

## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of the Study

At the present moment, Indonesia is in the industrial revolution 4.0 era. The industrial revolution era slowly altered the society's habit from initially conventional to electronic-based (Warmayana, 2018). Thus, digitalization subsequently affected nationwide sectors by progressively influencing society's lifestyle. One of the digitalization perks is enabling many products and services for purchase at one convenience. The technology leads to accessibility that leads the boost the Indonesian economy and industry sector since goods and services are more accessible at one convenience without directly going to the physical store. Aside from the convenience the digitalization to society, digitalization also enables information accessibility for everyone which may increase the desire of buying and tasting the product or service encountered online such as food and beverage.

In the last few years, Indonesia's economy and industry sector growing immensely. The growth thus positively affected many business sectors, consequently raising the competitiveness in this era of digitalization. One of the few positively affected sectors is the Food & Beverage industry.

The condition causes a change of lifestyle undoubtedly causes an alteration in social habits, particularly the dining out culture. In present day, one of the popular habits that newly emerged is dining out. The dining out culture is considered a part of urban lifestyle compared to the past. Nowadays, people dine out for many purposes: socializing, for business meetings, for experience, for convenience, or even as a way to relax or purely enjoy quality time apart from one busy daily life and not solely to subdue hunger or fulfill psychological needs. Now, the term dining out is not only limited to a restaurant but also includes a place that serves food for instance: hawkers, coffee shops, fast-food joints, cafes, warung, and more. Thus, the food provider establishments are thriving yet evolving in a place with fierce competition for food provider. The food providers will compete to attract customer's interest such as providing other facilities that can be used by consumer in the establishment (Fajarni, 2019).

Even in the pandemic era, the food and beverage sector is considered more stable than the others. The recorded share of Food Expenditure/ Capita (GDP) on food in Indonesia is 49.22 % in March 2020. As proven by the data compiled by the Indonesia Ministry of Industry, the data for food and beverage industry performance grew by an average of 8.16% above the non-oil and gas processing industry noted of 4,69% on 2015-2019.

Even amid a pandemic in 2020, the food and beverage industry can grow by +1.58%. with a total export value of USD31.17 billion. It is proven that the food and beverage sector is still the leading sector that supports the country's economy. The growth of the food and beverage sector is due to the fact that food is a primary need and a necessity for living creatures. According to Conner and Armitage in Shepherd and Raats (2006), food is an irreplaceable part of all aspects of human life, to fulfill basic physiological needs as well as an expression of life and interact with each other. Moreover, food is an embodiment of one's culture and cultural tourism's food product has proven increasingly significant in boosting the country economic performance's (Wijaya, 2019).

According to Agus Gumiwang Kartasasmita, minister of industry on 19 April 2021, the food and beverage industry is one of the prioritized sectors for development of digital transformation 4.0. Since the Food & Beverage sector is highly beneficial for Indonesia's economy. As displayed by the Ministry of Industry data, the performance of the food and beverage industry grew by an average of 8.16% above the non-oil and gas processing industry which recorded at 4,69% in 2015-2019. Amid the pandemic, the food and beverage industry was able to grow by +1.58%. With a total export value of USD31.17 billion in 2020. Moreover, in the second quarter of 2021, the Accommodation and Food & Beverage sector has an increase of 1.91%. (BPS, 2021). These are the major factor contributing to the rapid growth of the F&B business.

Businessmen are enchanted with the F&B sector since it is proven as a highly profitable business in Indonesia. The stated fact above regarding the F&B business profitability does motivate businessmen to start their culinary business in addition to the fact that restaurant businesses are even profitable amid pandemic. Medan city is also no exception. Medan is noted as the third-largest city in Indonesia with a population of 2.983.863 lives (Pemko Medan 2021). The city is well known for its diversities as well as a culinary spot in Indonesia. Medan city or widely known as Indonesia food heaven is a highly competitive region for F&B business owners.

Opening and starting culinary businesses are the current craze in the city. Many local, as well as famous international food vendors, and brands open their branches in Medan by franchises. On 2018, it was recorded there is 243 café in Medan, (BPS Sumut, 2020).

