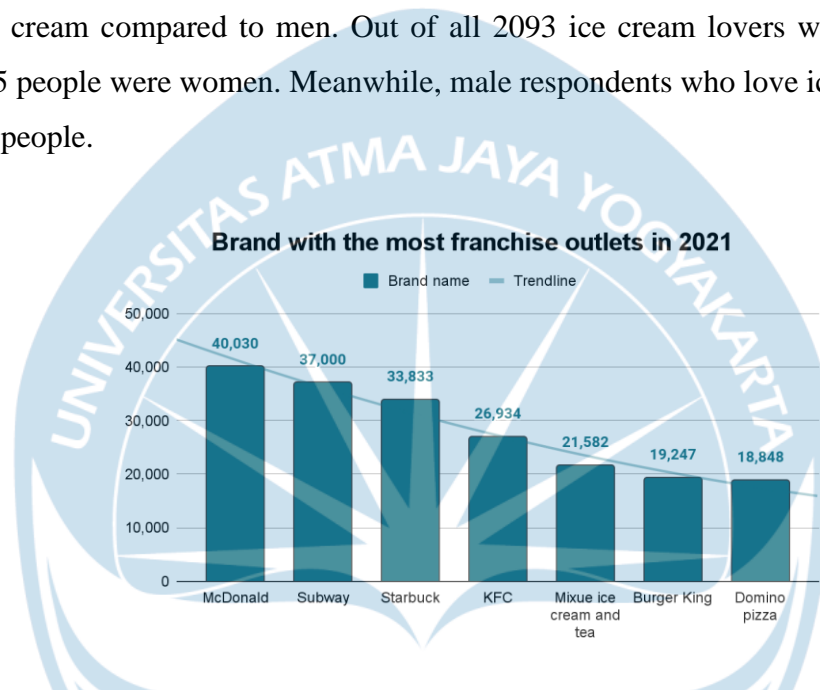
The people in Indonesia also enjoy ice cream as a snack and dessert. Being placed on the equator, the tropical climate conditions support the sustainability of the ice cream business. According to Euromonitor (accessed on March 9th, 2023) retail sales of ice cream and frozen desserts in Indonesia reached US\$425 million in 2021. The sales value of ice cream and frozen desserts has increased by 0.24% from the previous year, which was US\$424 million. This is the highest figure in the last five years.



**Figure 1.3 Indonesian ice cream lovers based on age and gender in 2022**

Source: Statista, 2023 (accessed on March 9th, 2023)

Statista released survey data related to ice cream lovers in Indonesia. According to Statista (accessed on March 9th, 2023) people of a younger age tend to prefer consuming ice cream compared to older people. From a total of 2093 respondents, 38 percent of people who like to eat ice cream are aged 18 - 29 years, followed by 37 percent of people aged 30 - 39 years. Thus, out of 795 out of 2093 ice cream lovers who were respondents aged 18 - 29 years and 774 of the total number of respondents aged 30-39 years. Based on the survey from Statista (2023) women prefer to consume ice cream compared to men. Out of all 2093 ice cream lovers who responded, 59 percent, or 1235 people were women. Meanwhile, male respondents who love ice cream are at 41 percent, or 858 people.



