
The Effect of Market Segmentation and Customer Preference on Customer Satisfaction of Ice Cream Mixue in Yogyakarta

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Abstract:

The things that are important and need to be considered in marketing the products to be sold are analyzing market segmentation and understanding the needs and desires of customers. This is what Ice Cream Mixue in Yogyakarta does in formulating its marketing strategy in facing market share competition with its competitors. The purpose of this study is to analyze the effect of Market Segmentation and Customer Preference on Customer Satisfaction of Ice Cream Mixue in Yogyakarta. Data analysis technique using Partial Least Square (SEM-PLS). The sample in this study were 65 customers who are connoisseurs of Ice Cream Mixue who have bought and consumed it regularly taken at random for outlets in the city of Yogyakarta which are spread over 5 branches. The results showed that market segmentation and customer preferences had a positive and significant effect on customer satisfaction with an original sample value of 0.456; 0.417 and p-value 0.001; 0.002 with a standard error of 5%. These results indicate that if market segmentation is formed correctly and customer preferences are met, it can affect the high customer satisfaction at ice cream mixue outlets in Yogyakarta.

Keywords: Ice Cream Mixue, Customer Satisfaction, Customer Preference, and Market Segmentation

1. Introduction

The company's success in maintaining its continuity or survival can be achieved if the company has an outward view and always monitors the changing state of the environment and adjusts its marketing efforts based on the opportunities it has. In an effort to achieve this success, the role of managers in selecting and planning marketing strategies is very important to meet customer needs. When developing marketing strategies, managers must consider not only meeting customer needs, but also considering the company's industry position compared to competing companies.

An organization that decides to operate in one of the consumption, industrial, service, or government markets recognizes that it cannot serve all customers. This is because the number of customers is too large and the area is too wide with a variety of needs and desires and buying habits while customers demand to be served effectively and

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efficiently. For this reason, one of the efforts made by the company in order to remain in an effective position in serving adequate customer segments of the intended market is to establish market segmentation (Ali, 2016). Market segmentation is basically a way to differentiate markets according to several characteristics of customers which are generally classified into 4 (four), namely: geography, demography, psychography, and behavior (A.Santoso, S Widowati, 2011).

Carrying out market segmentation, marketing activities can be carried out in a directed manner and company resources in the marketing sector can be used effectively and efficiently. Cashmere (2006), argues "Market segmentation is an activity of dividing a market into different groups of buyers who may require separate products or marketing potions. Banks in selling their products to customers divide the market into several types according to the criteria they want". Market segmentation, limited resources can be used optimally to produce products that can meet market demand, can allocate them to the most profitable potential, and can compete in certain market segments, and can determine effective promotional methods. Assauri (2011), argues "Market segmentation is a way of distinguishing markets according to purchasing groups, usage needs, motives, purchasing behavior and habits, how to use products and the purpose of purchasing these products".

Mixue's history in Indonesia dates back to 2020. In just two years, this ice cream outlet now has *franchises* mushrooming in many cities in Indonesia. In its native China, Mixue Ice Cream & Tea is better known as Mixue Bingchen or XBMC. In 2020, Mixue had more than 10,000 outlets in China. The Mixue business first expanded its business outside of China in 2018, in the country of Vietnam. In Indonesia itself, Mixue first opened in 2020, where the first *franchise* was centered in Bandung, West Java. Mixue gained many fans after this ice cream went viral on social media. In addition, the ice cream offered is also delicious and the price is affordable. The taste of the ice cream sold does not cause nausea so that many people are addicted. Although supply and demand continue to increase, there are still several obstacles both from business competition and from customers that can hinder business development.

Adisaputro (2010) states "satisfaction is a person's feeling of being happy or disappointed as a result of the comparison between the perceived product performance (result or outcome) associated with his expectations. If the product performance is lower than previous expectations he will be dissatisfied and disappointed. When product performance is equal to expectations he will be satisfied. If the performance exceeds his expectations he will be very satisfied. Yamit (2005) states that "customer satisfaction is an after-purchase evaluation or evaluation result after comparing what is felt with expectations. From this explanation, it can be concluded that customer satisfaction is the perceived outcome of using products and services, equal to or exceeding the desired expectations."

