

CHAPTER 1

INTRODUCTION

1.1 Object Overview

1.1.1 Company Profile

Mixue Ice Cream and Tea is a fresh ice cream and tea franchise which is established by Zhang Hongchao on Zhengzhou's streets in 1997. It was a family business at the time, run mostly by Zhang Hongchao's relatives. But somehow it was tough to manage the supply chain, so he brought in expert managers and optimized the management model (PandaYoo, 2022). According to (Momentum Works, 2022), Mixue's core business, as measured by revenue, is providing ingredients, packaging, equipment, and other operational supplies to franchisees for the manufacturing of beverages and ice cream. By spreading a strong affection for its consumers, it has always committed to the idea of excellent quality and affordable prices. Since launching the franchise model in 2007, it has swiftly grown and thrived in second and third-tier locations with high product strength. The number of stores is growing by the day (China National Radio, 2020).

The Mixue brand flourished and attempted international expansion starting with establishing its first overseas location in Hanoi in 2018, it effectively penetrated the Vietnamese market. There were more than 5,000 of its stores at this point. Over 7,000 Mixue outlets were opened in 2019, making it the first tea beverage brand to have more than 10,000 shops in China by June 2020 (PandaYoo, 2022). In 2020, Mixue launched its first outlet in Indonesia at Cihampelas Walk in Bandung City. Currently, Indonesia is home to more than 300 Mixue stores. There are already more than 20,000 Mixue locations worldwide (CNN Indonesia, 2022).

1.1.2 Company's Logo



Figure 1.1 Mixue Ice Cream & Tea Logo

Source: Mixue Ice Cream & Tea (2023)

1.2 Research Background

Food and beverage brands must be able to acquire and maintain consumer loyalty. Not only because the price and margins, but also because the high level of competition in the market (Ministry of Cooperatives and SMEs, 2022). According to a survey, consumers have more loyalty to food and beverage brands than any other industry since foods and beverages appeal to multiple senses of flavours, aroma, vision, and touch. Consumers relate to more personal experiences than other commodity markets (Cision, 2021). Developing a strong relationship with their consumers is an essential contributor to build brand loyalty and pursue long-term success in the food and beverage sector. It is required to give consideration of growing loyalty in relevance of today (Özkan, 2020).

The expansion of the food and beverage sector in Indonesia continues to develop at an increasingly positive rate and makes this sector intriguing to investigate. According to data, the F&B industry continued to develop favourably steady at 3.75% and 3.71% in the first and second quarters of 2022 (LandX, 2022). The emergence of drink trends such as tea-based products in the form of milk or bubble tea is indicating the resurgence of the food and beverage subsector (detik finance, 2022). This kind of beverage has historically existed in society, however bubble tea, also known as "black

pearl tea" or "boba tea," was created in Taiwan in the 1980s (CNN, 2020). According to a Momentum Works study, the boba market in Southeast Asia is estimated at US\$ 3.66 billion or approximately Rp. 54 trillion (assuming an exchange rate of Rp. 14,854 per US dollar). The boba market in Indonesia surpassed US\$ 1.6 billion, or around Rp24 trillion with the market value accounts for 43.7% of the whole Southeast Asian boba market. Represents the majority of the boba market in Southeast Asia (databoks, 2022). Despite its high profits, bubble tea has low uniqueness due to easily replicated products and a complex supply chain.

According to Momentum Works, competition between local and newbrands will intensify, particularly in branding, sourcing goods, and controlling prices. It is estimated that only 60-70 percent of bubble tea brands are profitable on a broad scale (Kompas.com, 2022).

According to reports, Mixue is the largest retail outlet for "new tea" beverages and ice cream in China and is likely one of the top five brands worldwide (Momentum Works, 2022). The Mixue franchise now has the most boba outlets in Southeast Asia with almost a hundred locations throughout Vietnam, Thailand, Philippines, Singapore, Malaysia, and Indonesia (databoks, 2022). It is fascinating to discover more about Mixue's approach for capturing the mass market. According to Momentum Works (2022) Mixue chose to incredibly lower the price as a method to targeting the mainstream market compared to their competitors. The company can manage its own supply chains of processing, warehousing, until shipping the products. To keep their

cost structure incredibly low, Mixue eliminated the third-party. Thus, the strategy can help them to maintain the quality and it is successfully drawing more consumers and franchisees. The large number of their stores spread across Indonesia shows the brand's promising future. In terms of the consumption trends, milk tea and bubble tea business appear to have good prospects. Food and beverages are more often a lifestyle than a basic need for the society (LandX, 2022).

