

CHAPTER I

INTRODUCTION

1.1 Background of The Study

According to Statista (2020), coffee consumption has grown gradually since 1999 particularly in Indonesia. This specifically provides insights that like many other business industries, coffee brands have also become very popular and demanded in Indonesia. Indonesia is rich in its resources therefore, not only agricultural industry is beneficial for Indonesia's export, Indonesia's coffee can also be a potential as competitive industry in the international market (Timorria, 2018). This explains the fact that Indonesia's coffee meets international qualifications in terms of product quality. Undoubtedly, coffee brands in Indonesia could potentially attract international market let alone domestic market. This leads to the reason why business owners took this opportunity to operate local coffee business in Indonesia as coffee drinkers have become a trend not only towards the elderly but also the youngsters.

According to Statista (2021), despite the fact that Indonesia is top three of world largest producer, coffee consumption in Indonesia used to be relatively low compared to recently. This is because Indonesians preferred tea over coffee. However, as time passed by, with the entrance of international brands and trends in Indonesia urban areas, coffee have become more recognized by teenagers as it also impacts the demand for coffee to rise significantly ever since.

Coffee shop outlets in Indonesia have also increased significantly due to the popularity of coffee. In fact, coffee outlets is estimated to be over 3000 stores in 2019 compared to the estimation of roughly 1000 stores in 2016 (Kurniawan, 2019). It is also proven that quality coffee, just as iced milk espresso-based beverages in various flavors are presently in trend. As Indonesian prefer sweet beverages, the mixture of milk and coffee is demanded by many youngsters which is also famously known as *es kopi susu*. In addition to that, domestic coffee chains have now surpassed international brands as far as market presence in Indonesia (Statista, 2021).

According to research conducted by Harahap & Absah (2019), self-socialization is one of the basic needs for human in this world. The present quick development of coffee shops or cafes cannot be isolated from the impact of metropolitan way of life. This indicates that youngsters have now linked coffee shop or cafe to be the place for relaxation and hangout spot. Today, the propensity for drinking coffee is taken into place by urban people. They appreciate coffee while sitting down to talk to companions and carrying out other activities. This lifestyle has impacted several regions in Indonesia and Medan is one of them which explains the rise of number of cafe outlets in Medan.



Figure 1.1 Janji Jiwa Jilid 229 Outlet in Binjai (2021)

Source: Prepared by writer (2021)

Cited in the website of Jiwa Group, Janji Jiwa is a famous Multinational coffee brand that operate successfully across Indonesia. Janji Jiwa is one of the brands which belongs to Jiwa Group that consists of 3 major brands: Jiwa Tea, Jiwa Toast and Janji Jiwa. For Janji Jiwa itself, is a famous coffee brand that has over 900 outlets in hundreds of cities. Janji Jiwa Jilid 229 is established since 2019. Locating itself in Binjai gives Janji Jiwa inevitable challenge of competing with other brands considering that coffeeshops are popular nowadays as it also now highlighted as hangout spots, causing the number of coffeeshops to rise, therefore increase in competitors. Competing with numerous beverage brands around Binjai, Janji Jiwa should be able to provide continuous innovation on its product, maintaining its coffee quality along with improving its service quality to ensure customers purchase decision and satisfaction.

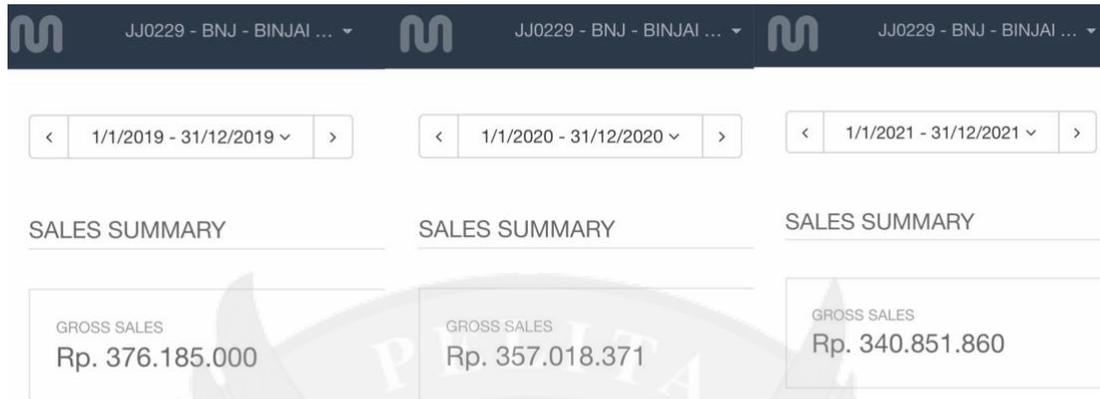


Figure 1.2 Janji Jiwa Jilid 229 Sales Report (2021)

