CHAPTER I
INTRODUCTION

1.1. BACKGROUND OF THE STUDY

In general, a café is a destination for people to have a cup of coffee or tea to enjoy their time. The changing trend of urban life towards a more contemporary and millennial base, however, makes the main purpose for a visit not just to enjoy a cup of coffee or tea. The café changes function as a means for work, business meetings, doing assignments, social gathering, and socialization (Suprina, 2020). Besides home and office, café is a place used to build connections, socialize, and exchange information and experience. The role of the café changes again, it has been turned into a complex multipurpose place that acts as a place to interact, work, and do assignment (Sakina, 2020).

Changes in lifestyle encourage café owners to think creatively, to provide new concepts to attract customers to visit in order to stay competitive in the market. Several cafes have their own uniqueness and different characteristics. Several cafes are trying to compete to create an innovation with various advantages. These advantages can be shown from the foods and beverages variation, a reasonable price, a strategic venue, and the atmosphere of the café. The variety of products and the uniqueness of the café make it more selective for customers to choose a product and a place to meet. This has resulted in the level of competition has also increased in the café industry, as can be seen from the increasing amount of cafes that have emerged offering each of their uniqueness.

The emergence of increasingly advanced times had an effect on market competitiveness and there have been several changes in business in the culinary sector. In this period, the business not only promotes food and beverage needs, but also socialization needs, such as gathering with family, group meetings, or business meetings (Pratiwi & Yasa, 2019). The needs for socialization among customers at this time are what drive these customers to be consumptive.

In this era, café visitors are not only men and adults who are usually synonymous with coffee lovers, but also many young people and women who visit for various purpose. For example, customer visits a café just to take photos of the foods and beverages served or to capture the unique concept of the café only for the needs of social media life. People not only visit café to have drinks or foods, but cafés have become a contemporary lifestyle and this has led many cafes to pop up in several big cities of Indonesia because besides gaining high profit, it is also because of the changes in lifestyle.

In order to fulfill the requirements and demand of the company's target market as a convincing attempt to encourage and persuade the customer purchase decision it is necessary to understand customer behavior. It is not easy to understand purchasing behavior since many variables will influence consumer behavior before making a purchasing decision. In certain situations, customers prefer to spend less time worrying about buying low-value or high-value products or services, since customers feel it is more important to satisfy their needs (Armstrong et al., 2017; Hanaysha, 2018).

Consumer behavior can be seen as a continuous process that begins long before a product or service is purchased by the customer and continues long after the consumer consumes the goods or service. The role of customer behavior is crucial in fulfilling the needs of the company's target market as a convincing attempt to affect and encourage the process of customer purchase decision.

Purchase decisions requires a lot of consideration, the company therefore needs to take the action to persuade customers to make buying decision. Marketing strategy should be a primary concern for each organization to achieve its goals. Marketing method is a continuous process of identifying and converting consumer requirements and desires into products and services. Literally, the aim of the company adheres to concepts of marketing is to fulfill the customers' needs (Waloejan, 2016).

Customers not only consider the quality of the product alone in terms of buying decisions, but are also affected by other considerations, such as price. Higher levels of competition will allow consumers to face more product options, variations of price and quality, meaning that customers will always seek for the best value of such products (Anggita & Ali, 2017). Customer buying decision requires a lot of careful considerations. Therefore, companies need to build a welcoming environment in order to stimulate customer's interest and also make customers feel comfortable and quality menu options at very competitive prices will make customers make a purchase decision.

Purchase Decisions are focused on how customers identify price and what customers consider the current actual price is, rather than the marketer's specified price. Customers can set a lower price limit below which prices mean that the quality is poor or unreasonable, as well as an higher price limit over which prices are unreasonable and the product does not seem to be worth the money (Kotler & Keller, 2016).

Customer purchase decision referred to how customers are likely to make a purchase by evaluating the level of service, the atmosphere, and price. There are several factors that influence customers to purchase items in stores such as the cozy place, music, cleanliness of the store, lighting, layout of the store, parking lot, price, product quality, and brand recognition (Cristo et al., 2017).

Businesses need to consider innovative ways of creating and retaining a competitive advantage over competitors because of the challenges in the foods and beverages industry. In order to affect attention towards a visitation, it takes more than just product. One of the ways is to concentrate on the atmosphere of the café. The atmosphere refers to the design and ambience. Store environment elements include color, music, lighting, temperature, and audience to reflect the atmosphere of the store.

