

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The Food and Beverage Industry is a very large and diverse industry that includes all the companies involved in converting raw agricultural goods into consumer food products. This industry is one of the oldest industries in the world. Even though it is the oldest industry in the world, this industry is still full of innovations. This industry is also constantly looking for new ways to produce food and beverages in response to consumer demand at the best prices. The supply chain of the food and beverage industry as a whole includes the processing, packaging, and distribution of food, however, This does not include the production of raw food, which belongs to the closely related agricultural industry. This industry services a wide range of retail outlets, including fresh food, packaged food and beverages, food sold in grocery stores, and cooked food served at restaurants, institutions, and events. (<https://www.tstar.com>, retrieved on 30 December 2021). Food and beverages are a business that is expected to continue to grow in the future because food and beverages are basic human needs every day. The activity of buying food and beverage will always appear daily, remembering that everyone has their own busy life, so they choose to use more efficient way to fulfill their needs related to food and beverage. One case that can be taken as an example is the life of an office worker. Office workers usually have a very busy daily schedule due to the many

piles of work that must be completed immediately. Therefore, they often do not have time to think about what menu they will have for the day.

Indonesian urban communities have higher levels of food and beverages consumption outside the home than eating at home (<https://money.kompas.com>, retrieved on 30 December 2021). In big cities, In the second quarter of 2016, consumption outside the home contributed up to 53 percent of total sales volume for the isotonic beverage category, and sales from consumption outside the home also contributed significantly to other categories such as ready-to-drink coffee (50 percent), potato snacks (49 percent), soda drinks (45 percent), chocolate (42 percent), and various other categories (<https://money.kompas.com>, retrieved on 30 December 2021). However, since the Covid-19 pandemic, the consumption pattern of the Indonesian people has changed. This is because Indonesians today prefer to cook and dine at home due to instructions to stay at home, social distancing, PSBB, and other factors, causing e-commerce to emerge as a mainstay, implying that consumption habits have shifted away from retail and offline outlets into online (<https://cfns.ugm.ac.id/>, retrieved on 30 December 2021).

According to the data below, after the Covid-19 pandemic, 69 percent of Indonesian customers decided to cook at home, this proportion up 42 percent over the period before the pandemic (<https://databoks.katadata.co.id>, retrieved on 31 December 2021). The percentage of people who utilize delivery services and food packaging from restaurants has also increased from 18% to 8%, Meanwhile, the number of people who eat out of the house has dropped dramatically from 35

percent to 5 percent (<https://databoks.katadata.co.id>, retrieved on 31 December 2021).