Source: Janji Jiwa Jilid 229 (2021)

The table above gives information on the sales of Janji Jiwa from 2019 to 2021. The graph stated that there was a decrease in sales from year to year. There are many factors that could affect why the sales of the business dropped. One of the main particular reasons is because customers are rather dissatisfied or have preference towards other brands. On that account, it is crucial to develop brand's internal issues starting from its product quality and service quality. This could be in terms of the taste, aesthetic, features, variation etc. (Product Quality) and reliability, responsiveness, assurance and empathy (Service Quality). Not to mention, the pandemic of Covid-19 has also brought huge impact for the sales not only towards Janji Jiwa but also other business industries. Hence, it threatens coffeeshops existence since competitors continuously developing its strategies in selling their products and services during this time. Therefore, Janji Jiwa Jilid 229 should be able to not only maintain but also develop its product quality and service quality through continuous growth and innovation.

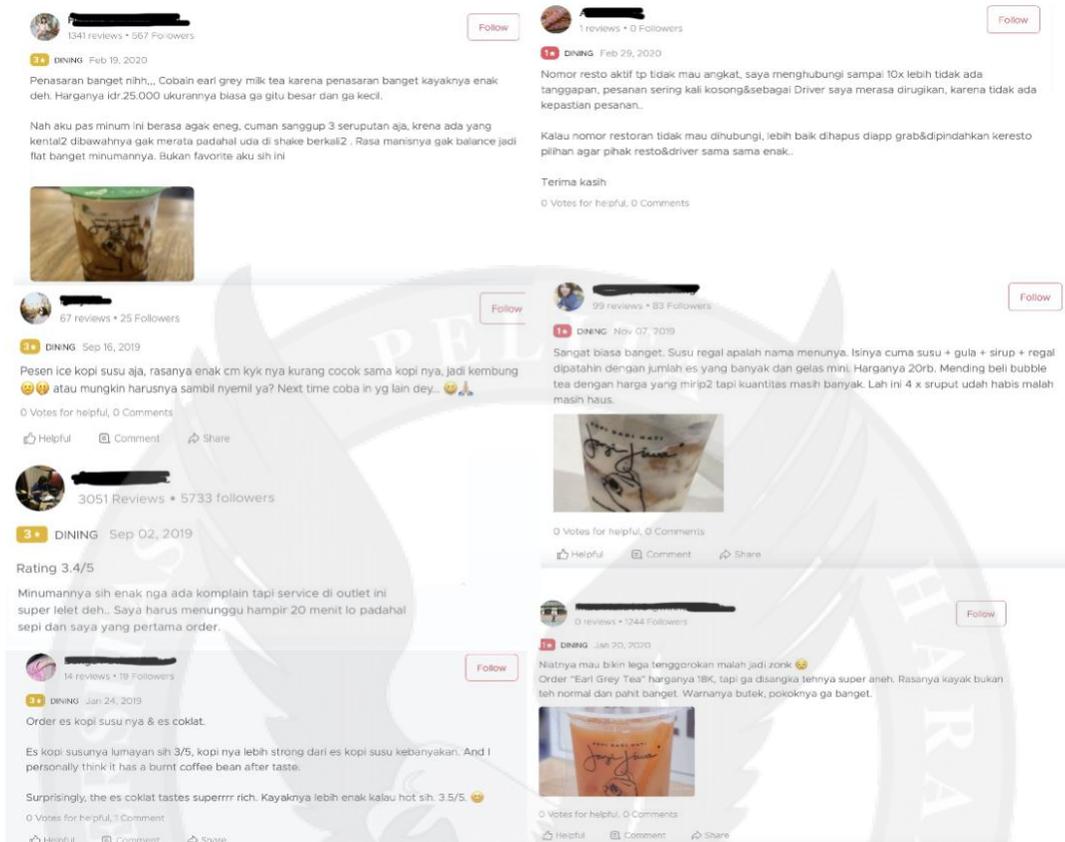


Figure 1.3 Customers Complaints on Janji Jiwa Jilid 229 (2019-2021)

Source: <https://restaurantguru.com> (2019-2021)

The figure above are complaints from customers of Janji Jiwa Jilid 229 regarding its Product Quality and Service Quality. It can be seen that there are complaints regarding Janji Jiwa's product and services. Furthermore, based on the interview with Ms.Tanslie (2022), the manager of Janji Jiwa Jilid 229, there have been complaints regarding its service such as inaccuracy of serving orders and slow orders. Another issue can be seen from the figure is the fact that customers of Janji Jiwa prefer sweeter coffee than strong coffee which indicates that Janji Jiwa's coffee is stronger compared to other brands. Due to the inconvenience and complaints from Janji Jiwa customers, this research pursues to analyze how Product Quality and Service Quality

of Janji Jiwa can impact Janji Jiwa outlets performance, therefore sales from the outlet will also be effected.