Store ambience plays an important role as the environment can affect customer behavior and encourage them to make purchase decision within the shortest possible time. The appealing environment of the store creates a pleasant experience that directly affects the desire of the consumer to buy.

Store atmosphere is one of the elements that café owners must consider because the desire to purchase the products offered would arise if the environment meets customer expectations. The influence of the environment of the store will generate the impression that the buyer will increase its buying option. An exciting and unique atmosphere can generate an intentional desire from customers to make a purchase.

In hospitality industry, the atmosphere is a crucial aspect, since it is appreciated by the senses. Sensory definitions include explanations of a specific collection of surroundings for the atmosphere. When creating hospitality products, atmosphere must be taken into consideration as it can influence purchasing behavior in several ways. Companies must understand what consumer needs from the purchasing experience. It will set standards for the senses when a powerful ambience is generated through the senses. The ambience of the store is an effort to design the store environment to create the buyer's specific emotional that boost the buying decision (Sitinjak et al., 2019). Therefore, store atmosphere can be defined as planned environment that build or enhance the leanings of buyers toward a product's consumption.

Any stimulus may act an environmental variable in our environment, which then includes a particular behavior. For instance, a certain reaction can be stimulated by the music or fragrance in a store. Among other factors, both of these factors affect the behavior of customers.

According to Verma (2018), the store environment is very important in improving the experience of the customer. The amount of time customers spend in the store depends significantly on the environment of the store. Customers expect that the atmosphere of the store is enjoyable.

A powerful store atmosphere may be generated by visual communications, lighting, music, colors, temperature, and hygiene to produce a stimulus between the expectations and emotions of the customers that will influence their buying behavior.

Marketing refers to the processes by which businesses provide benefit for customers and develop an effective customer relationship in order to obtain revenue from consumers. An efficient marketing project combines all components of marketing mix into an optimized marketing strategy aimed to accomplish the marketing goals of the business providing value to customers.

In order to make prospects conscious and aware about its brand, a business must plan its marketing mix. The marketing mix can be defined as the strategic tool of the business for achieving good position in market segments.

The marketing mix refers to the combination of strategic and manageable marketing program that the company applies to generate the desired reaction from its target market. If the company has carefully chosen and positioned its market segment, then its marketing mix plans should be reasonably clear (Armstrong et al., 2017).

Price is one of four Ps, such as product, place, price, promotion in the marketing mix. Price is the only part of marketing mix strategy that generates sales, while the rest reflects expenses. Price is the easiest component of the marketing mix to adjust and suit with customer preferences. Several researchers rank pricing and competitiveness of price as the number-one challenge facing marketing executives. The solution to the competition in the market is to create a differentiated product instead of initiating a price war.

Price is one of the primary factors for customers considering purchasing. Customers will compare the price of the product with the other alternatives and then determine the price with the quality of the product or service (Lisdayanti, 2017). If the customers do not have a problem with the price offered, the customers would have positive intentions that lead to purchasing decision.

Customers have plenty of choices for products and services, and customers generally aim for the best price as well as the quality of the product match with the price. Therefore, company need to recognize the prices of competitors when setting its own price and offer the price that match with the quality.

Pricing is the least known of the marketing factors, but in an unregulated market, pricing is controllable. Price is one of the many marketing mix tools applied by a business to reach its marketing objectives. Before setting price, companies must understand other marketing mix variables. In order to create a consistent and effective marketing plan, prices must be matched with product distribution, product design, product quality, and promotion decisions.

Changes in pricing are always an immediate fix made without careful consideration. Pricing that is too cost-oriented, prices that are not adjusted to represents market changes, and prices that are not adequately varied for various products offered and market segments are the most common mistakes (Kotler et al., 2016).

The price of the product or service being offered is a very significant consideration for consumers in determining purchasing decisions. The price offered should be in accordance with the capacity of customers, and the promotion offered should be able to draw customers so that customers are interested. The competition between businesses engaged in the same or closely the same industry is getting more intense at this time, businesses are expected to be able to determine prices for the products and services offered.

Simply defined, price refers to the amount of money charged for a product or service. More generally, price is the amount of the prices paid by customers for the value of the product or service being purchased or used. Companies must have knowledge of the price. Charging too much chases prospective customers away. Charging far less will leave a business without enough profit to adequately benefit the company.

