

CHAPTER I

INTRODUCTION

1.1. Background of the Study

In the 21st century, business development has overgrown and underwent continuous changes. Every business person in every business category must be sensitive to changes and place an orientation on customer satisfaction as the primary goal. The rapidly growing business world is a challenge and a threat for business actors to win the competition and maintain the company's survival. No exception in the current era, which is experiencing rapid development in the business world, all forms of community life needs, whether primary, secondary, or tertiary needs, are needs that human want to fulfill, satisfy and achieve. One way that businesses can use is to do marketing. Marketing is an essential factor in trading and service companies, such as in the world of food and beverages.

According to Amirullah (2015), as cited in Nggaur (2018), Marketing management is a management activity based on its function that seeks to identify customers' needs and how the fulfillment can be realized. With a marketing strategy, business actors can improve the quality and maintain the advantages of products or services to attract attention and provide prices that are in the eyes of customers.

Food and beverage have an essential role in restaurants and cafes. Food and beverage are generally defined as a business in the food and beverage

sector, usually found in hotels or restaurants/cafes outside the hotel. Food and beverage are an industry engaged in the processing or manufacture of food/beverage ingredients, packaging, and presentation until it reaches the hands of consumers, especially those included in Food and beverage types of businesses that place Food and beverages as their primary business. According to Andriani (2020), in 2020, the food and beverage sector will still be the champion in the current business ranking. Fatmah Bahalwan, Owner of the Natural Cooking Club, said that culinary is a type of business that can achieve up to 200% profit. This can happen because people are aware of business opportunities to open their businesses. The growth of Food and Beverage can still occupy the top rank, and the community still supports the culinary market well.

Customer satisfaction occurs when customers are satisfied with the company's or restaurant's services and understand that their expected and expected needs have been met. If customers are dissatisfied with the services offered, this element might help enhance a company's or restaurant's reputation or provide advice on how to improve their services. Customer Satisfaction is not only influenced by the characteristics of a cafe. However, it can also be influenced by a comfortable cafe atmosphere, affordable prices, and the quality of service provided by the company to customers. According to Atmadjati (2018), service is a performance appearance, intangible and quickly lost, more can be felt than owned, and customers can actively participate in the process and consume the service. Not only can service quality meet maximum customer

satisfaction but there are still two other things that can be maintained to maximize consumer satisfaction which are price and Cafe Atmosphere.

The price can also be used as a general strategy to attract customers, increase sales, and provide economic initiatives for customers to buy. The price match proportional to the quality given to consumers will convince them that the goods purchased can meet their needs. Price can be the main factor affecting customer satisfaction in buying products. With a price that best suits the quality given or offered to consumers, it will be an excellent attraction to make purchases in the future. On the other hand, if the price offered to consumers does not match the quality provided, consumers decide not to purchase. The price set can also determine customer satisfaction. It can be seen from the satisfaction or dissatisfaction of a consumer with the service or service provided by the restaurant/cafe when they visit.

A cafe atmosphere can be one way to attract customers to a restaurant/café and make the perception of customer satisfaction higher. The difference in the atmosphere given to customers from other cafes can be used as an added value and make the restaurant/cafe win in its competition. This difference is necessary because nowadays, restaurants/cafes have similar products with slightly different prices from other places. The cafe atmosphere can be an even more reason for the customer to choose where he will visit and make a purchase.

Darmanto & Ariyanti (2020) state that service quality affects customer satisfaction. The more quality the service provide, the more customer

satisfaction will increase. Price affects customer satisfaction, meaning that pricing is under the desires and needs of customers will be able to increase satisfaction. Atmosphere affects customer satisfaction. This means that to increase customer satisfaction further. The atmosphere in the environment must be considered and made as attractive as possible.

The coffee shop industry has developed rapidly and has brought a new impact on the lifestyle of its consumers. A coffee shop is not only a place to do consumption activities, but a coffee shop can also be used as a place to fill spare time, work meetings, and meet relatives. Coffee shops in Indonesia, especially in Medan, have experienced many changes, especially from the change in concept. Coffee shops have started to use modern concepts to adjust customer satisfaction.