Because the products of Mixue are a culinary category of indulgent, which means that people consume it for fun, pleasure, and enjoyment. The outcome of the consumption pattern is occasional rather than routine. The implication for Mixue is that its market size is not as large as we anticipated. This means that Mixue's growth will be constrained and will rely on constant product and experience innovation (SWA Online Magazine, 2023). Nevertheless, according to Chen (2021) the scale of Mixue may diminish in an environment of intense competition. Therefore, the brand should consider about revamping its marketing strategy and offering one distinctive attribute that attracts consumers rather than focusing only on being affordable. It also requires a strategy to influence customers' decisions to choose their products over similar items from competitors by creating a positive impression in their minds (Song, Wang, & Han, 2019). As stated by Arslan (2020) consumer loyalty is one of the most essential goals for businesses because it will significantly gain competitive advantages such as prevents losing customers, secures income sources, and possibly more easy to acquire new customers. As referring to Ministry of Cooperatives and SMEs (2022) the establishment of loyalty can be done when the consumer has their own consciousness. The goal is to change consumer attitudes by focusing more on changing their behaviour because brand loyalty indicates consumers' willingness to purchase a particular brand on a regular basis.

According to FoodNavigator Asia (2020) food and beverage brands are 14 out of 100 top brands in the world based on Interbrand's leading valuation and shows a high potential to accelerate their growth. Therefore, it is important to strengthen the

internal and external drivers for building a commitment and authenticity to support the brand recognition and differentiate with their competitors. Indeed, flavours is what sold in the Food and Beverage industry, but creating brand image of a product, on the other hand, is critical for establishing a recognizable brand. Additionally, a strong branding and distinct traits will create a distinct identity (LandX, 2022). Brand image connects with the uniqueness of a brand traits. Thus, building a prominent image for the brand can assist companies to acquire a larger market share and profit to promote and establishes a certain personality (Haryanto & Harsono, 2022). According to Marketeers (2019) the trend in beverage industry is a result of the rapid changes in technology, culinary, and lifestyles. Consequently, the trends are not simply commodities but also a part of lifestyle that develops along with people's interests and preferences. In this case, the milk and bubble tea's brand image provide a direct association and distinct identification of their product to determines the consumer behaviour as revealed by Farid (2021) that the consumers' perceptions, attitudes, mindsets, and behaviours may all impact their acceptance of a brand. The findings gathered by Yusuf & Purwanto (2023) emphasized that brand image has a substantial influence on brand loyalty through the defined dimensions of corporate image, user image, and product image. According to Abubakar and Sugito (2019) behaviour measure, measuring switch cost, measuring satisfaction, measuring linking brand, and measuring commitment are the indicators of brand loyalty. Meanwhile, commitment is proven by consumer when they are repeatedly purchase products not only because they use it the most, but also because they are refraining themselves from purchasing any other brands, regardless of whether they offered similar or higher quality as a psychological commitment towards the brand (Satornsantikul & Nuangjamnong, 2022).

On the other hand, Firmansyah (2019) explored behavioural and attitudinal methods to determine loyalty. the behavioural approach is employed to the conduct of consumers who purchase a product frequently without considering their preferences. However, the attitudinal strategy is utilized to involves the components of consumers

preference. To evaluate the strong base of loyalty, Arslan (2020) confirmed that it is developed as a result of factors such as product quality and customer satisfaction, thus the increase of customer loyalty is implicated by the level of consumer satisfaction and ongoing improvement. Brand loyalty is a result of brand preference, which is determined by perceived quality and not just its price, according to Cuong (2020), who defined brand satisfaction as the sum of consumer satisfaction from their interactions with a brand during purchasing experience. Moreover, (Prawira & Setiawan, 2021) claimed that consumers who are satisfied tend to come back and immediately trust the brand to show loyalty towards it. Therefore, it is also important to gain attention to brand trust that statistically approve by Shin, Amenuvor, Basilisco, & Antwi (2019) has an influential and significant influence towards brand loyalty. The research findings of Semadi & Ariyanti (2018) discovered that brand trust can be received from the fulfilment expectations so it is important to ensure that consumers are satisfied with the brand's quality of services as an effort to maintain the consumers' trust. Brands should aware of their consumers feedbacks especially the negative one, because it can make the consumer leave and will damaging the brand loyalty (Özkan, 2020).