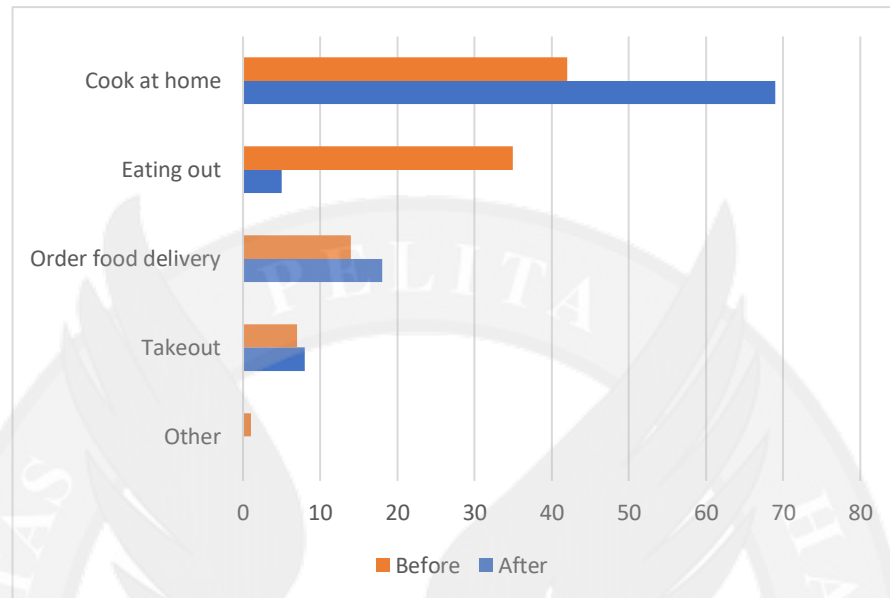


Figure 1.1 Respondents Eating Preferences Before & After The Covid-19 Pandemic

Source: <https://databoks.katadata.co.id>, retrieved on 31 December 2021

As it is known, at the beginning of 2020, the world economy experienced a decline, this was due to the Covid-19 Pandemic that hit the world. As is known, many industries have been affected by the Covid-19 pandemic. The food and beverage industry is one of the industries that are also being impacted by this, but the impact felt in the food and beverage industry sector is not as severe as which that felt by other industrial sectors. Since the Covid-19 pandemic hit, people are advised to stay at home temporarily, which has also changed people's eating patterns. Due to the Covid-19 pandemic, people are not allowed to eat outside the home to avoid the wider spread of the virus. During the extending period of *PPKM level 4*, the Indonesian government announced a rule that allows people to eat in place for around 20 minutes (<https://www.cnnindonesia.com>, retrieved on 31 December 2021). This rule contains pros and cons, and is considered

unenforceable, because many think that the 20-minute meal rule in a restaurant or cafe is impossible to be practiced in the real life so they prefer to dine at home (<https://www.cnnindonesia.com>, retrieved on 31 December 2021). CNN Indonesia has conducted a survey through social media related to eating in place for 20 minutes, from the results of the survey there was 86.8 percent of the 592 Twitter users prefer to eat at home and 13.2 percent of respondents prefer to eat outside (<https://www.cnnindonesia.com>, retrieved on 31 December 2021). This has had a bad impact on business people in the food and beverage industry because their income has decreased and if this continues for a long time, they will go bankrupt. However, due to increasingly sophisticated technology nowadays, businesses in the food and beverage industry can still survive due to the existence of online delivery services that provide convenience for users because it is very easy, in the way that it saves time and costs. As can be seen in figure 1.1, food delivery orders increased after Covid-19 hit Indonesia. This indicates that people still make a purchase. This online service application is very helpful for restaurant owners and customers. Therefore, many restaurant entrepreneurs see the opportunity on this site and start collaborating with the online service applications.

Cafe is one of the businesses engaged in the food and beverage industry. The cafe business is currently expanding in various places. This phenomenon can occur due to the habits of the millennial generation who really like to hang out and cafes are one of the most popular places to visit. Cafes have become a popular hangout spot due to being a comfortable place to visit, hanging out at cafes has become a lifestyle for today's people, as it provides a comfortable place to do

assignments and work, provides a food menu suitable for millennial generation and so on (<https://lifestyle.kontan.co.id>, retrieved on 31 December 2021). Moreover, Cafes have become a popular hangout spot due to the scarcity of entertainment options. As is well known, since Covid-19 entered the world, people have become afraid to travel by plane. Furthermore, many countries have imposed entry restrictions on foreigners in order to prevent the virus from spreading further. Covid-19 has hit Indonesia for almost two years, making it impossible for people to obey the rules of staying at home. People are starting to feel bored at home and want to get out of the house to refresh themselves. Furthermore, at this time Covid-19 in Indonesia has begun to subside and people are becoming more willing to leave the house. Therefore cafes become a good choice for people to hang out after staying at home for a very long time. From that situation, many entrepreneurs are competing to expand their businesses in this field. As can be seen, there are many new cafes that have opened scattered all over the place. It makes the food and beverage sector become more competitive. Competition forces business owners in the food and beverage sector such as cafes, to do continuous innovations in order to survive. Therefore, they should be able to create their own uniqueness or differentiation in order to attract customers. All of these are done as a strategy to make customers prefer to choose its products or services towards other companies. Companies are also required to be able to analyze customer behavior by analyzing what customers want and what trends that occur. The analysis process must be done continuously because that trends and customer interests are always changing over the time. Analysis process is one of the important things because the results can

help business owners determine the strategy that they should choose to successfully run their business.



