

# CHAPTER I

## INTRODUCTION

### 1.1 Background

The food and beverages industry is one of Indonesia's industrial sectors that significantly contribute to the Indonesian economy. This sector has a significant increase in growth and investment value every year. The growth of the Indonesian food and beverages industry is due to new investments, increased people's buying power, and the growth of Indonesia's population. The food and beverages industry is one of the interesting sectors to invest in since Indonesia is positioned as the fourth most populated worldwide, and most people in the middle class are attracted to the food and beverages market. As the industry grows, challenges and obstacles in the Indonesian food and beverages industry will also increase, and competition between manufacturers becomes tighter (Ragimun & Widodo, 2019).

According to Lestari & Farida (2017), an increase in citizens leads to a rise in consumption rate. As the fourth most populated globally, Indonesia is a potential market for investment because Indonesia has a high consumption rate. The food and beverages industry stands up even in critical situations and has good profitability prospects. For this reason, the food and beverages industry is an interesting area for business and investment. The data of Gross Domestic Product on the manufacturing industry and private consumption of Indonesian citizens can be seen in Figure 1.1, Figure 1.2, Figure 1.3, respectively, and those figures will be explained in the next paragraph.

As Indonesia is positioned as the top 5 most populated countries worldwide, there is an increase in population, leading to the increase of people's buying power that potentially contributes to the nation's economic growth. Figure 1.1 shows the value of Indonesian Gross Domestic Product (GDP) by expenditures on private

consumption. The value of Indonesian GDP increases annually. According to Jang & Utomo (2021), more than 80% of Indonesia's economic growth is influenced by domestic consumption and investment. The food and beverages sector is categorized as private consumption. Figure 1.2 shows the value of Indonesian GDP from the Food and Beverages sector, and it can be seen that it also increases annually. Figure 1.3 shows the comparison of other business sectors in Indonesia that contribute to Indonesia's economics in 2021. From Figure 1.3, there is a huge gap between the food and beverages industry and other sectors. Based on the data, we can conclude that the food and beverage industry can survive the COVID-19 pandemic.

**Gross Domestic Product by Expenditures at Current Price**

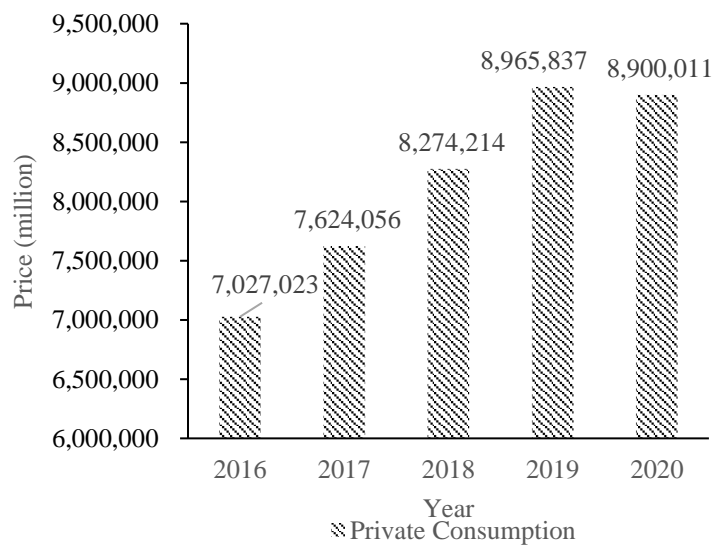


Figure 1.1 Gross Domestic Product by Expenditures on Private Consumption of Indonesia  
Source: Bank Indonesia (2021)