The obstacles faced from business competition are the many emerging companies with similar products as competition and from customers (Sari, et al., 2020). now there are other outlets that have a similar concept to Mixue. The outlets are Ai-CHA and

Momoyo. They have similar menus and friendly prices. Another similarity is in the use of the outlet's identity color, which is red. Mixue uses bright red, as do Ai-CHA and Momoyo. Both outlets also have logos with mascots. While Mixue's mascot is a snowman, Ai-CHA uses a penguin mascot holding a drink glass. Momoyo has a polar bear mascot holding an ice cream cone.

According to Wardhani (2015), customer satisfaction is an important aspect for marketers because it determines whether the customer will make a purchase or not for the product. So it is hoped that the company has a good company management concept, so that customers feel interested and do not easily switch to other companies, for this reason the company is required to better understand the needs and desires of the target market and can create products that are in accordance with the needs and desires of customers so as to increase customer satisfaction more effectively and efficiently than competing companies. For marketers, customer identification by understanding consumer behavior is very necessary for the survival of the company. In addition, companies also need to understand the process of customer satisfaction at each stage and what factors influence this (Chiu et al., 2011).

The results of interviews with the Ice Cream Mixue, it is known that the product advantages are the main attraction of Ice Cream Mixue, especially in products. One of Mixue's advantages is the relatively cheap price of ice cream and drinks. In Indonesia alone, one cone of Mixue ice cream is priced at only IDR 8 thousand, while other drinks are priced starting from IDR 10 thousand. As a result, Mixue's products are selling well, which is made from ingredients without preservatives and artificial sweeteners as well as from the quality of the product. Another secret to the success of the Mixue business is to consistently make various product development innovations. From initially selling only ice cream, then adding other menus such as milk tea, boba, fruit, and various other innovations.

The diversity of customer wants or needs leads to customer satisfaction. Since companies cannot serve all customers in a very broad market, companies need to identify market segments that can be served most effectively. Market segmentation helps companies define customer needs and wants precisely and quickly (Rakasiwi, 2017). In addition, people are now starting to think selectively and smart in choosing a product. So the analysis of preferences from customers is also important to do in order to find out what customers like and dislike, by using this preference analysis, the order of importance of product characteristics such as what is most important or most preferred will be obtained

2. Methodology

Data Collection Methods

The data in this study used qualitative and quantitative data, both from primary and secondary sources. This research data collection was carried out by two methods, namely, structured interviews (questionnaires) and literature studies (books, journals, and articles).

Population and Sample

The population is customers who have bought and consumed mixue ice cream. Sampling in this study using *purposive sampling* with a sample size of 65 people determined based on certain criteria, namely respondents are customers who have bought and consumed mixue ice cream spread over 5 branches. Namely, on Jl. Demangan Baru No.25, on Jl. A. M. Sangaji No.11, on Jl. Mayjend Sutoyo No.95, on Jl. Kapten Piere Tendean No. 56 A, and on Jl. Laksda Adisucipto 32-34 Demangan. In addition, there are other requirements as a customer, namely at least one time and respondents are customers who are at least 17 years old.

Variables and Data Analysis

The variables analyzed in this study are: (1) Market segmentation (X1) which includes geographic, demographic, and psychographic; (2) Customer preferences (X2) which includes price, product design, organic labeling, and availability; (3) Customer satisfaction (Y) which includes product quality, service quality, ease of accessing products, and how to advertise products. Variable measurement uses a Likert scale with the highest score of 5 and the lowest score is 1. Data analysis was carried out by testing the research hypothesis in the SEM-PLS (*Structural Equating Modeling-Partial Least Square*) structural equation model. The analytical tool used is SmartPLS software version 3.0 with the output results analyzed descriptively qualitative

3. Empirical Findings/Result

The results showed that most of the respondents were women, this is because in general women are more likely to shop and manage kitchen affairs than men. The respondent group is more aged 17-25 years, this indicates that a person's age affects customer satisfaction with a product because at that age they are more concerned about health and can also be influenced by their social environment. The last education of the average respondent is a bachelor's degree, this means that a person's education will affect his mindset and understanding, so that customer satisfaction with a product is felt in accordance with meeting the needs and benefits desired from consuming the product. Respondents who buy dominant mixue ice cream are mostly private workers, because customers who work mean they have more income so they will spend their income according to their needs and money capabilities. In addition, the income or salary from the job can affect customers in terms of meeting their needs so that it can affect customer satisfaction with the product.