Based on the phenomenon it is very interesting to explore Mixue Ice Cream and Tea strategy for attracting the loyalty from its consumers. Even though the studies that widely discussed the relationships of image, satisfaction, trust, and loyalty has been conducted by many previous studies, there have not been much research that empirically been able to enhance the relationship of these variables with Lovemarks theory (brand respect and brand love) specifically the structural relationships among these variables in Mixue Ice Cream and Tea. Whereas the existence of Lovemarks according to Song, Wang, & Han (2019) represent strong emotional relationships between products and consumers, touches the consumers' deepest emotions, and enhance the brand to be recognized, owned, loved, respected, protected, forgiven, in order to prevent it to be forgotten, replaced, or abandoned by consumers. Being a lovemarks brand appears to be essential for the brand's success due to its ability to

establishes the customer loyalty beyond reason. We can affirm that the result of the study can be more accurate because we involve brand love and brand respect as moderators in investigating at the process of forming brand loyalty. This study is expected to be able to reveal the engagement and relationship between brand image, brand satisfaction, and brand trust towards brand loyalty through variable moderators from Lovemarks, consisting of brand love and brand respect. As an outcome, it is anticipated that this study will contribute a fresh viewpoint for future research on brand loyalty topics compared to the previous research. The title of the study will be **“THE EFFECTS OF BRAND IMAGE, BRAND SATISFACTION, AND BRAND TRUST ON LOYALTY FORMATION: THE MODERATING ROLE OF BRAND LOVE AND BRAND RESPECT OF MIXUE ICE CREAM & TEA.”**

1.3 Problem Formulation

Food and beverage brands deal with the increase of input costs, supply chain challenges, and societal issues. The way they respond to such problems is keenly observed by consumers who purchase their products (Food Dive, 2022). Furthermore, Food Dive (2022) insist that consumers often have relationships with food and beverage companies for a long time, but the research showed that they are not resistant to switching when their trust in a brand begins to weaken due to a lower product quality, an increase in price, or the irrelevancies with their expectation. Changes in consumer behaviour is significantly impacted the restaurants (CNBC Indonesia, 2023). Mixue's profits doubled to 10.3 billion Yuan or around Rp. 23.1 trillion but this was threatened due to the issue of halal certification which had received an administrative sanction warning from the MUI, so this could affect brand image, consumer trust, as well as their profit income (CNBC Indonesia, 2023).

Mixue is a brand in the "Hype-driven business" segment of the industry (SWA Online Magazine, 2023), therefore it is highly recommended for them to build great consumer loyalty. Due to their position in the middle of a bubble tea explosion market, it is crucial to win over the consumers despite there are many choices and big authority to choose what they want (The Business Times, 2019). Consumers are comparing

between similar products, brand should encourage and satisfy the consumer needs (Cision, 2021). According to Customer Strategy Network (2021), 43% of customers are loyal to at least one food and beverage brand, and 57% of individuals believe that products with well-known brand names are trustworthy. It implies that consumers are more loyal to food and beverage companies than to any other industry sector. Indeed, brands in the food and beverage sectors retain an advantage against those in the healthcare, travel, and technology sectors since consumers trust them more because they tend to be sceptical of marketing efforts and have high expectations for their interaction with F&B products (Food Dive, 2022). Consequently, it is essential for food and beverage brands to have branding strategies that effectively represent their products while also reflecting audience preferences (Customer Strategy Network, 2021).

According to Roberts (2004) the reason why consumers are sceptical and picky about brands is that they are relying on loyalty the most. Considering brand image can affect consumers' decisions to buy a product and repurchase it in the future, the association that individuals have with a brand might influence their loyalty (Prawira & Setiawan, 2021). On the other hand, the effective drivers of brand loyalty were examined by Song, Wang, & Han (2019) showed that it is of primary importance to create brand satisfaction, in turn, to influence brand loyalty with the adoption of satisfaction as the emotional response of a consumer's purchasing experience, and that brand loyalty is the outcome of satisfaction. Likewise, Setiawan & Patricia (2022) concurs that creating business sustainability is crucial in today's fierce and disruptive competition, if the consumer's expectations are not satisfied, customers will immediately shift to competitors. Moreover, Alkhurshan & Rjoub (2020) argue that the motive of switching barriers is not only because the consumers are expecting an outstanding service but they also want to build a relationship based on intimacy and trust. According to Song, Wang, & Han (2019), Lovemarks considerably moderate the relationship between brand trust and brand loyalty (brand love and brand respect). All brilliant marketing movements and inventive approaches must be built on