### Gross Domestic Product by Industrial Origin at Current Price

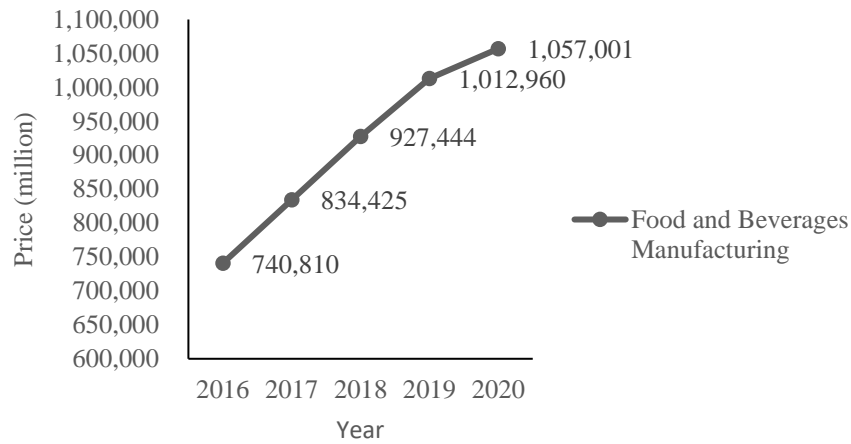


Figure 1.2 Gross Domestic Product by Industrial Origin of Food and Beverages of Indonesia  
Source: Bank Indonesia (2021)

### Indonesia Gross Domestic Product by Industrial Origin in 2021

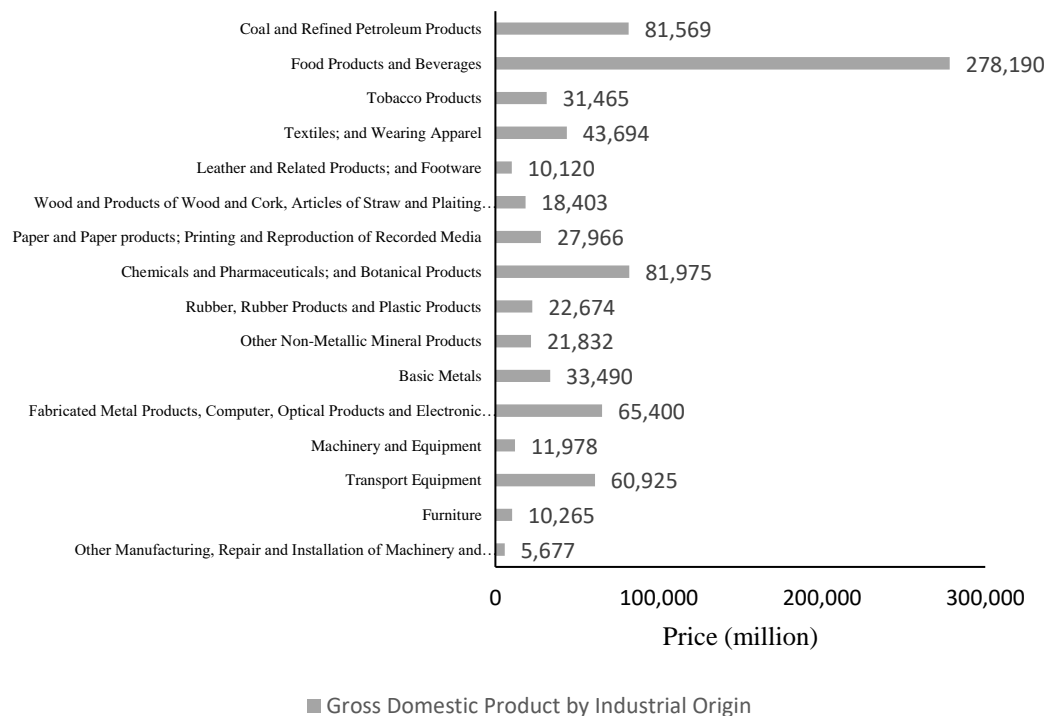


Figure 1.3 Gross Domestic Product by Industrial Origin of Indonesia  
Source: Bank Indonesia (2021)

There is a change from the consumption of commodities to goods, services, and experiences. Conventional products and service value propositions are not enough to reach customers and create differentiation; thus, organizations must focus on the customer experience to generate a seamless total experience. The essential ingredient in building and maintain customer loyalty is good management in customer experience (Jain et al., 2017).