Year	Diner (RM)	Bar	Restaurant
2018	807	38	334
2017	780	14	234
2016	772	14	225
2015	739	14	211

**Table 1.1 Number of Food & Beverage Establishments in Medan**

Source: Badan Pusat Statistik (2021)

According to the table above, the number of Food and Beverage establishments in Medan is steadily increasing each year. The table compares the number of food and beverages establishment in Medan namely the RM or known as Indonesian style diner, bar a place that sells alcoholic drinks, and restaurant. Restaurant in this table has a wider meaning that contains all kinds of restaurants regarding their service style. The restaurants include family restaurant, fine dining restaurant, hotel-owned restaurant, fast food restaurant café, coffee shops, and any food establishment restaurant that have physical form and facilities to support the business operation. In 2015 the diner or Rumah Makan (RM) in Medan is 739. In 2018, the number of diners (RM) increased by 9.2% with 807 diners all over Medan. Meanwhile, the number of bars has a significant increase by 171.4% in 2018 with 38 bars from previously 14 bars in 2015. Moreover, the number of restaurants in Medan indicates significant growth of 51.1% with 334 restaurants in 2018 compared to 2015.

According to Lestari et al. (2020), many customers prioritize dining or buying food in a restaurant or a café with a good atmosphere rather than at a place that offers the same product but does not offer a good atmosphere. Nowadays, the restaurant definition is not only limited to places that serve food. As stated by Herianto and Gunawan (2019) generally restaurant products are not only limited to food, beverages, services, hospitality, attending custom requests, and parking area but also include a birthday party, events, entertainment, complimentary photo taking for customers, atmosphere, lightning, staff's uniform, furniture, cleanliness, equipment, decoration and table settings.

With an ever-increasing number of restaurants, cafes, and diners opening in Medan with distinctive and artistic concept design along with visually catching and appetizing, and delectable food and beverage selections. Therefore, customers have become more selective when selecting a place to dine with several factors. One of the factors that become deciding factors to achieve customer satisfaction is food quality. Several past kinds of research have proven the correlation between food quality and customer satisfaction. Not only limited to food quality but in present days atmosphere also played a part in achieving customer satisfaction. As a place where the dining activity occurs, the establishment atmosphere can be ruled as a crucial factor in influencing customer satisfaction toward the dining place or restaurant.

Therefore, the author has compiled several possible competitors below. Based on similarity of food, atmosphere, and service style offered that located less than 1 km from Thirteen Eleven Café with minimum of 50 numbers of reviews. With the availability of similar competitors, T1311 café needs to ensure its food quality and atmosphere in order to attract new customer or retain regular customer since there are other competitors located nearby.

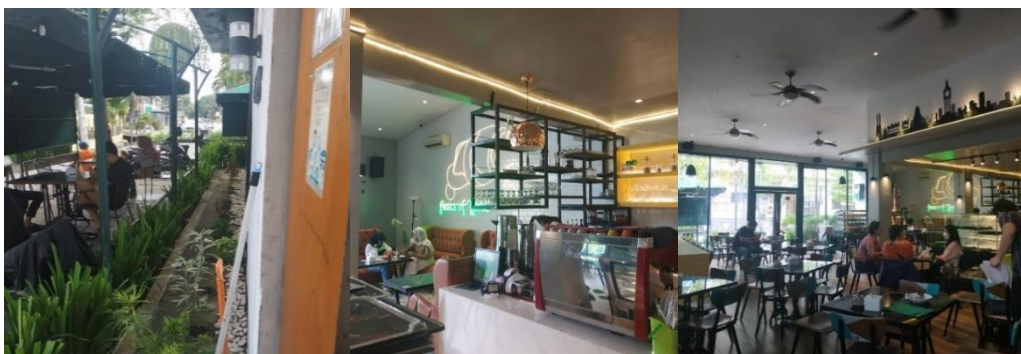
No	Brand	Distance	Google Rating	No of Reviews	Product Offered	Price in Rp
1	The Brewing Space	950m	4.8	69	Beverages, light bites, and main course	25.000-90.000
2	Kopi Konnichiwa	800m	4.3	50	Beverages and main course	15.000-28.000
3	Cent Coffee	800m	4.6	123	Beverages, desserts, and main course	18.000-28.000
4	Halifax Coffee Corridor	650m	4.7	223	Beverages, light bites, desserts, and main course	10.000-35.000

**Table 1.2 Possible Competitors of T1311 Café Medan**

Source: Google Reviews, Instagram (2022)