Figure 1.2 Logo of Cafe House
Source: Cafe House (2022)

Cafe House is one of the famous cafes in Binjai city. This cafe has been open since 2013. Cafe House is a cafe that offers western and oriental-style themed food. They also guarantee that all food and drinks are 100% halal. There are various kinds of menus that you can find at Cafe House starting from pasta, steak, fried rice, snacks, various kinds of menus that eat with rice, pizza, steamboat, juice, coffee, tea, ice cream, and so on (Internal Source, 2022).

Cafe House does not have any branches. Their opening hours are 10:30 AM - 10:30 PM for Monday to Thursday and 10:30 AM - 12:00 AM for Saturday to Sunday. Cafe House is located in the city center which is a strategic location. The cafe's building is a three-story residential complex. On December 2, 2021, Cafe House recently moved its cafe from the old building to new building which is still in the same complex as the old one. The new building has a larger area because it is made up of two 3-story residences that have been connected (Internal Source, 2022).

Currently, Cafe House has 40 employees, which are divided into 4 divisions: the first is the general division, followed by the bar division, kitchen division, and waiter division. The general division consists of 3 people, the bar division consists of 4 people, the kitchen division consists of 15 people, and the waiter division consists of 18 people (Internal source, 2022).

Manager and cashier are included in the general section. The Cafe House manager has the duties and responsibilities of regulating and monitoring the performance of the waiters, while the duties and responsibilities of the cashier are processing customer payments, and keeping Cafe House's finances safe. The duties and responsibilities of kitchen employees are to process customer orders, ensure food is served hygienically and has a consistent taste, and monitor stock for food ingredients. The duties and responsibilities of bar employees are to prepare and monitor stock for beverage ingredients. and lastly, the duties and responsibilities of waiters are to serve customers, record customer orders, recheck customer orders, pay attention to customer requests, deliver food orders, clean and tidy tables and monitor stocks such as tissues and chili sauce (Internal Source, 2022).

All food and beverage businesses in Binjai, from cafes to ordinary restaurants, have the potential to compete with Cafe House. From the situation, it can be seen that there is intense competition. To be able to compete with these competitors, Cafe House focuses on its integrity. "Integrity" in the sense that Cafe House attempts to create its own uniqueness or characteristics that make Cafe House different from other cafes in general. Cafe House provides its uniqueness in food, atmosphere offered, and affordable prices with the quality that customers can

only get at Cafe House. Cafe House is working hard to maintain its uniqueness in the future (Internal Source, 2022).

Table 1.1 List of Cafe in Binjai

No	Cafe in Binjai	Launched Year	Google review	Main Product
1	Cafe House	2013	4.6	Western and oriental Cuisine
2	Kyiv	2018	4.5	Coffee and Asian Cuisine
3	Cia-cia Bakery and Resto	2014	4.2	Dessert and Local Cuisine
4	Coffee Day	2017	4.4	Oriental Cuisine
5	Lim's Cafe Kok Tong	2013	4.3	Coffee and Chinese Cuisine

Source: Google Review and Instagram (2022)

Table 1.1 shows the intense competition between cafe businesses in Binjai, which are: Cafe House, Kyiv, Cia-Cia Bakery and Resto, Coffee Day, and Lim's Cafe Kok Tong. Of the four cafes mentioned above, Cafe House has the highest rating, which indicates that Cafe House has the highest customer interest. Even though, Cafe House still has to pay attention and be aware of the development of intense competition, in order to maintain its position. Therefore, it is important for Cafe House to increase its customers' repurchase intentions. The importance of researching repurchase intention relates to the fact that repurchase intention is defined as an individual's judgment about repurchasing a service that affects future cafe activities (Bayraktar et al., 2012).

Cafes generally expect repurchase intention from customers because repurchase intention is one of important element for companies that can make companies operate well and make their income increase from the sales of the products and services they offer to customers. Repurchase Intention is a consumer's intention to repurchase the product/service after doing a thorough review of a

product/service (Lau et al., 2019). According to Chen dan Hsieh (2015), A positive response expressed by consumers to a product after considering all the products and their future ambitions can lead to a repurchase intention. A cafe can be considered successful if the level of customer repurchase intention is high. In order to enhance repurchase intention to a high level, Cafes must be able to build a strong business strategy that considers today's fierce competition. Repurchase intention can be formed due to the satisfaction felt by the customer after the purchase of the product/service. The satisfaction triggers the customer's thought of repurchasing the product/service. The existence of the Repurchase Intention variable can be seen in Figure 1.3 below, which shows the estimated data on the increase in the number of Cafe House's customers from year to year.