Evaluation of the Measurement Model (*Outer Model*)

Evaluation of the measurement model (*outer model*) shows the relationship between latent variables and their indicators. In this research, the measurement model evaluation (outer model) in this study was carried out by testing convergent validity, discriminant validity, and composite reliability. 1. Convergent Validity Convergent validity relates to the principle that the manifest variables of a construct are interconnected or highly correlated (Ghozali and Latan, 2015). Testing convergent validity is done by looking at the outer loading value of each indicator on the latent

variable. An outer loading value greater than 0.7 can be said to be valid or meet convergent validity. And from the research results it can be seen that all indicator values have an outer loading value greater than 0.7. This indicates that each study variable has been able to be explained by its indicators and meets the requirements of convergent validity.

Dicriminant Validity

The discriminant validity test in this study uses the Fornell-Larcker criterion (FLC) value. The FLC value of an indicator on its own latent construct is expected to be greater than the value on other latent constructs. Based on the results obtained, it is concluded that market segmentation has a smaller FLC value on its own latent construct than the FLC value on other constructs. This value means that the model has not met the discriminant validity requirements so it is necessary to remove the indicator that has the smallest outer loading value on the market segmentation variable. Model modification is carried out by eliminating the SP3 indicator which has an outer loading value of 0.712. The measuring indicators used in this study have good discriminant validity in forming their respective variables.

Composite Reliability

Latent variables can be said to have good reliability if the composite reliability value and Cronbach's alpha value are greater than 0.7. According to Ghazali and Latan (2015), that measurement can be used to measure good reliability for a construct in SEM-PLS. All constructs have a composite reliability value greater than 0.7 and the Cronbach's alpha value is also greater than 0.7, so it can be concluded that they have good reliability.

The inner model evaluation stage in this study was carried out by looking at R-square, Q-square, and F-square. According to Ghazali and Latan (2015) the R-square value is the coefficient of determination used to assess how much influence certain exogenous latent variables have on endogenous latent variables with criteria for values of 0.75; 0.50; and 0.25 for each endogenous latent variable in the structural model can be interpreted as strong, moderate and weak. As for the Q-square value, it is used to determine whether the exogenous latent variable has predictive relevance to the influenced endogenous latent variable. The interpretation of the results of $Q_{square} > 0$ indicates that the exogenous latent variable is good (appropriate) as an explanatory variable that is able to predict or has predictive relevance to its endogenous variables.

The F-square value is a value calculated as the absolute value of the individual contribution to each predictor latent variable in the structural order categorized into three values, namely weak (0.02), medium (0.15), and large (0.35) (Triayuni and Wijayanti, 2020). the R-square value is 0.646, which means that it has a moderate or relatively moderate influence on the endogenous latent variable. The Qsquare value is 0.349, indicating that the value of exogenous variables (market segmentation and customer preferences) is used to predict or forecast customer satisfaction. Judging from the F-square value, it is concluded that the segmentation and preference variables have a medium influence or have an important influence in measuring customer satisfaction.

The Effect of Market Segmentation on Customer Satisfaction

The market segmentation variable in this study has an original sample value of 0.456 and a p-value of 0.001 which is smaller than the significant level (0.005) with a confidence level of 95%. This shows that the market segmentation variable has a positive and significant effect on customer satisfaction, which means that the formation of the right market segmentation can affect the high level of customer satisfaction. In this study, there are 3 indicators that can influence market segmentation, the three indicators are geographical, demographic and psychographic. Of the three indicators, demographics, namely the income level, have the highest outer loading value of 0.807. This indicates that this indicator is dominant in reflecting market segmentation factors, which means that customers with a high level of income or classified as sufficient will have more opportunities to purchase ice cream mixue. The indicator that has the lowest value is geographical regarding the strategic location of sales with an outer loading value of 0.708.

The Effect of Customer Preferences on Customer Satisfaction

Based on the results of data processing, the customer preference variable has an original sample value of 0.417 and a p-value of 0.002 which is smaller than the significance level (0.005). It can be concluded that the customer preference variable has a positive and significant effect on customer satisfaction. This means that the more fulfilled the needs and desires of customers can increase customer buying interest

4. Conclusions

Based on the research results that have been carried out in this study, it can be concluded that market segmentation has an original sample value of 0.456, which means that the market segmentation hypothesis has a positive and significant effect on customer satisfaction. This also shows that market segmentation affects customer satisfaction, which means that customer satisfaction can be high if the company can set the right market segmentation strategy. Customer preference has an original sample value of 0.417, which means that customer preference has a positive and significant effect on customer satisfaction. This shows that customer preferences affect customer satisfaction, which means that the higher the customer's wants and needs that can be met, the higher the customer's decision to buy will be.

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