According to Yusuf et al. (2019), product quality can be defined as the capacity of an item to complete specific function, which can extend to durability, dependability, accuracy and other significant characteristics of the product comprehensively. Additionally, Kotler & Armstrong (2010), as cited in Aimee (2019), characterize product quality as the capacity to complete their obligations which covers durability, reliability, ease of packaging, product repairs and different attributes. It is also defined as having the capacity to give advantages and fulfillment including objects, places and people.

On the other hand, service quality is an evaluation or behavior towards the prevalence of a service or overall. As time advances, service quality can be evaluated by taking a look at the correspondence among assumptions and insights towards the service received by customers, or the service performance given by the brand. It is also accordance to the appraisal given by the consumers (Albari, 2020).

Kotler and Keller (2016), as cited in Aimee (2019), expressed that consumer satisfaction can be measured in ways of comparing at the presentation or results of product with their expectation. When the product customers received do not meet their expectation, customers can be dissatisfied.

In order to maintain and develop the sales of Janji Jiwa Jilid 229 Binjai in terms of Product Quality and Service Quality, this research with the title of “The Influence of Product Quality and Service Quality towards Customers Satisfaction at Janji Jiwa

Jilid 229 in Binjai” is aiming to address and provide suggestions and solutions for the issue that has risen from the problem above- the decrease of Janji Jiwa Jilid 229 sales from year to year since it is established. The purpose of this research is to develop Customers Satisfaction of Janji Jiwa Jilid 229 through the products and services provided and how it influences the sales of Janji Jiwa Jilid 229.

1.2 Problem Limitation

As per the issues and goal of this research, the limit of this research issue is limited to the variables of this research study- The Influence of Product Quality and Service Quality on Customers Satisfaction at Janji Jiwa Jilid 229 in Binjai. The indicators used for Product Quality are taste & aroma, appearance, freshness and variation. Next, indicators for Service Quality are reliability, responsiveness, assurance and empathy. While the indicators for Customers Satisfaction are interest in repurchasing, conformity of expectations, lack of attention to other brands and willingness to recommend.

In contemplation of this research to be more focused and concentrated, the writer views the issues in this research that should be limited by customers of Janji Jiwa Jilid 229 in Binjai with the characteristics of male and female, aged 18-60 years old, domiciled in Binjai and have visited and purchased from the outlet at least once in the last two years.

1.3 Problem Formulation

Based on the background of research, the problem formulation is as following:

1. Does Product Quality partially have influence towards Customers Satisfaction at Janji Jiwa Jilid 229 in Binjai?
2. Does Service Quality partially have influence towards Customers Satisfaction at Janji Jiwa Jilid 229 in Binjai?
3. Do Product Quality and Service Quality simultaneously have significant influence towards Customers Satisfaction at Janji Jiwa Jilid 229 in Binjai?

1.4 Objective of Research

The objective of this research can be concluded as below:

1. To identify whether Product Quality partially has influence towards Customers Satisfaction at Janji Jiwa Jilid 229 in Binjai.
2. To identify whether Service Quality partially has influence towards Customers Satisfaction at Janji Jiwa Jilid 229 in Binjai.
3. To identify whether Product Quality and Service Quality simultaneously have significant influence towards Customers Satisfaction at Janji Jiwa Jilid 229 in Binjai.

1.5 Benefits of Research

1.5.1 Theoretical Benefit

This research is aimed to introduce and expand more about "Product Quality" and "Service Quality" towards "Consumer Satisfaction" as having both high quality product and good quality of service can satisfy consumers. Therefore, followed by

beneficial gains such as building brand image and gaining its competitive advantage. In addition, this research is likewise intended to be a hypothetical strategy to assist parties who may deal with a similar issue.

1.5.2 Practical Benefit

a) Benefits for Company

The author points this research study to have the option to assist Janji Jiwa in Binjai in improving and developing its business. Moreover, the author additionally points that this research would assist the company to compete with its competitors and survive in the market for the long-run therefore, gain its competitive advantages.

b) Benefits for Readers

The author points this research study can be references which give data regarding the influence of product quality and service quality towards consumer satisfaction in the F&B industry. The information in this research can be used as comparison for other researches that shares the same topic and variables.

c) Benefits for Author

This research study is expected to provide insights on the influence of product quality and service quality towards consumer satisfaction in light of Understanding the fact that importance of maintaining and developing product and service quality is essential in business industry to compete in today's market. This research also helps author to apply theoretical strategy in real life practices that bring advantages in the future.