

CHAPTER I

INTRODUCTION

1.1. Background of Study

For the growth of an economy in one country, every industry needs to have a solid business. According to (Kenton, 2021), industry is enterprises that correlated with one another due to their prime business movement and in the recent years, industry has divided into several categories or is known as sectors. As we know that there are various of industries and one of them is food and beverage industry. The food and beverage business have been growing promptly. People worldwide has tried to establish businesses in food and beverage segment due to the great interest from the customers. One of the worldwide biggest business sectors is F&B industry with its compliments to recruitments and incomes.

Food and Beverage industry serves a crucial part for the economy of Indonesia as manifested through the representative in general economy (Global Business Guide Indonesia, 2012). In the vital segment, producing the fresh ingredient for the F&B industry in agricultural, ranch, and fisheries is accumulated as 15% to Indonesia's GDP in 2015. In trivial segment, producing product for food and beverage is accumulated as 5% for Indonesia's GDP and 27% for entire production result. At last, service in F&B industry is accumulated as 2% for Indonesia's GDP (Bank Indonesia, 2017; EIBN, 2017). As the result, F&B industry supports a great role in Indonesia's economy which makes this segment of industry

as an opportunity industry for business which keep of expanding including around Medan.

Consumers expect that they will obtain the best quality from the food and beverage that they purchase. As the result, many foods and beverage industry will challenge themselves in order to bring out the best quality of their product in order to achieve consumer's crucial goals which is satisfaction and loyalty. Having satisfied customers in our company will help to elevate profit and maintain sustainability of the company through positive word of mouth references. Satisfied customers will help to develop returned purchases and positive word of mouth will help to fascinate new customers and form the customers to be loyal.

Product will help to contribute values in an item including their preparation towards the customers. Therefore, products are able to be dissolved into tangible items and intangible services. A consumer will evaluate the quality of a product from the disparity between perception and expectation from the product. By bringing the best-quality of service products for services-based businesses influence better market share and achieve higher incomes (Xu et al., 2018)

When a product or service are consumed by consumers, evaluation will be done. The consumers will figure out whether the product or service are meeting their expectation as a customer. They will be satisfied if the products and services are meeting their expectation and when the products and service are not meeting what they expect, the consumers will feel least or even dissatisfied. It is shown that

satisfaction accomplice firmly with the evaluation outcomes of purchase (Syariful & Untung, 2020).

High quality of product will bring decisive and powerful effect towards customer loyalty as it will help to fascinate consumers to purchase repeatedly and suggest the others to purchase. By having the quality of product being improved, it will help to generate the customers becoming loyal as they are satisfied with the quality and price from the product. When the customers are delighted with the product and services, it triggers the customers to repurchase, suggest others to purchase the product, bring positive word of mouth and powerful loyalty responses. Satisfaction also can help to boost powerful reaction among product quality and loyalty. As the result, a great product will help to boost customer satisfaction which can help to maintain customer loyalty (Rua et al., 2020).

Coffee has become an uptrend in this century. As a result, many business owners start their coffee shops in Medan for the last few years. In 2013, a coffee shop called D'Raja Coffee was established. D'Raja Coffee's name is an extension from Drip Toraja, Toraja is taken from Toraja coffee due to the usage of Toraja Coffee bean in their coffee. However, due to the long process of coming to Medan from Sulawesi, it turns out that Gayo coffee is not much inferior to Toraja coffee.

Initially, they opened up a small coffee shop with just four tables. As they wish to have bigger business, the two brothers named Rudy and William continued to expand their simple coffee shop into a one-door outlet, the soon becoming a two-door shop. One of D'Raja Coffee's outlet is in the Gatot Subroto. It is built so authentically and serves great coffee with amazing, delicious food that comes with

a slightly different twist. This outlet offers seafood as its unique snack in addition to the light snacks that are commonly accompanied by brewing coffee.

With this concept, it is very easy to guess that the presence of this sixth outlet not only offers a comfortable atmosphere for coffee and confectionery lovers but also beyond that which triggers visitors and customers able to enjoy variety of Indonesian dishes wrapped in seafood packaged as family snacks. As time went by, it turns out that D'Raja Coffee is growing. It can be seen by several outlets are opened throughout Medan, even near the Kualanamu International Airport, and expanded to Pekanbaru and Palembang.