The research object of this research paper is Thirteen Eleven Café (T1311) café. First opened on 26 September 2017 at Gandhi street, Medan city, North Sumatera. T1311 is a cafe and bakery that is well known for its signature buttery, big-sized croissant variations. T1311 café serves Asian cuisine to Western cuisine. The menu consists of light bites to main courses. The beverage menu has a diverse selection as well, ranging from coffee, tea, and juice, to mocktails. In addition, the café bakery section offers croissants, bread, and cakes. Moreover, the cafe has stylish modern minimalism with a touch of coziness adorned with yellow lightning. The café offers outdoor and indoor seating. In indoor seating, the café atmosphere feels cozy with its decoration and furniture, on the outdoor seating it is shaded with parasols and decorated with leafy plants.

At present time the café is proactively promoting itself as one that makes the best croissant in Medan. As a strategy to attract as well as a manner to retain customer satisfaction the café offered free delivery for every croissant purchase to Medan according to the determined route. Recently, the café had undergone minor renovation as a procedure to improve its atmosphere.





**Figure 1.1 Thirteen Eleven Café**

Source: Author (2021)

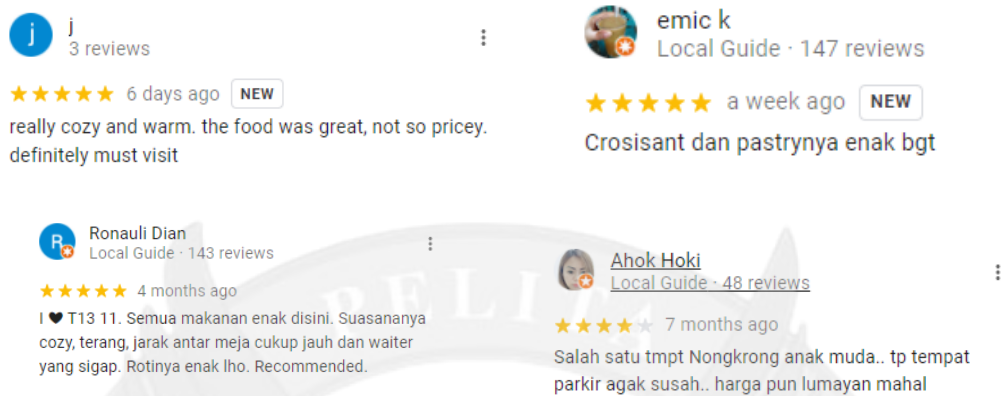
Nowadays, internet serves as a medium for people to convey and express their thought on certain topic or share experiences. Thus, the author decided to conduct the research regarding customer reviews and food quality and atmosphere in Thirteen Eleven Café Medan using Google reviews. Currently, the café has 419 reviews from 2017 to 2021 and is rated 4.5. Below are the reviews made by customer who experienced dining in the café. Compiled and organized from Google reviews.

Rating	Number of Respondents	Food Quality	Atmosphere
5	364	34	30
4	31	3	14
3	13	4	7
2	4	1	1
1	7	4	1
Total	419	46	53



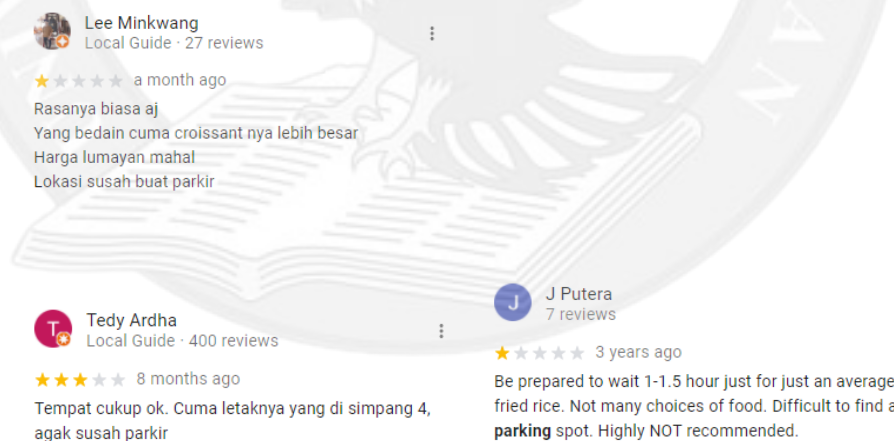
**Table 1.3 T1311 Google Reviews**

Source: Author (2021)

**Figure 1.2 Google Reviews**

Source: Author (2021)

The café also gathered a good review from Google reviews with their food quality and atmosphere boost the café's reputation. Aside from the positive reviews, the café also has several bad reviews regarding the food quality and atmosphere.

