

CHAPTER I

INTRODUCTION

1.1. Background of the Study

In this globalization era, the food and beverage service industry is one of the industries that takes an important role to the economic development of a country. As stated in CNBC Indonesia, according to the Deputy of Research, Education and Development of Creative Economy in Indonesia, Dr. Ing. A. R Boy Berawi, from sixteen subsectors of creative economy, F&B service industry contributed 41.4 percent in 2016. Food and beverage services include any establishment that serves food and drinks to satisfy people's needs. The target consumer of Food and Beverage Service Industry in Indonesia is the middle-income and the millennials because of their large number and their unique consumption behavior.

Based on worldometer.com, in 2020, Indonesia's urban population dominates to 56 percent compared to the rural population which is 44 percent. This higher percentage of urban population gives advantages to the restaurant owner since nowadays, the urban population love everything practical and less time consuming so they tend to eat out in order to fulfil their primary needs. A consumer report by Nielsen in 2016 shows that the diversity and uniqueness are the important factors in choosing a restaurant for consumers between the age of 18 to 34. Moreover, the rapid growth of food and beverage service industry has made more dining options available to choose when eating outside home.

In this modern era, there are numerous newly opened cafés as nowadays, cafés turn to be new trends and lifestyle for almost everyone, with different layer of age and it is blooming all over the world including Medan. Since the era has change, people usually will spend their time chit-chatting, hanging out, doing assignment, discussing business and almost all stuffs at the cafés. Cafés offers comfort, great vibes and great ambience for people to do their stuffs, whether it is in formal or informal occasions, but nowadays people tend to choose cafes based on the fancy and photogenic places. There are lots of newly opened cafés in Medan since there are lots of people who visits café for different matters.

Since there are a lot of newly established cafes, the question that occurs is how the long-established cafes could maintain their success in this modern era due to the tight competition. In order to compete and to be more eminent than other café or restaurant, the right marketing strategies and marketing tactics are needed. Marketing strategy refers to a plan to achieve a goal while marketing tactics refers to the action to achieve the goal. One of the aspects to achieve the goal is Marketing Mix. According to Baalbaki (2015), traditionally, in the product fields, there are 4Ps known as the marketing mix, which is Product, Price, Place, and Promotion which was first founded by E. Jerome Mc. Carthy. Moreover, Booms, B. and Bitner, M. stated that in the service fields, there are other 3Ps added which is People, Process and Physical Evidence that made the Service Marketing Mix accumulated to 7Ps in total. Marketing Mix plays an important role in the marketing plan and strategies since it could improve the reputation of the organizations. Therefore, the marketing manager of the company should manage the marketing

mix elements effectively to obtain customer satisfaction which could lead to customer loyalty.

Customer Loyalty will be achieved when a customer is loyal to certain product or service provider, continuing to repurchase with the company without being easily influenced by the availability or pricing, customers usually are willing to pay more if they got the same quality of product or service. Customer Loyalty is important in every business since it will increase the reputation of the organizations. According to Yotpo (2019), 77.84% of consumers said the product inspires their loyalty to a brand, 62.96% said price, 26.14% said customer service, and 22.34% said a loyalty program. The Statistics shows that there is an influence between some of marketing mix elements to the customer loyalty.

The writer decided to choose one of the long-established cafes in Medan, which is The Traders Café, Restaurant and Bar as the research object. The Traders Café, Restaurant and Bar which is a casual dining type of restaurant is established in 2000, with the combination of “East meet West” concept where they sell different kind of food from different kind of country, starting from Indonesia, Japan, America, Australia, France, Mexico, Europe, to Mediterranean country which could meet the guests’ taste. Not only providing variety kind of food, but The Traders also provides a large selection of wine, beer and liquor for their guests to enjoy.

According to the restaurant manager, each month they will always create an event to attract their customers based on the event of the month. For example, every January they will create New Year promotion, every February they will create

Chinese New Year promotion, and so on. The Traders Café, Restaurant and Bar also create an innovation in the early April to support the social distancing, which is the drive-in event where the customer could still enjoy the food in their own parked car in the parking lot. This innovation is interesting since it is the first in Medan.

The target market of this café is businessmen and businesswomen, since this café offers a good ambience for businessmen in discussing about the business matters while enjoying the wine collections provided. Besides wide selection of food in the restaurant, they also have live music and night club which is Shoot Restaurant, Bar and Club.

Based on the writer's observation, The Traders Café, Restaurant and Bar is quite well-known in the past, but in this era, The Traders Café, Restaurant and Bar seems quite down compared to the newly established cafes such as Prime Steak House, Fuku Japanese Restaurant, Bel Mondo Cafe, etc. There are also some problems that occur during the writer's observation and experience. The waiters of The Traders are not informative and initiative enough in explaining their promotion program. The writer finds that the design of The Traders is not comfortable enough and does not have good lighting. The writer also finds that their cafe is lack in the advertising through their social media. Because of that problem, the writer is curious on how The Traders Café, Restaurant and Bar could retain their customer loyalty comparing to the newly opened cafes and the marketing mix used by The Traders Café, Restaurant and Bar to keep their customer loyal. Therefore, the writer

chose **“The Effect of Marketing Mix towards Customer Loyalty at The Traders Café, Restaurant and Bar Medan”** as the title for this research.

1.2. Problem Limitation

The scope of this research is to identify the effect of marketing mix (Product, Price, People, Place, Process, Physical Evidence and Promotion) towards customer loyalty. This research is limited to the customers who have visited The Traders Café, Bar and Restaurant, Medan. The respondents could be writer's friends, relatives, friends of writer's parents and anyone who is known by the writer who have visited The Traders in the past five years. This research is conducted from March to June 2020 with the customers who visited The Traders Café, Restaurant and Bar in the past 2016 to 2020.

1.3. Problem Formulation

As the writer is analyzing about how the marketing mix effects customer loyalty at The Traders Café Medan, this research will attempt to answer the following questions:

1. Does the Marketing Mix have an effect towards the customer loyalty at the Traders Café, Bar and Restaurant?
2. How big is the effect of Marketing Mix towards customer loyalty at The Traders Café Restaurant?

1.4. Objective of the Research

The objectives of study in this research are the following:

1. To find out whether Marketing Mix has an effect towards Customer Loyalty at the Traders Café, Bar and Restaurant.
2. To find out how big the effect of Marketing Mix towards Customer Loyalty at the Traders Café, Bar and Restaurant.

1.5. Benefit of the Research

1.5.1. Theoretical Benefit

1. To help The Traders Café, Restaurant and Bar in understanding the effect of marketing mix theories toward their customers loyalty.
2. To help the writers in understanding the effect of marketing mix towards customer loyalty.
3. To be references for future research related to Marketing Mix and Customer Loyalty.
4. To help readers in understanding the effect of marketing mix towards customer loyalty.

1.5.2. Practical Benefit

1. To help The Traders Café, Restaurant and Bar improve their elements of marketing mix in order to increase customer loyalty.
2. To give recommendations to The Traders Café, Restaurant and Bar or other food and beverages companies in planning the marketing mix strategy to retain the customer loyalty.