

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nowadays, The coffee shop business has become one of growing business in Indonesia. According to Nurhasanah & Dewi (2019), there are three factors that influenced the growth of the coffee shop business. First, most of Indonesian people are fond of coffee, this is due to the caffeine substance that can be effective in terms of providing more energy for those who drink it. Second, the growth is affected by the nature of Indonesian people who like to gather with friends and family in the spare time. And within the continuous growing number of coffee shops in Indonesia, it has become one of the venue option for Indonesia people to gather. And last, this growth can also be seen from globalization perspective, the transition from traditional into modern society. Internet era also drives people to look for place which provided Wireless Fidelity (WiFi) to do the task or just connect with people in social media.

According to International Coffee Organization (2018), the consumption of coffee in Indonesia has grown in recent years. In height demands of coffee lovers in Indonesia makes good business opportunities for entrepreneurs from overseas coffee shops like Starbucks, Coffee Bean and others. This is very unfortunate for the fourth largest coffee producing country in the world because to enjoy their own coffee production the community must

pay more to the outside coffee shop entrepreneur. In line with the increase of coffee enthusiasts in Indonesia, now a coffee shop business is starting to emerge that serves the pleasure of Indonesian coffee in a distinctive way.

Business as usual is not a sufficient strategy to secure the long-term economic sustainability of the coffee sector. Instead, systemic change is required (ICO, 2018). With the growing number of coffeeshop, a new or existing coffeeshop needs to ensure its product quality as one of the aspect to be focused in the business. Beside the coffee product quality, other aspect that may help to grow its coffeeshop business is to reassure their service quality first in order to meet with their customer's expectation that may results in providing satisfaction for the customer.

Product quality according to Kotler and Keller (2009) in Herviana and Anik, (2018) as the totality of features and characteristics of a product or service that depends on the ability it has to satisfy expressed or implied needs. Based on research by Akpoyomare (2014) in Djumarno and Said (2018) Quality of better products tend to increase customer loyalty.

Based on Bismo, et al. (2018), service quality is defined as the level of excellence expected whether it meets customer expectation or not. In particular, the quality of service can be determined by the ability of the service provider to meet the customer's needs and wants based on the customer's expectation.

According to Zephan, (2018), Customer satisfaction can be understood to be the difference between customer's expectation before consumption and

realization after consumption of product or service. Customer satisfaction is measured by using the customer expectations with the performance of the products or services that can meet the needs and desires of the customers. A satisfied customer means that there are similarities between the performance of the goods and services with the hope of the customers, where it will encourage them to re-purchase the products.

Product quality is one of the important factor that can determine the satisfaction level of a customer. This apply in the coffeeshop business, where the product quality can be reflected by the taste of the product. The key of success in providing customer satisfaction rely on the quality of the product itself. Besides of the product quality, satisfaction level of a customer can also be determine by the service quality. The service quality that shown by the employee towards the customer can also influence the the judgement of the customer on the overall satisfaction level when visiting the coffee shop.

Alka Coffeeshop is a coffeeshop that specialize in serving local North Sumatera's coffeebean with modern approach of coffee brewing technique. The coffeeshop has minimalist interior design with the view of old vintage house near the location. Alka coffeeshop operates everyday starting from 9 AM to 9 PM and located at Jalan Mangkubumi No 9. This coffeeshop offers a traditional ambience with modern taste of the coffee product. Most of the coffee product use local ingredients to ensure that the final product has an authentic Indonesian taste and also affordable for the price.

There is an internal assessment data related with the product's taste and the service perform by the employee through out a year from Alka Coffeeshop from the period of january to december 2021. Internal assessment is conducted daily by the manager to assess the daily operation of the coffeeshop. The following table contains the data of how many bad assessment was given from the manager and the topic for the assessments throughout each months in 2021.

**Table 1.1 Internal Assessment of Product and Employee of Alka Coffeeshop**

Month	Topic
January (3)	a. Employee respond towards customer request is too slow (1 time) b. Coffee taste too bitter (2 times)
February (11)	a. Coffee taste too bitter (3 times) b. Customer fails to notice the new menu (3 times) c. Customer wait more than 30 minutes for the food to be served (5 times)
March (4)	a. Regular customer complaints their coffee taste is different from usual (4 times)
April (6)	a. Employee did not greet customer (3 times) b. Employee respond towards customer request is too slow (3 times)
May (8)	a. Employee fails to fulfill customer request (5 times) b. Regular customer complaints their coffee taste is different from usual (3 times)
June (4)	a. Regular customer complaints their coffee taste is different from usual (4 times)
July (12)	a. Employee fails to fulfill customer request (4 times) b. Regular customer complaints their coffee taste is different from usual (3 times) c. Customer fails to notice the new menu (5 times)
August (6)	a. Employee fails to fulfill customer request (2 times) b. Customer wait more than 30 minutes for the food to be served (4 times)
September (12)	a. Coffee taste too strong (2 times) b. Customer fails to notice the new menu (8 times) c. Employee taking too long to clean the table (2 times)
October (5)	a. Regular customer complaints their coffee taste is different from usual (5 times)
November (3)	a. Employee taking too long to clean the table (3 times)
December (3)	a. Coffee taste too strong (3 times)

