

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Food & Beverage industry is estimated to have risen steadily in 3 to 4 years this year. Indeed, the growth of the Food & Beverage industry in Medan is growing, with many restaurants, cafes, coffee shops and food outlets opening and innovating to meet the demands and needs of customers. One of the factors behind the growth of the Food & Beverage industry is the trend of the product or changing lifestyle. As the Food & Beverage business are closely linked to the relationship between a customer and a host (Walker, 2013), it is therefore important to develop and evolve to draw more costumers, particularly as the industry is becoming competitive in serving the best product.

The nature of a customer's existence is one of the most important aspects in maintaining and increasing the growth of a company, which also concluded that a business would be nothing if no one were involved or interested in purchasing its offerings. In other words, customers are the secret in keeping the company going (Ahmed, 2020). Whatever the business delivers to costumers later, two longterm results can possibly emerge, namely loyalty and disloyalty.

As it is known that the purpose of a business is to make profits and good sales, customer loyalty is critical and can never be overlooked because it is one of the key factors that leads to the success or failure of a company. Therefore, to increase customer loyalty, the company's product must be enhanced, as this is something that each food and beverage business must consider if they want their products to compete in the market. In the research of Daniel Salim (2020), the test results concluded that product portrays positive strength in determining customer loyalty meaning that product can influenced the customer loyalty.

Following the market trends in Medan, not only coffee and café are popular with Medanese but also desserts. Cafés, restaurants, fast food restaurants, and some coffee shops in Medan are mostly including choices of desserts in their menus too. In Medan, many outlets are also presenting themselves as specializing in desserts or gelato. With similar competitors such as Scoop & Brew, GB Bistro, Let's Go Gelato, Pilastro, customers are left with many alternatives, therefore the business is getting competitive.

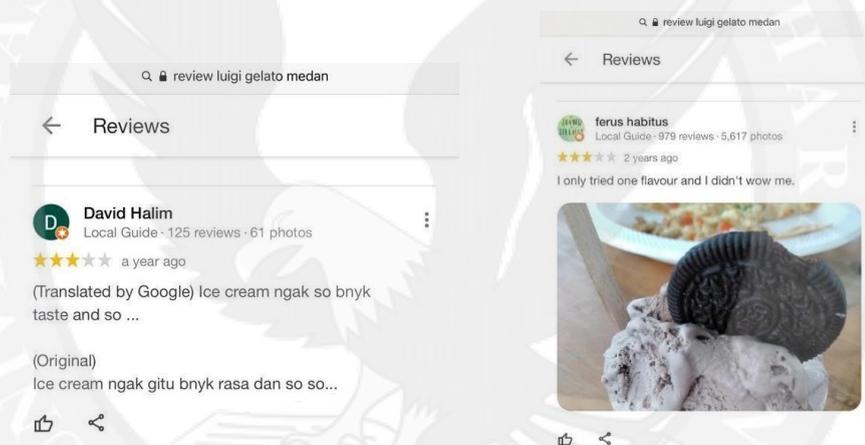
The owner of Luigi Gelato Medan acknowledged that every business would get complaints and not so good feedback from customers. With the interview conducted, below are some issues by customers who complained as follows:

Table 1.2 Criticism from the customers

No.	Criticism from the customers
1.	The taste of sorbetto is not at its best sometimes.
2.	The cleanliness of the table when dine-in.
3.	Take a time in the counter area during purchasing process due to limited spaces

Source: Interview with the owner of Luigi Gelato Medan (2020)

For the purpose to support the issues, the written reviews on Google regarding the product were attached below as secondary data:

Figures 1.1 Written Reviews on Google

Source: Google Review

Since customer loyalty is important and a frequent issue for a business to sustain, the criticism from Table 1.2 will serve as the matter of awareness and consideration for the owner to improve the business better under the right SOP and maintenance. As seen from the table, the author paid close attention to the general issue of number one which mention the quality of the product.

Based on the explanation above, the author is interested to conduct a research limited to product towards customer loyalty with the title “**The Influence of Product (Quality, Variation, Price) towards Customer Loyalty at Luigi Gelato Medan**”.

1.2 Problem Limitation

The object of this research will be Luigi Gelato Medan customers. Due to limited time, this research will focus on the criticism that has been received about the taste of sorbetto which is not at its best sometimes. As this research will limit to one problem, the independent variable followed by product quality, product variation, and price fairness as the indicators of product while customer loyalty as the dependent variable followed by preference, attitude, and allegiance as the indicators of loyalty.

1.3 Problem Formulation

As matter of objective in this research, below are the questions as author’s guideline in examining further research:

1. How is the product quality, product variation, and price at Luigi Gelato Medan?
2. How is the customer loyalty at Luigi Gelato Medan?
3. Does product (quality, variation, price) have an influence towards customer loyalty at Luigi Gelato Medan?

1.4 Objective of the Research

This research is conducted with the purpose:

1. To know the product quality, product variation and price at Luigi Gelato Medan.
2. To know the customer loyalty at Luigi Gelato Medan.
3. To know whether product (quality, variation, price) influences customer loyalty at Luigi Gelato Medan.

1.5 Benefit of the Research

The benefits of the research can be separated into two kinds of benefit, which are:

1.5.1 Theoretical Benefit

1. Expected to be useful and as references for other authors who intend to do similar or further research about product and customer loyalty.
2. Expected to give useful information for those who would like to run a Food & Beverage business.

1.5.2 Practical Benefit

1. For the author, this research provides more understanding of the research variable namely product and loyalty and its correlation in real business life.
2. For the company, this research offers results of the analyzes for both product, loyalty and the correlation between these variables which may then be the source for future business strategies.
3. For future researchers, this research will help the readers understand about customer product and customer loyalty. This will also serve as reference for similar topics of research.