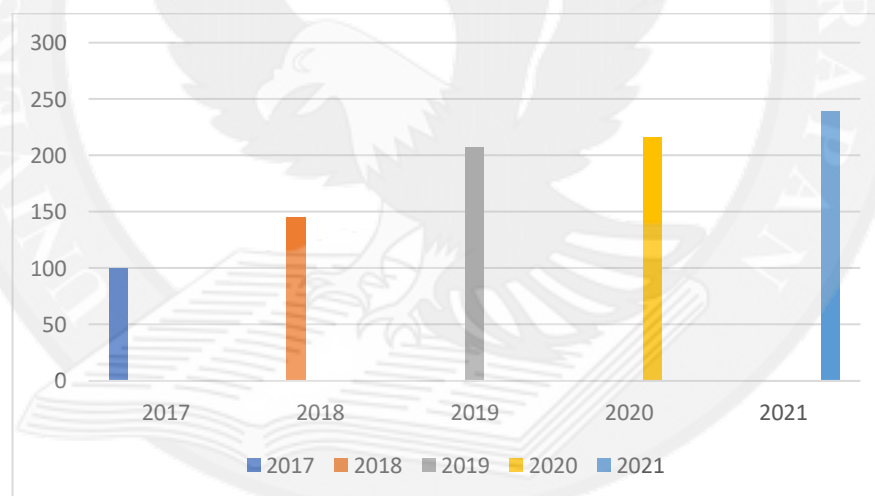


Figure 1.3: Estimated number of Cafe House's customers
Source: Internal Source (2022)

Customer satisfaction is a customer's assessment of a product's perceived performance as expected before it is purchased or consumed, and whether it fulfills or surpasses expectations before purchase. (Kamaru and Kurniati, 2017). Customer satisfaction is one of the main goals of the cafe because, customer satisfaction plays

an important role in the success of the cafe business. Customer satisfaction is important for cafes because Customer satisfaction is defined as a positive response from a customer that encourages them to return to make another purchase. Cafe entrepreneurs can not only focus on getting as much income and customers as possible, but cafe entrepreneurs must also focus on shaping customer satisfaction because satisfied customers have a great opportunity to make repeat purchases so that even though the cafe does not have new customers, the cafe also can operate well because they still have customers who want to buy their products and services. Customer satisfaction has been influenced by various factors, some of the factors are food quality, service quality, atmosphere, convenience, and price perception. The existence of the Customer Satisfaction variable can be observed in the reviews and ratings of Cafe House customers on Google's review in Figure 1.4 and Figure 1.5 below, where customers express their satisfaction with The Cafe House by giving it a rating of 4.6 out of 5, which means that customers are satisfied overall.

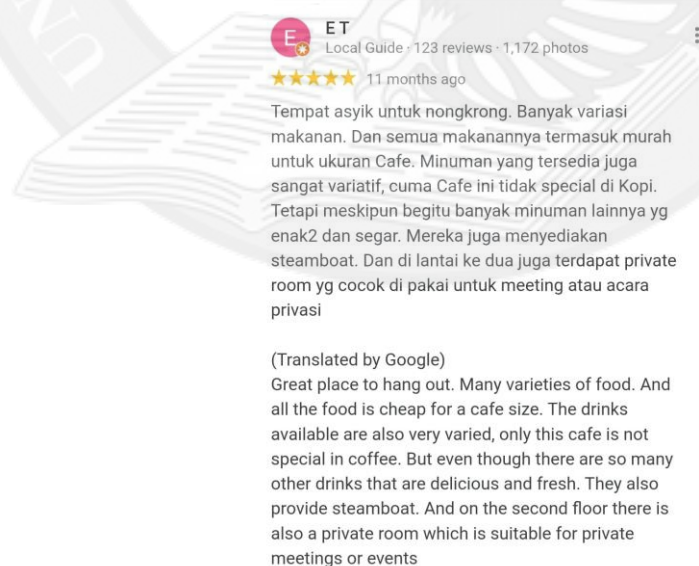


Figure 1.4 Customer Review of Customer Satisfaction
Source: Google review (2022)