**Figure 1.4 Brand with the most franchise outlets in 2021**  
 Source: GoodStats.id, 2023 (accessed on March 9th, 2023)

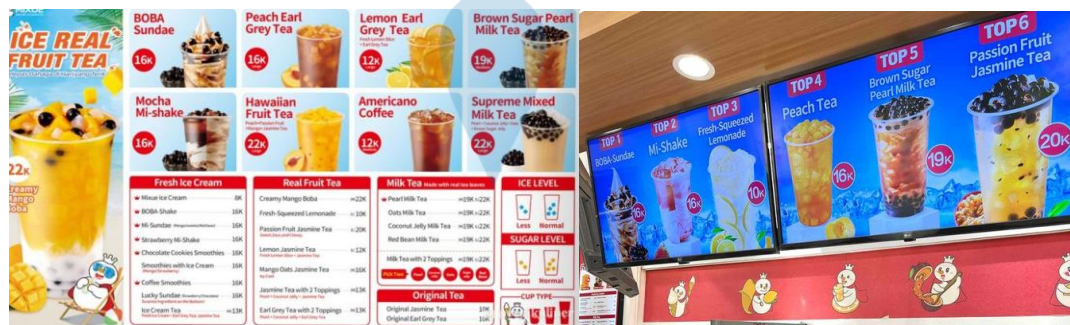
Nowadays, there is a company that is well-known for its affordable and delicious ice cream and tea drinks. Mixue Ice Cream and Tea is a beverage franchise business from China that was first founded by Zhang Hongchao in 1997. Based on Goodstats.id (accessed on March 9th, 2023) Mixue Ice Cream and Tea had around 21.582 outlets worldwide in 2021. This makes Mixue Ice Cream and Tea the 5th-most franchised food and beverage company in the world. The first position is occupied by McDonald's, with 40,030 outlets. Then followed by Subway, which has 37,000 locations. The third position is occupied by Starbucks with 33,833 outlets, the fourth is occupied by KFC with 26,934 outlets, the sixth position is occupied by Burger King with 19,247 outlets, and the last in the seventh position is occupied by Domino's Pizza with 18,848 outlets.



**Figure 1.5 Mixue Ice Cream and Tea Cihampelas walk in Bandung and Mixue Ice Cream and Tea Seturan in Yogyakarta**

Source: Google Maps, 2023 (accessed on March 14th, 2023)

The company, which sells ice cream and tea drinks, first arrived in Indonesia in 2020. Mixue Ice Cream and Tea first outlet was at Cihampelas Walk, Bandung. PT Zhisheng Pacific Trade owns the Mixue Ice Cream and Tea franchise rights in Indonesia. Based on Kompas.com (accessed on March 14th, 2023) a tech enthusiast named Jason Alexander shared his personal research in LinkedIn based on Google Maps data as of December 27, 2022 using Tableau. Based on his research, there are 692 Mixue Ice Cream and Tea branches spread throughout Indonesia, with West Java dominating with as many as 189 outlets. In Yogyakarta, there are about 37 Mixue Ice Cream and Tea outlets, according to a search conducted using the Google Maps program. Most of them are located in Sleman and Yogyakarta City, some are also in Bantul and even Wonosari Gunungkidul.



**Figure 1.6 Mixue Ice Cream and Tea menu in Indonesia**

Source: Pergikuliner.com, 2022 (accessed on March 14th, 2023)

According to Pergikuliner.com (accessed on March 14th, 2023) in Indonesia, Mixue Ice Cream and Tea offers a wide range of drink menus. They even rated some of the drinks from 1 to

6. The first place is Boba sundae, a combination of ice cream and boba flavors wrapped in brown sugar sauce, with the distinctive sensation of the taste of sweet ice cream plus the chewy texture of boba. The second place is Mi-shake, a drink that combines ice cream, fruit jam, and jasmine tea, which is uncommon in other beverages and makes this menu unique. The third place is fresh squeezed lemonade, this drink made from squeezed lemon, sugar, and ice cubes that has a sour and fresh taste. The fourth place is peach tea, this drink uses black tea with large pieces of peach fruit, creating a fresh and sweet aroma from the tea and fruit. The fifth place is brown sugar pearl milk tea, this drink created from milk tea and brown sugar with added pearl boba as a topping. Brown Sugar Pearl Milk Tea comes in two sizes, namely medium and large. The sixth place is passion fruit jasmine tea, this drink combines fruits such as peach, passion fruit, coconut jelly, and boba in jasmine tea. The combination of fruits and jasmine tea makes this drink sweet, sour, and refreshing.

Service quality affects various factors, including customer service simplicity, financial clarity, reliability, security, and customer convenience. The major factor in determining a customer's degree of satisfaction is carried out through service quality. In this condition, a company is said to be good if it can deliver goods or services in accordance with customer needs. Excellent product and service quality will have a significant impact on consumer satisfaction and their desire to repurchase.

Store atmosphere is an environment created by the seller with the aim of stimulating customer behavior. The key attraction that makes consumers decide to visit the place is a comfortable atmosphere with distinctive and imaginative decorations. It is relatively common for customers to visit the place simply because they enjoy the atmosphere. Customers may feel more at ease and happy in a good store's atmosphere, which may affect how they carry out their purchasing decisions.