Ailsa Coffee is a start-up business that opened in July 2021 and focused on selling coffee. This coffee shop is located in Medan with a modern feel, and that was created to complement customer satisfaction and become a hangout place for various groups. With the development of the coffee shop industry created by a new generation, Ailsa Coffee is in demand to compete with other coffee shops. In maintaining a coffee shop business, it is essential to improve service quality, prices, and the appearance of a different and unique cafe where other coffee shops do not have it. This can refer to customer satisfaction.

Table 1.1 Number of Transactions in Ailsa Coffee, Medan

Year	Month	Number of transactions
2021	July	413
	August	459
	September	463
	October	415
	November	428
	December	408
2022	January	439
	February	455

Source: Ailsa Coffee, Medan (2022)

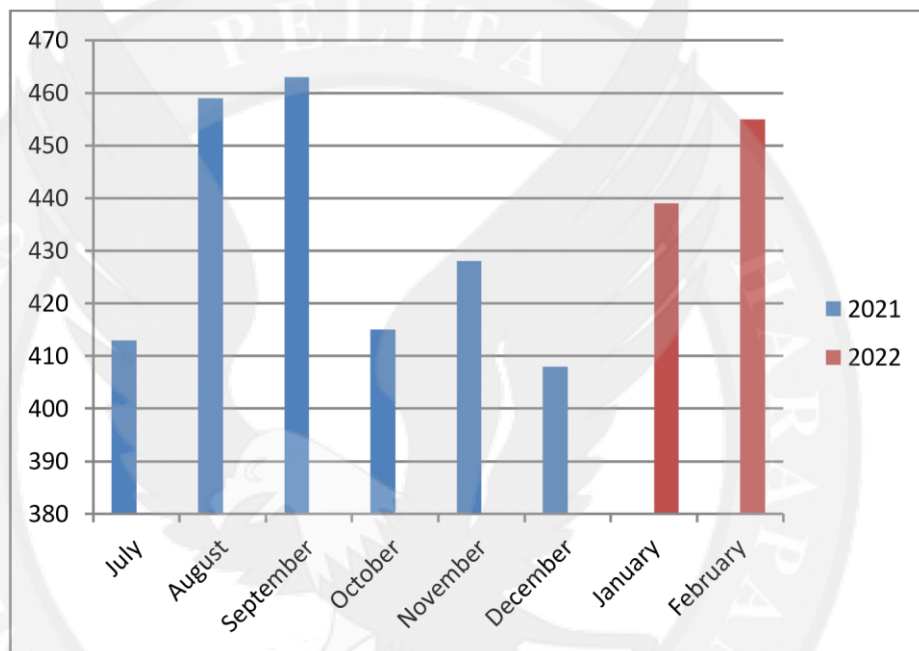


Figure 1.1 Graphs of Number transactions in Ailsa Coffee, Medan

Source: Prepared by the writer (2022)

From the table above is the total monthly transaction of Ailsa Coffee. From July to September, was an increase of 50 transactions, but in October, there was a decrease of 48 transactions and an increase in November with 24 transactions. In December, there was a decrease of 31 transactions and increased again from January to February. The services supplied by Ailsa Coffee to its consumers may impact this. Aside from service, other aspects can influence the number of transactions made at Ailsa Coffee, such as the price and the café atmosphere supplied to customers.

Nowadays, technology has developed rapidly and advanced, one of which is Google, which can be used to find information, data, and reviews or ratings from a restaurant/cafe. Based on a review from the online application about Ailsa Coffee Medan, the stated rate is pretty good. However, despite the considerably high rating on both platforms, based on the interview with Mr. Stephen (2022), the operational manager of Ailsa Coffee, several complaints were given verbally to him, and one of the complaints was related to the cafe atmosphere at Ailsa Coffee. Customers complain that the atmosphere provided is quite noisy and the aroma there is not pleasing, and it is also quite disturbing for the customers who hang out there. This happens because next to the building of Ailsa Coffee is a place to eat that sells Chinese food where usually many customers stop by to eat and chat. This makes Ailsa Coffee customers feel disturbed.