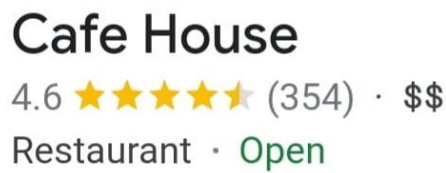


Figure 1.5 Google rating of Cafe House
Source: Google Review (2022)

Food quality served by a restaurant or cafe is quality food that meets or exceeds consumer expectations, which is prepared in a hygienic and healthy process that also fulfills the nutrients needed by the body labeled halal (Lestari et al., 2018). There are several factors that affect the food quality, these factors can be a variety of menus that can be selected, the taste of the food served, visuals, temperature, and portions of the food. Food quality is one of the important factors in building customer satisfaction, because of the very tight competition in today's era, cafe entrepreneurs are required to be able to improve the quality of their food to a high level. A cafe should have its own distinctive taste of food because it can increase high repurchase interest from customers. Food temperature, visuals, and portions of the food also need to be considered because inappropriate temperatures and unattractive visuals can make customers not interested in trying them and portion of the food can influence the customer in making a purchase decision. The existence of Food Quality variable can be observed in the reviews and ratings from Cafe House customers in Google Reviews in Figure 1.6 below, where customers claim that the food given by the Cafe House is delicious, and Figure 1.7 below shows a display of one of the Cafe House's food menus ordered by customers.



Figure 1.6 Customer Review of Food Quality
Source: Google Review (2022)



Figure 1.7 Cafe House's Food Quality
Source: Google Review (2022)

Service quality refers to the company's efforts to meet the needs and desires of customers according to their expectations (Martina and Apriani, 2019). Service quality is intimately linked to customer satisfaction where service quality offers an additional impetus for customers to create a long-term beneficial relationship with the company so that the company can fully understand customers' expectations and special demands (Sambara et al., 2021). Apart from the quality of the food, good service is important because most likely the customer will come to make a purchase even though the taste of the food is only average, on the other hand, the customer will not come back again because the service is bad even though the taste of the

food served is amazing. Therefore, the quality of service is important for cafes to pay attention, to because good service will make customers feel satisfied and can assist cafes to encourage more customers to make repeat purchases. The existence of Service Quality variable can be observed in the reviews and ratings from Cafe House customers in Google reviews in Figure 1.8 below, where customers stated that they received friendly service and fast service even though the place was full of visitors, and Figure 1.9 below shows where Cafe House's employee who takes customer orders.



Figure 1.8 Customer Review of Service Quality
Source: Google Review (2022)



Figure 1.9 Cafe House's Service Quality
Source: Instagram (2022)

Cafe atmosphere is an attractively designed environment supported by light, color, music, fragrances, and other elements to provoke a certain emotional

response as a motivation to make a purchase (Purnomo, 2017). Cafes are the most popular places for people to meet up with friends and family these days. People's decision to choose which cafe they want to visit also depends on the design of the cafe. Customers are generally attracted to cafes with attractive and instagramable designs. This can happen by remembering the lifestyle of modern people who like to take their own pictures to be immortalized and shared on their social media. As a result, today's cafe owners are competing fiercely in creating their own place of business to attract customers and potential customers. A good cafe atmosphere can affect customer satisfaction because customers will feel at ease and stay for longer periods of time. Customers who stay at the cafe for an extended period of time are more likely to make multiple purchases since they have more opportunity to browse the cafe's offerings. Therefore, atmosphere is also an important factor for the cafe because atmosphere can increase the cafe's customer loyalty. The existence of the Atmosphere variable can be seen in the reviews and ratings from Cafe House customers on Google's review in Figure 1.10 below, where customers state that the place is nice and comfortable, and Figure 1.11 below shows the outdoor and indoor Cafe House's atmosphere.