Price fairness refers to a product's pricing that customers perceive as acceptable and reasonable. It is commonly believed that price plays a significant role in marketing and affects customer behavior. While businesses strive to maximize profits through product pricing, consumers look for products that are reasonably priced and offer the best value. The rational aspect of this demonstrates that determining fairness in pricing entails comparing the price of a product to a specific standard or reference. Customers frequently refer to prices by recalling previous purchases, examining competitor prices, seller costs, and prices paid by other consumers.

Other beverage companies found it challenging to compete against Mixue Ice Cream and Tea, in addition to its aggressiveness in opening numerous branches over the past year. There are many products with lower prices on the market, especially local brands. Since this is a brand that was imported directly from China, it becomes quite interesting when they are able to provide very competitive and affordable prices in the mid-low market in particular. Aside from that, the product of Mixue Ice Cream and Tea is delicious, it has good packaging, the store's atmosphere is comfortable, and the appearance of the outlet is attractive. Furthermore, the partnership model makes the expansion faster and more massive.





## **1.2 Research Questions**

Based on the information provided before, the research questions for this research are as follows:

1. Does service quality have a positive and significant effect toward customer satisfaction on Mixue Ice Cream and Tea?
2. Does store atmosphere have a positive and significant effect toward customer satisfaction on Mixue Ice Cream and Tea?
3. Does price fairness have a positive and significant effect toward customer satisfaction on Mixue Ice Cream and Tea?
4. Does customer satisfaction have a positive and significant effect toward customer loyalty on Mixue Ice Cream and Tea?

## **1.3 Research Objectives**

Based on the information provided before, the objectives of this research are as follows:

1. To investigate the relationship of service quality toward customer satisfaction on Mixue Ice Cream and Tea.
2. To investigate the relationship of store atmosphere toward customer satisfaction on Mixue Ice Cream and Tea.
3. To investigate the relationship of price fairness toward customer satisfaction on Mixue Ice Cream and Tea.
4. To investigate the relationship of customer satisfaction toward customer loyalty on Mixue Ice Cream and Tea.

## **1.4 Research Benefit**

The research aims to provide benefits to the viewer, which will be addressed below:

1. Theoretical

The results of this research can be used as a resource for other researchers who are investigating the same variable or topic. This research is also expected to provide a new perspective on price fairness, store atmosphere, service quality, customer loyalty and customer satisfaction toward Mixue Ice Cream and Tea.

2. Practical

The results of this research are intended to provide valuable information and contribute to the food and beverage industry. This research can also be used by brand owners or Mixue Ice Cream and Tea franchise owners as useful data to improve Mixue Ice Cream and Tea's business continuity. From a managerial perspective, it is important to maintain service quality. Given Mixue Ice Cream and Tea's rapid growth in Yogyakarta, managers must understand how to enhance service quality to get the satisfaction and loyalty of customers. Managers can also pay attention to the store atmosphere in order to make customers feel comfortable with the Mixue Ice Cream and Tea store atmosphere.

## **1.5. Writing Systematics**

To make the topic in this study much easier for readers to understand, a systematic structure and guidelines for this research are organized as follows:

### **CHAPTER I: Introduction**

This chapter consists of research background, research questions, research objectives, research benefits, and writing systematics.

### **CHAPTER II: Literature Review**

This chapter consists of research literature review, research previous studies, research hypothesis development, and research theoretical framework.



### **CHAPTER III: Research Methodology**

This chapter describes the type of the research, research object, research subject, research location, research population, research sample, data collection techniques, operational definition, data measurement methods, and method of data analysis.

### **CHAPTER IV: Data Analysis**

This chapter discusses data analysis, the result of descriptive statistics, the result of mean analysis per variable indicator, SEM-PLS analysis, outer model of SEM-PLS, inner model of SEM-PLS, hypothesis testing, and discussion.

### **CHAPTER V: Conclusion**

This chapter discussed the conclusions of the research, results of PLS-SEM, managerial implication, limitations of the research, suggestions for further research, and bibliography.

