The Impact of Location and Price Perception on Customer Loyalty: A Case Study of Dapur Bu Hepy Surabaya

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A R T I C L E   I N F O

A B S T R A C T

The culinary MSME sector has shown significant growth in major cities such as Surabaya, driven by high consumer demand for affordable and accessible food services. This study aims to analyze the influence of location and price perception on customer loyalty at Dapur Bu Hepy in Surabaya. This is a quantitative study using a questionnaire distributed to 96 respondents. The data were analyzed using Structural Equation Modeling (SEM) based on Partial Least Square (PLS). The results show that both location and price perception have a positive and significant effect on customer loyalty, with price perception contributing the strongest influence. The most dominant indicator within the price perception variable is price competitiveness, which is considered the main reason customers remain loyal to Dapur Bu Hepy.

INTRODUCTION

Economic growth is one of the main indicators of the success of national development. The primary goal of national development lies not only in economic growth but also in the equitable distribution of societal welfare (Hidayat et al., 2022). In achieving this, the Micro, Small, and Medium Enterprises (MSMEs) sector plays a highly strategic role. MSMEs not only contribute to the Gross Domestic Product (GDP) but also absorb a large labor force and create business opportunities for the wider community (Laraswati et al., 2024). MSME in Indonesia encompass a wide range of business sectors, with the culinary sector being one of the most dominant. This field is often chosen by entrepreneurs because it generally requires lower capital, has high growth potential, and reaches consumers from various segments of society. According to the Ministry of Trade, domestically processed food and beverages are a sub-sector with strong potential to strengthen the foundation of the national economy.

The city of Surabaya, as the capital of East Java Province, holds the highest Gross Regional Domestic Product (GRDP) value in the province. According to data from the East Java Central Statistics Agency (2023), Surabaya recorded a GRDP value of IDR 715.294 trillion with a growth rate of 5.7% in 2023. This indicates that economic activities, including MSMEs, play a significant role in supporting the city's growth. One of the growing culinary MSMEs in East Surabaya is Dapur Bu Hepy, a micro-enterprise that has been operating for nearly ten years. This business has experienced various ups and downs, particularly during the COVID-19 pandemic, which led to a significant decline in sales volume. However, over the past two years, it has shown a positive recovery trend, as evidenced by an increase in sales volume reaching over 12,000 portions per semester.

Despite having a relatively high rating on digital platforms (4.7 out of 5), Dapur Bu Hepy still faces several challenges, particularly related to consumer perceptions of its location and pricing. Based on customer reviews on Google Review, there are complaints about limited parking space, especially for four-wheeled vehicles, which is seen as affecting customer comfort. In addition, price perception has also become a significant issue, as some customers feel that the prices are not aligned with the benefits or

quality they receive. Both of these factors location and price perception are essential elements in marketing strategies that contribute to the development of customer loyalty. Customer loyalty refers to a condition in which customers continue to choose a product or service despite the presence of many alternatives in the market. According to Tjiptono (2015) as cited in Melisa (2021), loyalty is reflected in consumer behavior through consistent repeat purchases and a willingness to recommend the product or service to others.

Business location plays a crucial role in fostering customer loyalty. A strategic location that is easily accessible, highly visible, and equipped with supporting facilities such as parking space can enhance customer comfort and encourage repeat purchases (Assauri, 2012; Cahyo et al., 2022). Meanwhile, price perception how consumers view the alignment between the price paid and the benefits received can also shape a positive customer experience, ultimately strengthening loyalty (Kotler, 2010; Farisi & Siregar, 2020). However, previous studies have shown mixed results. Research by Setiawan and Kusuma (2024) found that location and price perception have a positive and significant influence on customer loyalty. In contrast, a study by Hakunta and Sujianto (2022) concluded that location does not have a significant effect on loyalty. A similar finding was reported by Maimunah (2019) regarding price perception, stating that it does not significantly influence customer loyalty. These differing results suggest that the influence of both variables may be contextual, depending on market segmentation and business characteristics.