Source : Prepared by the writer (Alka Coffeeshop, 2022)

Based on the data above, there are significant increase of complaints regarding to the coffee product's taste in february, july, and september. The assessment consist mostly about the poor service of the employee, the inconsistent coffee taste, and the failure of the customer to notice a new menu.

Within several visits, writer might able to present some result of writer's observation related with Alka coffeeshop's product. Regarding its product, especially their coffee, the coffee bean is ground only when the customer already make their order in order to maintain the freshness of the coffee. For its presentation, the coffee use only standard plastic cup that in my opinion can be improved by using ceramig mug for customer that choose to dine in. Regarding the taste, writer experience some inconsistency of the coffee taste from several different visit. For a same menu, the taste of coffee sometimes can be too bitter. And for the innovation, most of the innovation are made for their beverage. Meanwhile, there is lack of innovation for the food product.

Beside of the product, the writer also able to present some observation result for the service. In terms of reliability, employee can remember the usual menu that certain customer usually order and ask whether the customer wants to order the usual when the customer come. For responsiveness, employee sometimes consume more that 10 minutes to fulfill the request of the customer such as customer asking for extra tissue, customer ask for more ice cubes, and other request. For assurance, employee shows politeness during their interaction with the customer but sometimes employee also can be flat and kind of cold during busy hour. For empathy, most of the time the employee are able to display empathy as the employee always ask about the condition of the regular customer when they notice different behaviour of the customer. Lastly,

for the tangible aspect of the service, writer can observe that the employee constantly maintaining clean environment for the customer.

In conclusion, the product and service of Alka coffeeshop can be improved in several aspect of its product and service.

Based on the description above, the researcher is encouraged to study and choose this product quality and service quality problem. For that reason, the researcher decided to do a research titled “ **The Influence of Product Quality and Service Quality on Customer Satisfaction at Alka Coffeeshop, Medan**”.

## **1.2 Problem Limitation**

The object of this research is Alka Coffeeshop, Medan that located on Jalan Mangkubumi No 9. With the limited time and resources that researcher's possesses, the focus of this research will only be limited to product quality as first independent variable that uses freshness, presentation, taste, and innovation (Yafie, et al. 2016 in Lestari, 2021) as the indicators and service quality as second independent variable that uses reliability, responsiveness, assurance, empathy, and tangibles (Windarti & Ibrahim, 2017) towards customer satisfaction as dependent variable that uses conformity to expectation, revisiting intention, and willingness to recommend (Hawkin and Lonney, 2001 in Kasinem, 2020) as the indicators.

### **1.3 Problem Formulation**

Based on the background of study, there are several questions to be answered on this research :

- a. Does product quality have partial influence on customer satisfaction at Alka Coffeeshop, Medan?
- b. Does service quality have partial influence on customer satisfaction Alka Coffeeshop, Medan?
- c. Do product quality and service quality have simultaneous influence on customer satisfaction at Alka Coffeeshop, Medan?

### **1.4 Objective of the Research**

From the problem formulation above, the objectives that writer aim with this research are :

- a. To identify whether product quality have partial influence on customer satisfaction at Alka Coffeeshop, Medan.
- b. To asses whether service quality have partial influence on customer satisfaction at Alka Coffeeshop, Medan.
- c. To analyze whether product quality and service quality have simultaneous influence on customer satisfaction at Alka Coffeeshop, Medan.

## **1.5 Benefit of the Research**

The benefit of the research can be divided into two, which are :

### **1.5.1 Theoretical Benefit**

The result of this research are expected to contribute on development of existing theories especially those relevant with product quality, service quality, and their influence on customer satisfaction.

### **1.5.2 Practical Benefit**

The following are the practical benefits of this research :

a. For the Writer

This study result can help writer to expands writer's knowledge in understanding the relationship between each variable in this research and provide writer with more in depth knowledge about research as an instrument to explain certain phenomenon by conducting methodological study about specified variable and its influence on other variable.

b. For Alka Coffeeshop

The result of this research can be used by Alka Coffeeshop Medan to improve their service and product quality in order to provide higher satisfaction level for the customer of Alka Coffeeshop Medan.



c. For Future Researchers

This study result can be used as additional references for other researcher in the future that interested in conducting a research related with the problem that discussed in this research.