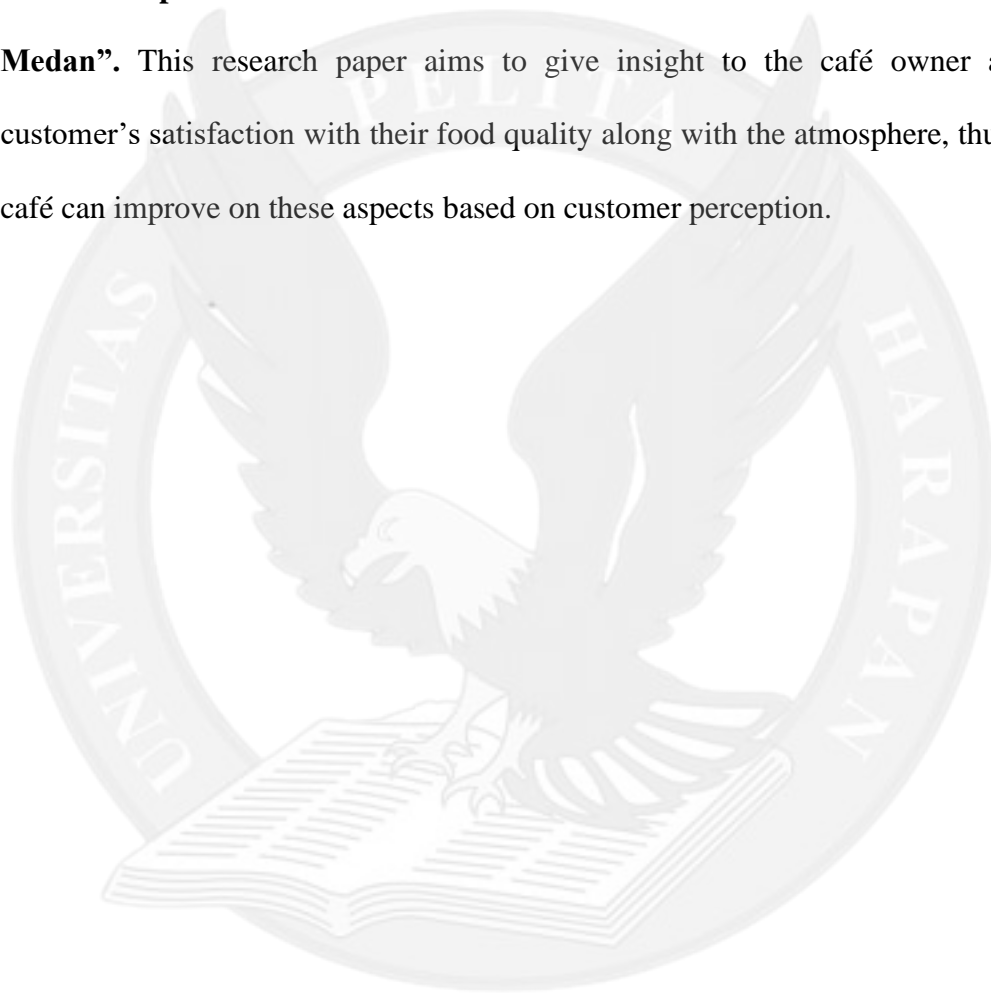
**Figure 1.3 Google Reviews**

Source: Author (2021)

While browsing the reviews, most common comment by customers is they have difficulty parking since the café itself is at the intersection. After conducting a short interview as well as short observation of the cafe, the author found out that one of problem that the café currently experiencing is the atmosphere. This is due to the store location since the location itself is not located in the center city entertainment area. Besides, the food quality is mentioned several times with the concern: the taste isn't up par to with expectation, it doesn't taste good and the freshness of food served.