Based on this background, this study aims to empirically examine the influence of location and price perception on customer loyalty at Dapur Bu Hepy in Surabaya. By focusing on the local context and actual consumer data, the results of this research are expected to contribute to the development of marketing strategies for MSMEs, particularly in maintaining and enhancing customer loyalty.

Literature Review

Marketing Management

Marketing management is the process of analyzing, planning, implementing, and controlling marketing programs designed to create, build, and maintain profitable relationships with target markets (Haryanto & Rudy, 2020, as cited in Novely, 2024).

Marketing Mix

The marketing mix is a combination of four key elements known as the 4Ps: product, price, place (location), and promotion (Kotler & Armstrong, 2012, as cited in Istiqomah & Syahruddin, 2023). These four elements serve as strategic tools for companies to influence market demand and create value for customers.

Location

Location is defined as the place where a business conducts its production and distribution activities for goods or services. A strategic location can enhance accessibility, visibility, comfort, and operational efficiency (Kaligis & Rawung, 2022). According to Tjiptono (2015), as cited in Aprileny et al. (2021), the indicators of location include: 1. Accessibility – the ease with which the location can be reached; 2. Visibility – the visibility of the location from the main road; 3. Parking Space – the availability and convenience of parking areas; 4. Competition – the level of business competition in the surrounding area.

Price Perception

Price is the amount of value that consumers must pay to obtain a product or service. Price perception refers to the consumer's subjective view of the alignment between the price paid and the benefits or quality received (Kotler & Armstrong, 2015, as cited in Setiyaningrum & Supriyono, 2022). According to Kotler and Armstrong (2012), as cited in Andani et al. (2023), the indicators of price

perception include: 1. Price affordability; 2. Price suitability with product quality; 3. Price suitability with benefits received; 4. Price comepetitiveness.

Customer Loyalty

Customer loyalty is the consistent attitude and behavior of customers in choosing and repeatedly purchasing products from a brand or company, despite the presence of many other alternatives in the market (Griffin, 2003, as cited in Rofiah and Wahyuni, 2017). Loyalty is not only reflected in repeat purchases but also in the willingness to recommend the product to others and in resistance to competitors' influence. Griffin (2005), as cited in Nofindri et al. (2021), outlines the following indicators of customer loyalty: 1. Making regular repeat purchases; 2. Purchasing various products or services offered; 3. Recommending the product to others; 4. Not easily influenced by competitors.

Hypothesis Development

With the research results above, the conceptual framework is as follows:
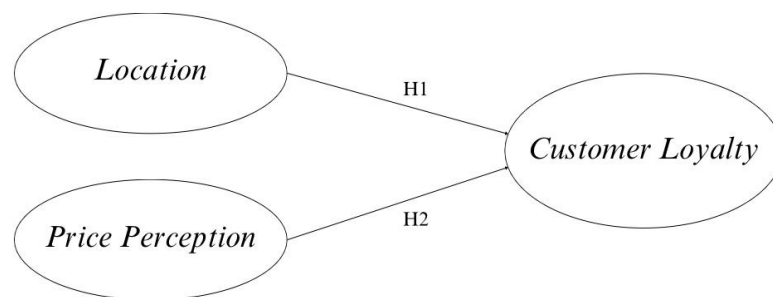

Figure 1. Conceptual Framework

From this framework, a hypothesis can be formulated:

The Influence of Location on Customer Loyalty

In addition to its influence on customer satisfaction, business location significantly affects consumer loyalty. The proximity between a consumer's residence and the business location tends to encourage more frequent visits and purchase behavior. A strategically located business offers practical benefits such as time and energy efficiency, which in turn supports repeat purchasing behavior.

Empirical evidence supports this notion. Karomah et al. (2018), as cited in Rahmani (2022), demonstrated a significant positive relationship between location and customer loyalty. Similarly, findings by Asie (2014), referenced in Nofindri et al. (2021), also indicate a positive correlation between business location and customer loyalty. Based on these findings, it can be concluded that location has a positive influence on customer loyalty. The more strategically positioned a business is, the greater its potential to foster and maintain loyal customers.