Based on the writer's observation, the service quality contains reliability, responsiveness, assurance, empathy, and tangibility. In terms of reliability, Ailsa Coffee is still lacking and needs to be developed again, where the appearance of employees who are not neat and do not wear uniforms should be. The speed of serving the food is not as promised by the employees at Ailsa Coffee. In terms of responsiveness, Ailsa Coffee's employees are sufficient. However, they must be developed again, Ailsa Coffee's employees are not so fast in dealing with these problems, but their employees are pretty familiar with the menus at Ailsa Coffee. In terms of assurance, based on customer experience, it is enough to feel safe and comfortable in Ailsa Coffee. Empathy, Ailsa Coffee

employees are enough to give more attention and prioritize customers' interests. Tangibility, Inside Ailsa Coffee, the place's cleanliness is not so apparent, and the table still has minor stains.

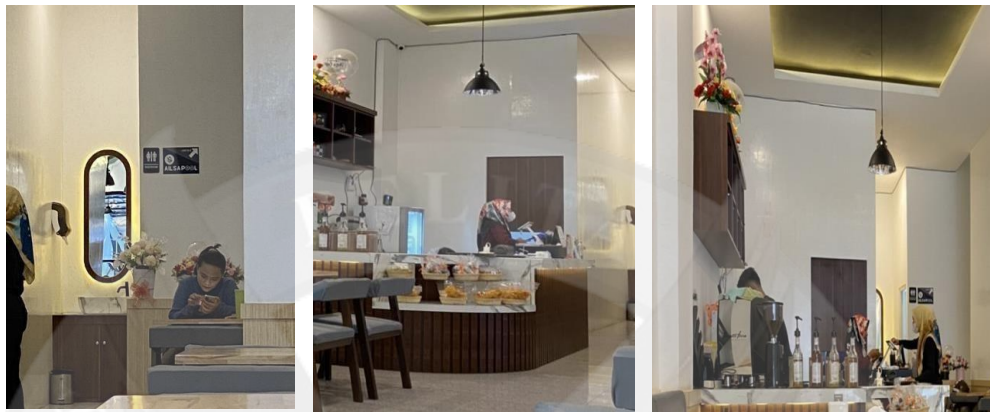


Figure 1.2 Ailsa Coffee
Source: Prepared by the writer (2022)

Based on the figure above, it can be concluded that there are employees who sit playing cellphones and chatting with co-workers and employees who do not wear neat clothes or clothes provided by the cafe.

Ailsa Coffee must be able to meet customer satisfaction through the price aspect. The price of Ailsa Coffee is still affordable, but other competitors can provide even lower prices than Ailsa Coffee. Moreover, based on the author's experience, Ailsa Coffee provides standard quality where they can improve their products at that price. Prices that can compete with competitors will be easily accessible to customers. With a diverse menu, Ailsa Coffee can provide many benefits to its customers.

On the other hand, the prices given are also not considered cheap; some products are more expensive than other similar coffee shops, as shown in the following table.

Table 1.2 Price Comparison

Menu	Ailsa Coffee	Competitor
Avocado Coffee	28.000	22.000
Americano	18.000	12.000
Kopi Susu	21.000	17.000
Matcha Latte	26.000	20.000
Chocolate	18.000	18.000

Source: Prepared by the writer (2022)

Moreover, the cafe atmosphere offered by Ailsa Coffee to customers is still lacking and needs to be developed again. From the General Exterior aspect, the parking space provided is relatively narrow. It can only accommodate a few cars, and the exterior of the building is less attractive and difficult to find. General Interior, the lighting at Ailsa Coffee is bright enough for some customers but based on observations, the lighting provided is not bright. The Air conditioner is not cold enough, so Ailsa Coffee still feels hot inside. The music provided is relatively small because it only uses a loudspeaker, and the loudspeaker is located at the cashier. However, Ailsa Coffee provides space for customers to take photos while in the cafe this can be used as an added value and can attract customers' attention to come to the cafe, as seen in the image below.