Consumers are attracted to a reasonable price which means the price offered is in accordance with the value of the product. Therefore, company must consider the pricing strategies in order to attract customers.

According to Kotler and Keller (2016), price also communicates the desired value placement of the company product or brand. However, emerging economic realities have forced many customers to re-evaluate what customers are prepared to pay for goods and service. As a result, businesses have had to carefully analyze their pricing strategies.

Many cafes were established in Medan, leading to competitive rivalry between cafes. This undoubtedly has a positive effect for customers because customers have several alternative café choices with various services offered, affordable pricing options, and varied quality of service.

Habitat Coffee is one of the local cafes in Medan that was established in 2017. Habitat Coffee is located in Jl. Abdullah Lubis No.14 Medan, offering suitable facilities and atmosphere for gathering, dining, and a very varied selection of food and beverages.

Figure 1.1 Complaints in Habitat Coffee 2021

Ridho Silalahi
1 review
★☆☆☆☆ 3 months ago
(Translated by Google) Not recommended, expensive and not delicious

★★★★☆ 3 months ago
(Translated by Google) The decoration of the place is pretty good, there are indoor and outdoor too, the service is good, for boarding children the price of food and drinks is quite draining the wallet hehe is not suitable for a place to do tasks because the wifi is not speedy like that

(Original)
Dekorasi tempatnya lumayan bagus, ada indoor dan outdoorbya juga, pelayanannya baik, untuk anak kostan harga makanan dan minumannya lumayan menguras dompet hehe kurang cocok buat tempat ngerjain tugas karna wifinya ngak speed gitu

Selvester Cia
Local Guide · 232 reviews · 766 photos
★★★☆☆ a year ago
Menu is so so. Nothing special. A bit loud.

Source: Google Review, 2021

Based on the interview with the CEO of Habitat Coffee and Google Review (2021), there are several customers complained about the price of some foods and beverages are slightly overpriced, and the temperature in the outdoor area is a little hot during the day. The CEO of Habitat Coffee stated that the management had made some changes but still couldn't avoid complaints. However, despite some foods and beverages are overpriced, Habitat Coffee still be able to serve a decent taste for the price.

Based on description above, the writer feels interested to analyze the influence of store atmosphere and price towards customer purchase decision at Habitat Coffee. Therefore, this research entitled: **"The Influence of Store Atmosphere and Price Toward Customer Purchase Decision At Habitat Coffee"**

1.2. PROBLEM LIMITATION

In order to prevent over-discussion and due to limited access and time, this research will only discuss about the influence of store atmosphere and price towards customer purchase decision at Habitat Coffee.

The indicators of store atmosphere use to measure the customer purchase decision as follows:

1. Lighting

2. Cleanliness

3. Music

4. Temperature

5. Color

6. Scent

7. Layout

The indicators of price use to measure the customer purchase decision as follows:

1. Affordability of prices

2. Price match with product quality

3. Price competitiveness

4. Product Benefit

1.3.   PROBLEM FORMULATION

Based on the research in Habitat Coffee, the researcher obtained problems that have arisen include:

1. How is the influence of store atmosphere towards customer purchase decision at Habitat Coffee?

2. How is the influence of price towards customer purchase decision at Habitat Coffee?

3. Does the store atmosphere and price simultaneously influence the customer purchase decision at Habitat Coffee?

1.4. OBJECTIVE OF THE RESEARCH

The following are the purposes of this research:

1. To determine the influence of store atmosphere towards customer purchase decision at Habitat Coffee.

2. To determine the influence of price towards customer purchase decision at Habitat Coffee.

3. To determine the simultaneous influence of store atmosphere and price toward customer purchase decision at Habitat Coffee.

1.5. BENEFIT OF THE RESEARCH

The benefit and final result of this research is expected to provide insight for the company, especially about how to improve and maintain the store atmosphere, and analyze the price that will influence customer purchase decision at Habitat Coffee.

1.5.1. THEORETICAL BENEFIT

The theoretical benefit of this study is increase the reader knowledge about the influence of store atmosphere and price toward customer purchase decision. This research also can be reference for future researchers as a guide and discussion about the influence of store atmosphere and price toward customer purchase decision.

1.5.2. PRACTICAL BENEFIT

The results of this research are expected to provide information for café industry to help business to grow, and on the other hand, this research also aims to help similar business to solve similar issues or cases.