Customer experience has become a crucial marketing tool and concept to create a unique, pleasurable, and memorable experience. Both theory and practice are categorized as new concepts that attract public attention. Marketers and scientists define customer experience as a strategic action in creating a holistic customer value, carry out differentiation, and sustainable competitive advantages (Jain et al., 2017).

According to Jain et al. (2017), customer experience is complex, dynamic, and challenging. It is a multi-dimensional term that includes how customers respond to the interaction with the organization. It involves customers' cognitive, affective, emotional, social, and physical responses to any contact with a service provider, product, or brand during the entire customer journey. Due to its complexity, some measures such as customer satisfaction and or service quality are used as proxy customer experience measures.

Some studies argue that customer experience is based on duo customer-firm pairing; other studies also say that customer experience is far beyond the customer-firm context, which is essential to overall customer experience. An organization needs to develop customer experience management because aligning the organization to a customer-centric form will affect customer satisfaction in organizational performance and long-term sustainability (Ceesay, 2020).

Ceesay (2020) also added that some organizations have no clue regarding the importance of customer experience and are often resistant to utilize it. Some reasons are due to the complexity and unpredictable nature of customer experience and organizational level of customer experience. However, the time has come when

organizations should maintain and keep the relationship with customers rather than boost sales. Therefore, managers should prioritize the customer experience as it can be used to evaluate customer behavior.

Remarkably, businesses agree that high customer satisfaction is crucial since it is a prerequisite for a successful business. A dissatisfied customer will leave the company, and negative word-of-mouth will be generated. On the other hand, satisfied customers will generate positive word-of-mouth and bring new customers to the organization (Aichner & Gruber, 2017). According to Nhĩ (2019), positive feedback and attitude from the customer will gain possibilities in generating customer repurchase intention.

Huang et al. (2019) added that it requires a higher cost in getting a new customer compared to maintain the existing customer. With an increase of 5% customer retention rate, the company can profit approximately 25-85%. One actor playing an essential role in customer decision-making is brand awareness. Good service quality has a direct and positive impact on both customer satisfaction and customer loyalty.

Greus et al. (2019) argue that the definition of customer experience has evolved; It is limited to the Business to Customer (B2C) sector and lacks exploration in the Business to Business (B2B) market. One potential justification is that the transaction or buying process in the B2B sector is considered rational, while customer experience involves emotional concepts.

The current study will be conducted in PT. Health Today Indonesia is one of the beverages manufacturing in Indonesia, enabling customers to customize the product profiles as they wish. PT. Health Today Indonesia supplies the products into B2B segments which are hotels, restaurants, and café. However, due to pandemics, the company sells its products through e-commerce, such as Shopee and Tokopedia. The products that are manufactured by PT. Health Today Indonesia are related to beverages ingredients such as powdered drinks, syrups, and fruit concentrate. PT. Health Today Indonesia has also become an importer and

distributor for several popular brands of beverages ingredients. Since the trend of drinks is changing rapidly, PT. Health Today Indonesia needs to serve the customer by providing high-quality products and services to survive in this competitive market. Analyzing customer behavior, perception, loyalty, satisfaction, and repurchase intention will focus on this current research. Therefore, this research is intended to gain more insights into customer experience, satisfaction, loyalty, and repurchase intention in the B2B sector and to understand the mediation path between customer experience and repurchase intention through customer loyalty and customer loyalty satisfaction.

## **1.2 Research Problem**

Some explorative study of Customer Experience Management (CEM) has been explored an extensive body of research in the field of Business to Customer (B2C) sector. On the other hand, there is insufficient and limited study regarding customer experience in the Business to Business (B2B) sector (Greus et al., 2019; Zolkiewski et al., 2017). Implementation of a customer experience strategy will add more value to the product or services. Therefore, the research problem of this study are:

- Does customer experience significantly affect repurchase intention?
- Does customer experience significantly affect customer loyalty?
- Does customer experience significantly affect customer satisfaction?
- Does customer loyalty significantly affect repurchase intention?
- Does customer satisfaction significantly affect repurchase intention?
- Does customer loyalty have a mediation effect on the relationship between customer experience and repurchase intention?
- Does customer satisfaction have a mediation effect on the relationship between customer experience and repurchase intention?