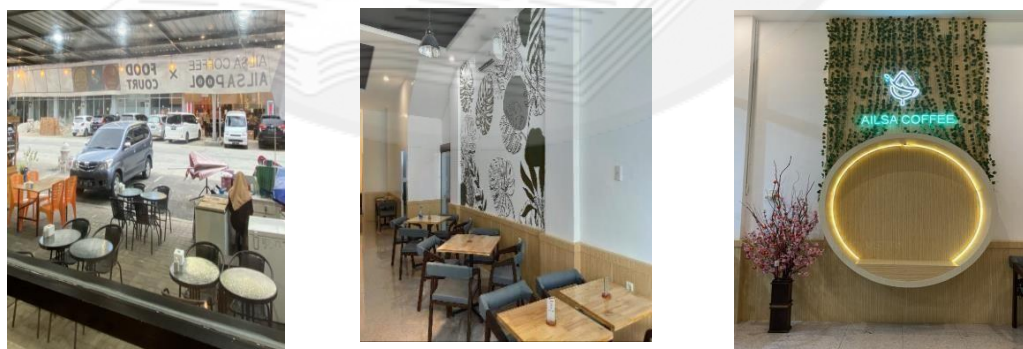


Figure 1.3 General Exterior & Interior Ailsa Coffee, Medan

Source: Prepared by the writer (2022)

From the Interior Display of Ailsa Coffee, the display placement is quite visible to visitors and also neat. The display placement contains information about promos and discounts, which is relatively straightforward. However, signs such as the toilet area are not big enough and tend to be challenging to find. Store Layout, the laying of tables and chairs is quite neat and can also provide enough space for people to pass by, but there is a lack of maximizing the space that can be used as additional chairs.

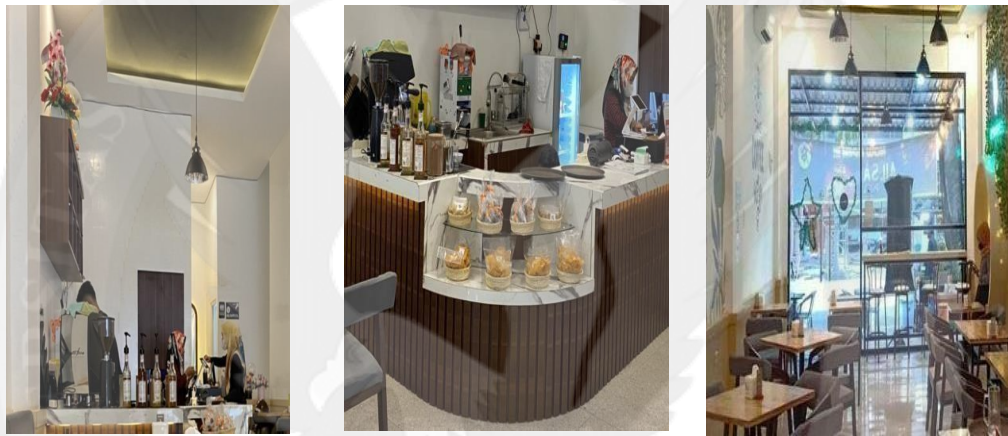


Figure 1.4 Interior Displays & Store Layout of Ailsa Coffee, Medan
Source: Prepared by the writer (2022)

The most crucial factor that Ailsa Coffee needs in its development is the customers in a business. Without customers, the business will not run well, and the business cannot be realized to its customers. Ailsa Coffee is required to provide something valuable and unique to provide added value and a good impression to customers. The profound factor that the company can provide to customers is to meet their needs and provide satisfaction through service performance, prices, and the cafe atmosphere that they will enjoy. The fulfillment of this will make customers feel happy and comfortable in Ailsa Coffee. On the other hand, if the service provided is not good, the customer

will switch to another service provider who can better fulfill and provide the desired service.