H_1: Location has a positive and significant effect on Customer Loyalty

The Influence of Price Perception on Customer Loyalty

Affordable pricing can positively shape consumer perceptions of a product. In addition to influencing customer satisfaction, price perception also impacts customer loyalty. Loyalty tends to increase when customers perceive prices as fair and aligned with their expectations (Bolton & Lemon, 1999, as cited in Putra et al., 2022).

Supporting this, Insani and Madiawati (2020) in Pertiwi et al. (2022), and Iriyanti et al. (2016) in Andani et al. (2023), found that price perception has a significant positive effect on customer loyalty.In conclusion, positive price perception contributes to stronger customer loyalty.

H_2: Price Perception has a positive and significant effect on Customer Loyalty

RESEARCH METHOD

The analysis in this study uses the SEM method with a component-based approach using PLS as the analytical tool. This study utilizes primary data obtained from the responses to an online questionnaire distributed to 96 respondents, as well as secondary data sourced from books, journals, scientific articles, and previous research studies related to the topic of this study. Sampling was conducted using non-probability sampling with the Purposive Sampling technique, where the technique determines the sample based on the criteria or characteristics of the respondents, namely being at least 17 years old, having made a minimum of two purchases. The data collection method used in this study was through the distribution of questionnaires. The population refers to a group of objects or subjects with specific qualities and characteristics, determined by the researcher for analysis and subsequent conclusion-drawing (Sugiyono, 2013). The population in this study consists of customers of Dapur Bu Hepy Surabaya. According to Sugiyono (2013), a sample is a portion of the population that shares the same characteristics as the population. The sample size plays a crucial role in interpreting the results. Given the analytical tool used, Structural Equation Modelling (SEM), the representative sample size can be deter mined by multiplying the total number of indicators by 5 to 10. In this study, the number of indicators is 12 multiplied by the parameter 8, resulting in a sample size of 12 x 8 = 96 respondents.

Respondent Information

Table 1. Characteristics of Respondents by Gender

Gender	Amount	Percentage
Male	48	50%
Female	48	50%
Total	**96**	**100%**

Source: Questionnaire Data Processed

The number of respondents who have made purchases at Dapur Bu Hepy at least twice shows a balanced proportion between male and female customers, with 48 individuals each. It can be concluded that Dapur Bu Hepy has an equal appeal to both genders. This indicates that purchasing preferences at Dapur Bu Hepy are not influenced by gender, as both men and women share similar assessments regarding the location and price perception of the restaurant. Therefore, the appeal of Dapur Bu Hepy is general in nature and able to reach both genders equally.

Table 2. Characteristics of Respondents Based on Income

Profession	Number	Percentage
Private Employee	17	17,7%
Entrepreneur	9	9,4%
Laborer / Employee	22	22,9%
Student	28	29,2%
Housewife	14	14,6%
Unemployed	6	6,2%
Total	**96**	**100%**

Source: Questionnaire Data Processed

Out of 96 respondents, the majority were students (28, or 29.2%), followed by laborers/employees (22, or 22.9%), private sector workers (17, or 17.7%), housewives (14, or 14.6%), entrepreneurs (9, or 9.4%), and unemployed individuals (6, or 6.2%). The student majority is due to Dapur Bu Hepy's proximity to campus areas, its market targeting students with affordable prices and practical food, and the ease of collecting data from students, who are more open to completing questionnaires.

RESULTS AND DISCUSSION

Outer Model
Convergent Validity

One way to measure the validity of indicators is based on the output of the Outer Loadings table. The validity of an indicator is measured by examining the Factor Loading values from the variables to their respective indicators. According to Hair et al., (2022), the general guideline used in convergent validity testing is that the standardized outer loading value of an indicator should be 0.708 or higher. Thus, the indicator is considered to have acceptable reliability and indicates that it truly represents the construct being measured.