As stated above, the F&B business in Medan is very competitive. Thus, the business owners need to know what factors made customer satisfied. The importance of customer satisfaction is proven in real life as well as available research and thesis and research papers. According to Kukanja (2017), the objectives of restaurant manager is to provide proper quality offer to satisfy guest, which is essential in the current highly competitive restaurant industry. Customer satisfaction is the extent to which the responses of products or service meet the standard of buyers. If the customer is satisfied with the restaurant then customer will have the intention to repurchase the restaurant. (Hidayat et al. 2020). The aim of knowing these are for the café's sustainability and profitability.

Based on the competitive industry situation described above the Food & Beverage in Indonesia, particularly in Medan city. The author is interested in this topic and decided to research whether the food quality and atmosphere are affecting customer satisfaction. In the research paper titled **“The Influence of Food Quality and Atmosphere toward Customer Satisfaction at Thirteen Eleven Café Medan”**. This research paper aims to give insight to the café owner about customer’s satisfaction with their food quality along with the atmosphere, thus the café can improve on these aspects based on customer perception.



## 1.2 Problem Limitation

The author decided to focus on these three variables: food quality, atmosphere, and how the two variables influence consumer satisfaction. Although many variables could influence customer satisfaction. The limitation is needed in this research, due to the lack of time given and the knowledge the author possesses. By setting the limitation the author is able to produce focused and effective research on the object. The research will be conducted in the T1311 café's venue.

The independent variable of this research is food quality (X1), and atmosphere (X2). Those variables are chosen considering their role, they have the power to directly influence customer satisfaction at the object. While the dependent variable of this research is customer satisfaction (Y). The indicator used to measure X1 is the presentation of food, taste, diversity of choices, healthy options, freshness, and temperature (Hanayasha 2016). While the indicator used to measure X2 are temperature, air quality, noise, music, scent, color, layout, interior design, and peoples according to Lovelock and Wirtz (2022) & Davis et al. (2018).

Lastly, the Y will be measured by loyalty, repurchase interest, desire to make a complaint, willingness to recommend, and reputation of the company (Kotler and Keller, 2012; Nguyen and LeBlanc, 1998) in Aimee 2019.

### 1.3 Problem Formulation

Based on the background study. The main objective of this research is to examine “The Influence of Food Quality and Atmosphere toward Customer Satisfaction at Thirteen Eleven Café Medan”, which is formulated as follows:

1. How is the food quality at Thirteen Eleven Café Medan?
2. How is the atmosphere at Thirteen Eleven Café Medan?
3. How is the customer satisfaction at Thirteen Eleven Café Medan?
4. Does the food quality influence customer satisfaction at Thirteen Eleven Café Medan?
5. Does the atmosphere influence customer satisfaction at Thirteen Eleven Café Medan?
6. Does food quality and atmosphere influence customer satisfaction at Thirteen Eleven Café Medan?

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

The research objective for this final paper is as follows

1. To describe the food quality at Thirteen Eleven Café Medan.
2. To describe the atmosphere at Thirteen Eleven Café Medan.
3. To discover if the customer is satisfied during dining at Thirteen Eleven Café Medan.
4. To identify the influence of food quality on customer satisfaction at Thirteen Eleven Café Medan
5. To identify the influence of the atmosphere on customer satisfaction at Thirteen Eleven Café Medan
6. To identify the influence of food quality and atmosphere toward customer satisfaction at Thirteen Eleven Café Medan

## **1.5 Benefit of The Research**

### **1.5.1 Theoretical Benefit**

By performing this research the author can utilize the learned knowledge from the university to real case problems. Thus, the author can acquire experience along with useful insight on the F&B and hospitality industry in Medan that hopefully will be applicable in their future career. Especially on the particular topic, the interconnection between food quality, atmosphere, and customer satisfaction in a restaurant.

### **1.5.2 Practical Benefit**

As a benefit for the practical aspect, the performed research may contain constructive feedback that is beneficial for Thirteen Eleven Café Medan. Since the research contains the gathered and assembled data regarding how customers are satisfied with the café food quality and its atmosphere. Hence, the performed research may be useful for Thirteen Eleven café to revamp their performance or used as feedback for their future development.

Furthermore, the result of the performed research can be put to use by future researchers for reference. Also given insight and improved understanding regarding the influence of the discussed variable: the food quality, atmosphere, and customer satisfaction that may be helpful for research.