### 1.3 Research Objectives

This research is conducted to gain more insight into Customer Experience Management in the B2B sector and answer the research problem. Thus, the objectives of this research are:

- To understand the effect of customer experience on repurchase intention
- To understand the effect of customer experience on customer loyalty
- To understand the effect of customer experience on customer satisfaction
- To understand the effect of customer loyalty on repurchase intention
- To understand the effect of customer satisfaction on repurchase intention
- To understand the mediation effect between customer experience and repurchase intention through customer loyalty
- To understand the mediation effect between customer experience and repurchase intention through customer satisfaction

### 1.4 Research Implication

The author hopes that this research can give contributions in the form of:

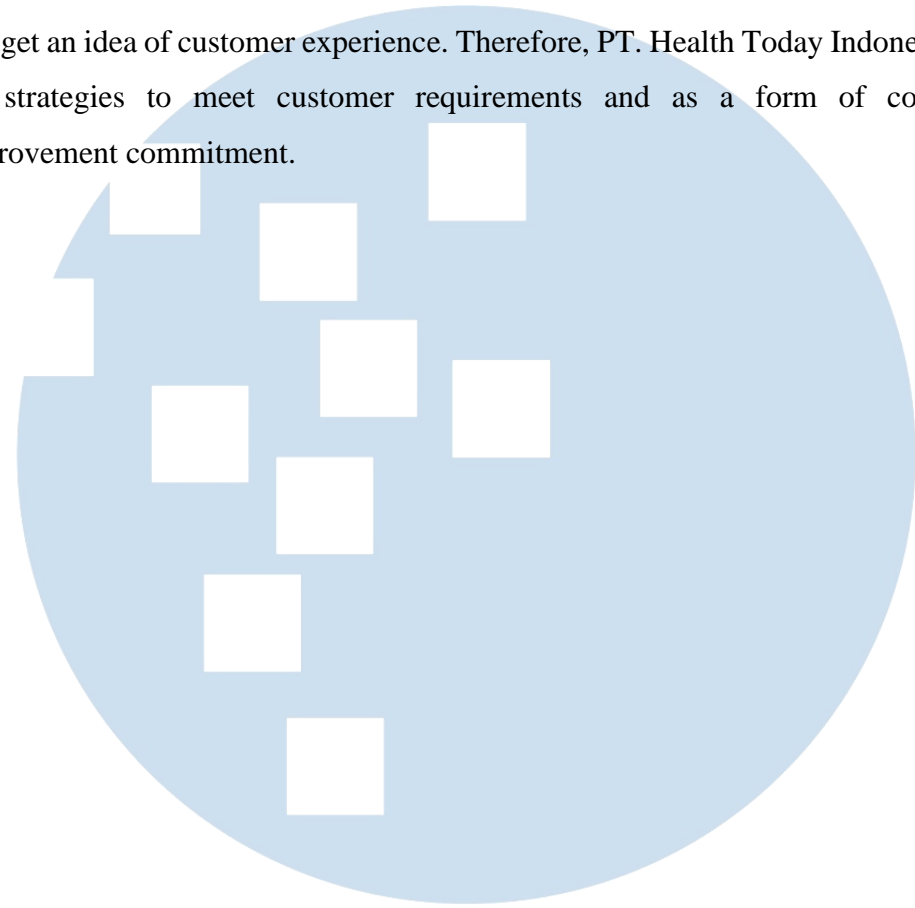
#### a. Theoretical Contribution:

It provides new insight into customer experience in the B2B sector that was limitedly discussed. Most research on Customer experience in B2B is done using the qualitative method; thus, this study is done quantitatively. This study explores the customer experience in the beverage manufacturing industry with repurchase intention, customer loyalty, and customer satisfaction variables.

#### b. Managerial Contribution:

Providing insights for PT. Health Today Indonesia. The addition of a new variable, repurchase intention, can represent customer satisfaction and customer loyalty. Through this data, organizations can study and evaluate customer behavior

and get an idea of customer experience. Therefore, PT. Health Today Indonesia can set strategies to meet customer requirements and as a form of continual improvement commitment.



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