Table 3. Outer Loadings (Mean, STDEV, T-Values)

	Outer Loadings
X1.1 <- Location (X1)	0,804
X1.2 <- Location (X1)	0,768
X1.3 <- Location (X1)	0,764
X1.4 <- Location (X1)	0,818
X2.1 <- Perception Price (X2)	0,845
X2.2 <- Perception Price (X2)	0,821
X2.3 <- Perception Price (X2)	0,777
X2.4 <- Perception Price (X2)	0,830
Y1 <- Customer Loyalty (Y)	0,870
Y2 <- Customer Loyalty (Y)	0,840
Y3 <- Customer Loyalty (Y)	0,844
Y4 <- Customer Loyalty (Y)	0,826

Source: Data Processing Results

Based on the outer loading table, all reflective indicators on the variables of Location (X1), Price Perception (X2), and Customer Loyalty (Y) show factor loadings (original sample) greater than 0.708, thus the estimation results of all indicators have met Convergent Validity or are valid.

Table 4. Average Variance Extracted (AVE)

	AVE
Location	0,622
Price Perception	0,670
Customer Loyalty	0,714

Source: Data Processing Results

The next measurement model is the Average Variance Extracted (AVE), which indicates the amount of variance in the indicators that can be explained by the construct (latent variable). A construct is considered to have good convergent validity if the AVE value is greater than 0.50. Based on the table, all variables in this study have adequate AVE values: Location (X1) at 0.622, Price Perception (X2) at 0.670, and Customer Loyalty (Y) at 0.714. Therefore, it can be concluded that all three variables meet the

requirements for convergent validity and are able to effectively represent the indicators used to measure them.

Discriminant Validity

Discriminant validity in reflective indicators can be seen in cross loading. According to Hair et al. (2022), in a discriminant validity test, the outer loading value of an indicator on the intended construct must be higher than its cross loading value on other constructs. If this condition is not met, the indicator is considered insufficiently representative of the intended construct, which may indicate a problem with discriminant validity.

Table 5. Cross Loading

Indicator	Trust (X1)	Decision to Use (Y)	Perceived Ease (X2)
X1.1	0.804	0.652	0.639
X1.2	0.768	0.661	0.617
X1.3	0.764	0.585	0.612
X1.4	0.818	0.600	0.644
X2.1	0.691	0.845	0.721
X2.2	0.614	0.821	0.696
X2.3	0.649	0.777	0.649
X2.4	0.640	0.830	0.725
Y1	0.698	0.740	0.870
Y2	0.650	0.754	0.840
Y3	0.619	0.712	0.844
Y4	0.724	0.678	0.826

Source: Data Processing Results

From the cross-loading data analysis, all factor loadings for each indicator were obtained for the variables Location (X1), Price Perception (X2), and Customer Location (Y) variables, are greater than the factor loadings of the indicators from the other variables. Therefore, it can be said that all indicators in this study are valid or have good validity.

Composite Reliability

Table 6. Composite Reliability

	Composite Reliability
Location (X1)	0,868
Price Perception (X2)	0,890
Customer Loyalty (Y)	0,909

Source: Data Processing Results

Cronbach's alpha and composite reliability have a value range between 0 and 1, with higher values indicating higher reliability. Specifically, values between 0.60 and 0.70 are considered acceptable in exploratory research, while in more advanced stages of research, values between 0.70 and 0.90 are considered adequate (Hair et al., 2022). Values above 0.90 (especially those exceeding 0.95) are considered undesirable because they are typically derived from items that are semantically too similar or repetitive.

Based on the test results, the Location variable (X1) has a Composite Reliability value of 0.868, Price Perception (X2) is 0.890, and Customer Loyalty (Y) is 0.909. Since all values exceed the threshold of 0.70, it can be concluded that all constructs in this study are reliable, and the indicators used are consistent in measuring their respective variables.

Inner Model

The inner model test can be seen from the R-Square value in the equation between latent variables. The R² value explains how much the exogenous (independent/free) variables in the model are able to explain the endogenous (dependent/bound) variables. R² values above 0.50 and approaching 0.75 are categorized as moderate, while values around 0.29 or below 0.30 are categorized as weak (Hair et al., 2022).