Based on this research, the authors are very interested in conducting research. The author wants to do research on the cafe to try to examine the things that affect customer satisfaction by proposing a research title "**The Influence of Service Quality, Price and Café Atmosphere on Customer Satisfaction at Ailsa Coffee, Medan**".

1.2. Problem Limitation

Ailsa Coffee is a start-up business that was founded in July 2021 and is located at Jalan Citraland Bagya Gama City, Blk. R5 No.57, Kenangan, Kec. Percut Sei Tuan, Deli Serdang Regency, North Sumatra with opening hours 8 am to 10 pm. This place provides an average drink based on real coffee ingredients, light bites and also heavy food. The opening of Ailsa Coffee is expected to be able to provide the best for customers and fulfill customer satisfaction.

To focus more on research and limited resources, the writer will set some limitations in this study so that researchers do not research too broadly. In this study consist of 3 independent variables which is, Service Quality (X_1) that is influenced by Reliability, Responsiveness, Assurance, Empathy and Tangible (William, 2020). For Price (X_2) that is influenced by Price affordability, Price match with product quality, Price competitiveness, Price match with benefits (Kotler (2009) cited in Indrasari (2019)). For Cafe

Atmosphere (X_3) that is influenced by General Exterior, General Interior, Interior Display and Store Layout (Berman, et al, 2018). For the Dependent variable consist of Customer Satisfaction (Y) that influenced by Customer fulfill their expectation with goods and services, Customers interest to repurchase, recommend Customers, inform and suggest to others (Tjiptono,2004 cited in Imansyah, et al (2020)).

1.3. Problem Formulation

Based on the background study above, writer can take a several problem formulations, as follows:

- a. Does Service Quality have partial influence on Customer Satisfaction at Ailsa Coffee, Medan?
- b. Does Price have partial influence on Customer Satisfaction at Ailsa Coffee, Medan?
- c. Does Café Atmosphere have partial influence on Customer Satisfaction at Ailsa Coffee, Medan?
- d. Do Service Quality, Price and Café Atmosphere have simultaneous influence on Customer Satisfaction at Ailsa Coffee, Medan?

1.4. Objective of Research

The Objective of Research are as follows:

- a) To assess whether Service Quality has partial influence on Customer Satisfaction at Ailsa Coffee, Medan

- b) To explain whether Price has partial influence on Customer Satisfaction at Ailsa Coffee, Medan
- c) To analyze whether Café Atmosphere has partial influence on Customer Satisfaction at Ailsa Coffee, Medan
- d) To investigate whether Service Quality, Price and Café Atmosphere have simultaneous influence on Customer Satisfaction at Ailsa Coffee, Medan

1.5. Benefit of the Research

In this research contains of 2 benefit of research, which are:

1.5.1. Theoretical benefit

The final completion of this research is expected to provide information and a better understanding of how service quality, price, and cafe atmosphere will influence customer satisfaction. The results are expected to contribute and update the existing relevant theories.

1.5.2. Practical benefit

In practical, the writes hope that this research benefits will be useful to:

- a. For the writer

In this study, it is hoped that it can provide satisfactory results for researchers and can be used as a guide or provide further understanding of the ability of service quality, price and cafe atmosphere to customer satisfaction. Not only depend on the theories used to complete this

research, but also look from the reality side of the researcher's ability in compiling this research.

b. For Ailsa Coffee Medan

This research is expected to be a platform that can provide information about service quality, price and cafe atmosphere that influences the Customer Satisfaction at Ailsa Coffee Medan, so that this matter can be considered again or give attention to the chairman who will lead in the future.

c. For other researchers/ Scholars

The writer hopes that this research can provide information as well as become a reference and empirical evidence that can provide benefits to other researchers who are taking or doing research in this field of study. This research is also expected to provide additional knowledge for future researchers or readers who will raise or develop again with similar topics.