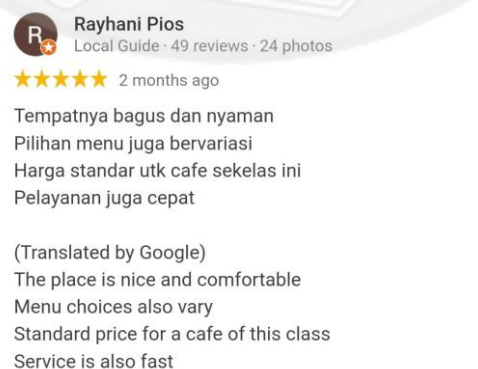


Figure 1.10 Customer Review of Atmosphere
 Source: Google Review (2022)



Figure 1.11 Cafe House's Atmosphere

Source: Instagram (2022)

Convenience and feeling of comfort is a comprehensive assessment of person's environment around him or her (Harefa et al., 2018). In a cafe, the comfort that can be felt by customers can be influenced by several factors, which are the comfort of the cafe atmosphere, the convenience of cafe services, a sense of security in enjoying the food served, the cleanliness of the surrounding environment, lighting, room temperature, noise, and so on. Of the several factors that affect convenience, service and cafe atmosphere are the most influencing factors for customer convenience, because Service and cafe atmosphere is the main factor that is most perceived by customers than other factors. The existence of Convenience variable can be observed in the reviews and ratings from Cafe House customers in Google Reviews in Figure 1.12 below, where customers state that it is easy to find Cafe House parking space, and Figure 1.13 below shows the condition of Cafe House's parking space.



Figure 1.12 Customer Review of Convenience
Source: Google Review (2022)

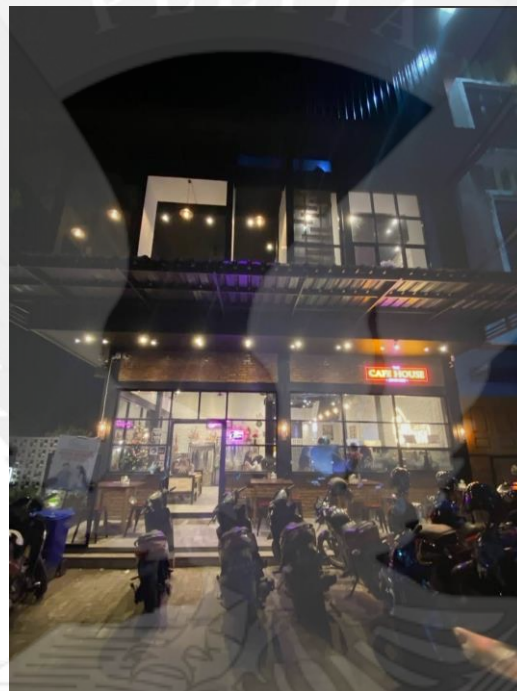


Figure 1.13 Cafe House's Convenience
Source: Google Image (2022)

Price is an exchange rate for the advantages acquired from an item or service for a person or group at a specific time and location that can be equated with money or other products (Syahroni, 2018). Pricing cannot be done according to the cafe owner's desires because the cafe owner needs to make comparisons and analyze the prices of other competitors. Cafe owners cannot set prices that are too high or too low, because prices that are too high will make the cafe unable to compete with other competitors because customers have a habit of choosing a same

product with a lower price, meanwhile setting prices that are too low is also not a right strategy, because customer would assume that the company uses low-quality ingredients and can cause that the company has a bad reputation. Furthermore, setting low pricing for high-quality goods is not the best strategy because the company earns mediocre profits which can make it difficult for companies to cover their large expenses. Therefore, pricing is very important and thorough examination because product prices affect customer satisfaction and customer purchasing interest. The existence of the Price Perception variable can be observed in the reviews and ratings of Cafe House customers on Google's review in Figure 1.14 and Figure 1.15 below, which show the Cafe House price menu, where customers state that Cafe House's food is affordable.