Tabel 7. R-Square

	R-Square
Decision to Use (Y)	0,767

Source: Data Processing Results

The R-Square (R²) value for the Customer Loyalty variable (Y) is 0.767, indicating that the model in this study is able to explain 76.7% of the variability in customer loyalty, which is influenced by the independent variables Location and Price Perception. Meanwhile, the remaining 23.3% is explained by other factors outside the scope of this study. Therefore, it can be concluded that the model has a strong explanatory power for customer loyalty.

Hypothesis Test

Tabel 8. Path Coefficients (Mean, STDEV, T-Values, P-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (Stdev)	T Statistics (|O/Stdev|)	P Values
Trust (X1) -> Decision to Use (Y)	0,324	0,327	0,086	3,775	0,000
Perceived Ease (X2) -> Decision to Use (Y)	0,597	0,594	0,081	0,081	0,000

Source: Data Processing Results

The table above shows that the Location variable (X1) has a positive and significant effect on Customer Loyalty (Y), with an original sample value of 0.324, a T-statistic of 3.775 (greater than 1.96), and a p-value of 0.000 (less than 0.05). Therefore, the hypothesis that location affects customer loyalty can be accepted. This means that the more strategic the business location, the higher the customer loyalty toward Dapur Bu Hepy. Furthermore, the Price Perception variable (X2) also shows a positive and significant effect on Customer Loyalty (Y), with an original sample value of 0.597, a T-statistic of 7.333, and a p-value of 0.000. Since the T- value is greater than 1.96 and the p-value is less than 0.05, the second hypothesis can be accepted. This means that the better the customers' perception of the prices offered, the higher their level of loyalty.

The Influence of Trust on Decision to Use

The research findings indicate that location significantly influences customer loyalty at Dapur Bu Hepy Surabaya. The Outer Loading analysis identifies competition as the most influential indicator, where customers perceive Dapur Bu Hepy as superior to similar nearby restaurants. This competitive advantage encourages repeat purchases. A strategic location easily accessible, visible from main roads, equipped with adequate facilities, and able to compete locally correlates with higher customer loyalty. These results align with previous studies by Nofindri et al. (2021), Melisa (2021), and Setiawan & Kusuma (2024), which confirm that location has a positive and significant impact on customer loyalty.

The Influence of Perceived Ease on Decision to Use

The research findings show that price perception significantly contributes to customer loyalty at Dapur Bu Hepy Surabaya. The Outer Loading analysis reveals that price competitiveness is the most influential indicator, with customers perceiving Dapur Bu Hepy's prices as more affordable than nearby competitors. This perception encourages repeat purchases. The study confirms that the more favorable the price perception, the higher the customer loyalty. When customers believe the prices offered are fair and competitive, they are more likely to remain loyal. These findings are consistent with prior research by Nofindri et al. (2021), Andani et al. (2023), Melisa (2021), and Setiawan & Kusuma (2024), which also found that price perception has a positive and significant effect on customer loyalty.

CONCLUSION

Based on the results of the PLS analysis, this study concludes that the more strategic the business location and the better the customers' price perception including aspects of affordability, price-benefit and price-quality alignment, as well as price competitiveness the higher the customer loyalty toward Dapur Bu Hepy in Surabaya. Both variables, location and price perception, have been proven to have a positive and significant influence on customer loyalty. However, this study has limitations as it only examines two independent variables without considering other factors such as service quality, customer satisfaction, or brand image. It also uses a limited sample size and a quantitative approach without in-depth exploration through qualitative methods. Therefore, it is recommended that Dapur Bu Hepy continues to improve location accessibility, including upgrading facilities such as parking areas, and maintains consistent pricing that remains affordable and aligned with product quality. Future researchers are encouraged to expand this study by including additional variables in order to gain a more comprehensive understanding of the factors that influence customer loyalty in the culinary MSME sector.

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