emotional relationships with consumers (Roberts, 2004). According to research by Giovanis & Athanasopoulou (2018), while performing the Lovemarks to win over consumer loyalty, a brand must be coordinated its emotional components. Interestingly, Pawle & Cooper (2006) mentioned that the Lovemarks research approach illustrates the impacts and identification of which process produces love and which drives respect. Additionally, the key characteristics that generate brand love are entirely emotional, whereas those driving brand respect are more pragmatic or performance-related traits.

The problems that have been explained provide a general idea regarding consumer loyalty within the competing market. Thus, Mixue is potentially encountered many challenges related to high competition as well as external factors and internal brand factors that affect changes in consumer behaviour. Previous studies have conducted many discussion about each variable in the formation of brand loyalty including brand image, brand trust, and brand satisfaction. Interestingly, in the process of finding literature on studies that comprehensively discuss the lovemarks consisting of brand respect and brand love, there are still not too many. Therefore, the description of the problem listed in the previous section forms several research questions as follows:

1. What is the relationship does Brand Image, Brand Satisfaction, and Brand Trust have on Brand Loyalty?
2. What is the relationship does Brand Trust have on Brand Loyalty?
3. How significant is the relationship between Brand Satisfaction and Brand Loyalty moderated by Brand Respect?
4. How significant is the relationship between Brand Trust and Brand Loyalty moderated by Brand Respect?
5. How significant is the relationship between Brand Satisfaction and Brand Loyalty moderated by Brand Love?

6. How significant is the relationship between Brand Trust and Brand Loyalty moderated by Brand Love?

1.4 Research Objectives

Based on the problem that has been formulated, the research objectives of this study can be stated as follows:

1. To examine the relationship of Brand Image, Brand Satisfaction, Brand Trust and Brand Loyalty
2. To examine the relationship of Brand Satisfaction and Brand Trust
3. To investigate the significance of relationships between Brand Satisfaction and Brand Loyalty moderated by Brand Respect
4. To investigate the significance of relationships between Brand Trust and Brand Loyalty moderated by Brand Respect
5. To investigate the significance of relationships between Brand Satisfaction and Brand Loyalty moderated by Brand Love
6. To investigate the significance of relationships between Brand Trust and Brand Loyalty moderated by Brand Love

1.5 Research Benefits

In conducting this research, the author hopes that this study will provide benefits, both theoretically and practically.

a. Theoretical Benefit

For academic purposes, the writer hopes that the result of this research can enrich the student's knowledge regarding the establishment of brand loyalty by utilizing image, satisfaction, and trust with additionally using the two

components of Lovemarks which are brand love and brand respect as the moderator variables in Mixue Ice Cream and Tea to explain more deeply about the impact factor of brand loyalty. This study is expected to be helpful for the next researchers to use this research as a reference for conducting another research related to this topic.

b. Practical Benefit

As for practical benefit, hopefully, the findings of this research can be utilized and inspire any boba or milk tea brands to build a good image, satisfaction, and trust in their consumers along with developing brand love and respect to escalate and acquire the loyalty of their consumers.

1.6 Writing Systematics

The author organizes and clarifies this research content into five chapters in this research. Below is the explanation of each chapter:

a. CHAPTER 1: INTRODUCTION

In this chapter, the author will give explanations about several topics including Object Overview, Background of this research, Problem Formulation, Research Objectives, Research Benefits, and Writing Systematic.

b. CHAPTER 2: LITERATURE REVIEW

In this chapter, the author will give a review of the literature which includes the theories of similar research and the hypotheses and theoretical framework from this research.

c. CHAPTER 3: RESEARCH METHODOLOGY

In this chapter, the author will give an explanation regarding the way this research will be done, the data resources, and the kind of data that is being used

in this research. It also includes any information related to the population, number of samples, variables, method of collecting the data, method of analyzing data, and instrument testing.

d. CHAPTER 4: RESULTS AND DISCUSSION

In this chapter, the author will explain the description of this research object ingeneral, the result of instrument testing, and hypothesis testing.

e. CHAPTER 5: CONCLUSION

In this chapter, the author will make conclusions and suggestions from the overall research. The conclusion and suggestions will be helpful to the local brands related to this research topic.