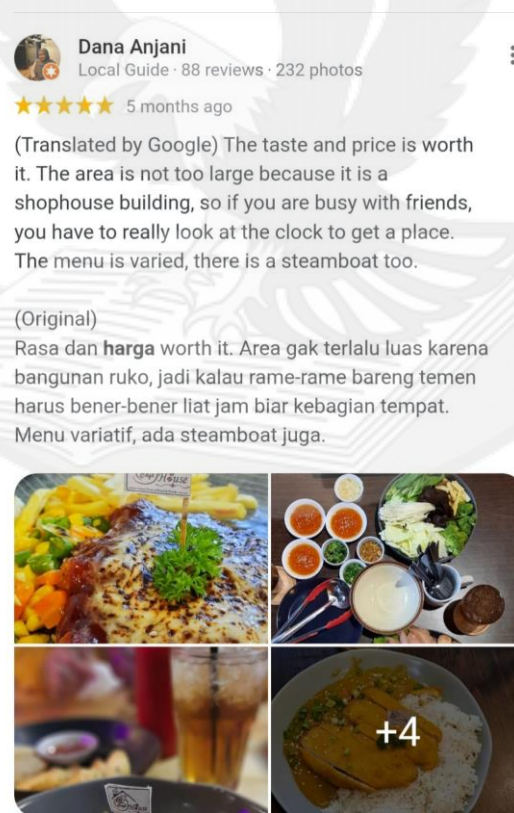


Figure 1.14 Customer Review of Price Perception
Source: Google Review (2022)



Figure 1.15 Cafe House's Menu
Source: Google Review (2022)

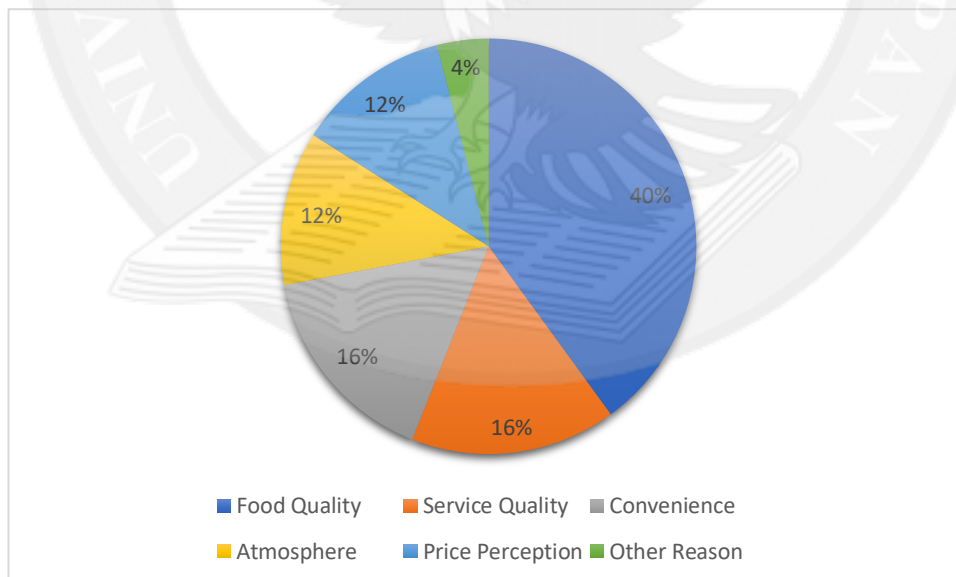


Figure 1.16 Reasons for Satisfaction in Pre-Test
Source: Prepared by Writer (2022, March 22)

The reason that specifically Food Quality, Service Quality, Atmosphere, Convenience, and Price Perception are the focus of this study is supported by a pre-test conducted among 12 respondents whose details are attached in the appendix at the end of the report. During the pre-test research, respondents stated that they frequently visited Cafe House. Furthermore, respondents were asked why they preferred Cafe House over other cafes and why they were satisfied with Cafe House. The results are dominated by Food Quality (10), Service Quality (4), Convenience (4), Price Perception (3), Atmosphere (3) and one unrelated reason mentioned because the distance is closer (1). The total reasons are 24 because some respondents gave more than one reason to support their satisfaction with Cafe House. Therefore, this pre-test was conducted with the aim of strengthening and supporting the use of certain variables in this study.