In this research, the researcher noticed that there are many reviews in Google review regarding D'Raja Coffee Gatot Subroto Medan's product. The reviews are mostly about complains towards their product starting from the product tasted just average and also bad reviews on their product. From this research, the researcher wants to know whether product quality at D'Raja Coffee Gatot Subroto Medan correlates with the customer satisfaction and loyalty when the demands and customers' intention can be reached, which will provide an outcome of repeated purchases or extended loyalty by providing the best of product quality and increase profit and sustainability of D'Raja Coffee Gatot Subroto Medan.

Table 1.1

The reasons Product Quality is a problem at D'Raja Coffee Gatot Subroto Medan

No	Name	Star	Review	Remarks	Lack of which indicator
1	Yusri Ius	1 / 5	Kopi sanger nya nggak enak..mual kalau da minum	Coffee Untasty	Quality
2	Kevin Huang	3 / 5	Seafood tastes bad.	Quality of Seafood	Quality, Production arrangement
3	Asry Kachi	3 / 5	Rasa kopi kurang banget	tasteless	Quality, Production arrangement
4	Deanza Siregar	3 / 5	Kopinya lumayan.. tp makanan kurang	food was not ok	Quality
5	Fenny Wijaya	4 / 5	The taste of the food is so so	Taste is just average	Production arrangement
6	H. Sulaiman. Sulaiman	1 / 5	Aduu Pesan indomie goreng gk ada bedanya sm makanan anak kos Kopinya kurang mantap Cuma menang tempat aja Jadi saya Tarik pasukan ke tempat lain	unspecial food and coffee	final product
7	Jessica Novia	4 / 5	Pelayanan bagus sekali disini. Ruangan juga bersih dan nyaman. Namun makanan tidak semua enak tapi masih bisa saya makan.Saya pesan makanan secara random. Stak ayam dan nasi goreng seafood enak.	Tasteless food	Production arrangement
8	Dina	3 / 5	The toast is not really tasty, the garlic potatoes is good, the rose tea and British tea are okay	Toast is tasteless	Production arrangement
9	Maria Riovita	4 / 5	Biasa aja...ya sama2 juga dgn café yg sejenisnya. Menu makanan juga gak bgtu bnyk, bgtu juga dgn kopi nya.	nothing special	final product

Source: Prepared by Writer (2021)

A great product will surely have a strong content premise and will clarify an actual issue, become comprehensible by consumers, execute their duty in easy and efficient way, and become improved and tougher to pull out with what they previously used. These attributes are developed upon one another and in a point, shining in one of them that may produce them to be not as good as the others (Ramos, 2020).

1.2. Problem Limitation

As the researcher has described in the background of the study, the problem that the researcher aims to discuss are:

1. The importance of product quality at D'Raja Coffee Gatot Subroto Medan.
2. Customer satisfaction towards product quality of D'Raja Coffee Gatot Subroto Medan.
3. Customer loyalty towards D'Raja Coffee Gatot Subroto Medan.
4. The influence of product quality towards customer satisfaction D'Raja Coffee Gatot Subroto Medan.
5. The influence of product quality towards customer loyalty D'Raja Coffee Gatot Subroto Medan.
6. The influence of customer satisfaction towards customer loyalty D'Raja Coffee Gatot Subroto Medan.

1.3. Problem Formulation

1. What is the product quality of D'Raja Coffee Gatot Subroto Medan?
2. How satisfied are the customers of D'Raja Coffee Gatot Subroto Medan?
3. How loyal are the customers of D'Raja Coffee Gatot Subroto Medan?
4. What is the influence of product quality towards customer satisfaction at D'Raja Coffee Gatot Subroto Medan?
5. What is the influence of product quality towards customer loyalty at D'Raja Coffee Gatot Subroto Medan?
6. What is the influence of customer satisfaction towards customer loyalty at D'Raja Coffee Gatot Subroto Medan?

1.4. Research Objective

The research objective is to know whether Product Quality holds a significant part in customer satisfaction and customer loyalty.

1.5. Benefit of the Research

Through this research, the researcher hopes this will bring a benefit in educational, business, and marketing segments both in theoretical and practical as follows:

1.5.1. Theoretical Benefit

This research is hoped to bring an improved comprehension of Product Quality of D'Raja Coffee Gatot Subroto Medan, customers satisfaction and customer loyalty about the benefit of product quality which holds an important key to customer's satisfaction and customer loyalty.

1.5.2. Practical Benefit

1. The researcher expects to offer the best product quality can be applied for D'Raja Coffee Gatot Subroto Medan which can help the company to reach customer satisfaction and customer loyalty.
2. The researcher hopes that providing good product quality can help to increase customer satisfaction and customer loyalty at D'Raja Coffee Gatot Subroto Medan.