From the explanation above, it can be seen the importance of this research. It can be concluded that food quality, service quality, atmosphere, convenience, and price perception significantly influence customer satisfaction, where customer satisfaction influences the repurchase intention. Therefore, this research was made with the aim of knowing about “ THE INFLUENCE OF FOOD QUALITY, SERVICE QUALITY, ATMOSPHERE, CONVENIENCE, AND PRICE PERCEPTION TOWARD CUSTOMER SATISFACTION AND REPURCHASE INTENTION AT CAFE HOUSE IN BINJAI. ”

1.2 Problem Limitations

There are several limitations of this research which was conducted to improve accuracy as follows:

1. This research will focus on certain variables which are food quality, service quality, atmosphere, convenience, price perception, customer satisfaction, and repurchase intention towards Cafe House.
2. The data for analyzing the research model will be collected in the form of questionnaires based on the research object.
3. The respondents will be characterized as male and female with an age range between 18 - 60 years who have visited Cafe House in the last six months.

1.3 Problem Formulation

Based on the information provided on the background of the research above, the following problems must be formulated as follows:

1. Does food quality significantly influence customer satisfaction at Cafe House in Binjai?
2. Does service quality significantly influence customer satisfaction at Cafe House in Binjai?
3. Does atmosphere significantly influence customer satisfaction at Cafe House in Binjai?
4. Does convenience significantly influence customer satisfaction at Cafe House in Binjai?

5. Does price perception significantly influence customer satisfaction at Cafe House in Binjai?
6. Does customer satisfaction significantly influence repurchase intention at Cafe House in Binjai?
7. Does customer satisfaction mediate the effect of food quality on repurchase intention at Cafe House in Binjai?
8. Does customer satisfaction mediate the effect of service quality on repurchase intention at Cafe House in Binjai?
9. Does customer satisfaction mediate the effect of atmosphere on repurchase intention at Cafe House in Binjai?
10. Does customer satisfaction mediate the effect of convenience on repurchase intention at Cafe House in Binjai?
11. Does customer satisfaction mediate the effect of price perception on repurchase intention at Cafe House in Binjai?

1.4 Objective of the Research

The objective of the research is to reach the conclusion and solution based on the hypothesis that has been developed. Refer to background of study above, The objective of research on this research is as follows:

1. To analyze whether food quality significantly influences customer satisfaction at Cafe House in Binjai.
2. To analyze whether service quality significantly influences customer satisfaction at Cafe House in Binjai.

3. To analyze whether atmosphere significantly influences customer satisfaction at Cafe House in Binjai.
4. To analyze whether convenience significantly influences customer satisfaction at Cafe House in Binjai.
5. To analyze whether price perception significantly influences customer satisfaction at Cafe House in Binjai.
6. To analyze whether customer satisfaction significantly influences repurchase intention at Cafe House in Binjai.
7. To analyze whether customer satisfaction mediates the effect of food quality on repurchase intention at Cafe House in Binjai.
8. To analyze whether customer satisfaction mediates the effect of service quality on repurchase intention at Cafe House in Binjai.
9. To analyze whether customer satisfaction mediates the effect of atmosphere on repurchase intention at Cafe House in Binjai.
10. To analyze whether customer satisfaction mediates the effect of convenience on the repurchase intention at Cafe House in Binjai.
11. To analyze whether customer satisfaction mediates the effect of price perception on repurchase intention at Cafe House in Binjai.

1.5 Benefit of the research

This research is expected to help all parties involved in this field, both theoretically and practically. The benefit of research is divided into two as follows:

1.5.1 Theoretical Benefit

In term of theoretical benefit, this research is aimed to give more new insights and innovation regarding the influence of food quality, service quality, atmosphere, convenience, and price perception towards customer satisfaction and repurchase intention. Moreover, the researcher expects that this research become a reference for future researcher who will conduct the similar research or even merely use the relationship between each variable.

1.5.2 Practical Benefit

Some of the practical benefits expected from this research are as follows:

1. This research is expected to serve as a reference for future researchers looking for further knowledge on how food quality, service quality, atmosphere, convenience, and price perception influence customer satisfaction and repurchase intention.
2. This research is designed to assist readers in providing a better understanding of how food quality, service quality, atmosphere, convenience, and price perception affect customer satisfaction and repurchase intention.
3. This research is expected to provide additional information for Cafe House in developing the proper strategy for food quality, service quality, atmosphere, convenience, and price perception in order to improve customer satisfaction and repurchase intention.