

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

Hospitality is a relationship that occurs between guests and hosts, or a friendly attitude. The role of hospitality is providing services or receiving guests, visitors, or even foreigners who visit. According to S.Pendit (2018): Hospitality means politeness, intimacy, and mutual respect. If associated with the tourism industry, can be likened to that hospitality as the spirit,soul, and spirit of tourism. Without hospitality in tourism, all products offered in tourism itself are like inanimate objects that have no value to sell. In general, industrial sector of this field is very broad and one of them is Food and Beverage Industry. The Food & Beverage (F&B) industry is an industry that has existed and developed for a long time. This type of business that is categorized in the F&B industry is a business that offers these services together with selling food or beverage products. In Indonesia, there are a lot of tourist attractions, hotel, culinary and other entertainment which has grown rapidly. In addition, our Minister of Tourism has put effort into promoting Indonesia's wealth to attract the tourist to visit our country (<https://sejarah.kemenparekraf.go.id/en.html>, retrieved in 2022, January 5). According to Antaranews.com, food and beverage industry has recorded a 38.42 percent contribution to Indonesia's non-oil and gas manufacturing industry growth, the largest contributor in the second quarter of 2021, with its positive growth of 2.95 percent (<https://www.antaranews.com/> retrieved in 2022, January 5) It means food

and beverage industry can be brought a wide impact to the national economy, such as increasing added value through industry down streaming, revenue from investment and export, high absorption of workforces.

However, in these two years since 2019, the world has been facing a huge challenge where Covid-19 pandemic cases arose in China and arrive in Indonesia by the beginning of 2020. The pandemic itself shocked many aspects of life starting from the regulation of physical distancing, everyone is encouraged to work and school from home, face-to-face activities aren't allowed, and health protocols become mandatory things nowadays. Because of Covid-19 outbreak, it got impact on the Indonesia's national economy where according to the Central Bureau of Statistics, the economic growth in 2020 is decreasing by 2.07%, poverty rate has accelerated to 27,55 million people which is statistically 10,19% from the population. (<https://liputan6.com> , retrieved in 2022, January 5).

In addition, it impacts the owner of any industries where business has to be adaptable and proactive, unless the business would be defeated by this pandemic which in facing bankruptcy. Food and beverage industry is one of the industries that have been impacted significantly by this pandemic. F&B industry from 17 cities observed, that as many as 13 cities experienced a significant decrease in daily income (<http://www.thejakartapost.com> retrieved in 2022, January 5). It is noted that the F&B industry is the industry most affected by the spread of the corona virus, Bali and Surabaya are the two cities that experienced the most significant decrease in daily income. It is written that Bali and Surabaya got decreased by 26%, while another region only 18% (<http://www.thejakartapost.com> retrieved in 2022, January

5).

Indonesia's urban communities have higher levels of food and beverages consumption outside the home than eating at home (<https://money.kompas.com>, retrieved in 2022, January 5). In big city, 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 (<https://money.kompas.com> retrieved in 2022, January 6). However, since the Covid-19 pandemic hit, people are advised to stay at home temporarily, which has also changed people's eating pattern. 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 the rule that allows people to eat in place for around 20 minutes (<https://www.cnnindonesia.com>, retrieved in 2022, January 6). This rule contains pros and cons, and is considered unenforceable, because some the people think that the 20-minute meal rule in café and restaurant is impossible to be practiced in the real life so customer prefer to dine at home (<https://www.cnnindonesia.com> retrieved in 2022, January 6). Due to these cases, F&B industry has to aggressively innovate and transform into the digital realm quickly so that can meet the needs of its customers, even if cannot visit its outlets.

The data shows that until January 2021 the number of internet users in Indonesia has reached 202, 6 million which constitutes 73,7% of the population, and 96, 4% of people are accessing the internet by smartphone (<https://infokomputer.grid.id/> retrieved on 2022, January 6). It means that people

nowadays are more focus on using the internet for distance learning, working from home, meeting from home, shopping or selling from home via e-commerce platform, and buying the food from home. Therefore, food and beverage industry has been starting to innovate and adapt to the technological advancement to encourage restaurants to continue to be efficient and the restaurant business to focus on developing the aspects of its business. Due to the advancement of technology, actually before the pandemic there are some changes in food and beverage industry such as customers no longer having to walk in to enjoy the food, and also not necessary having face-to-face session with the waiter or chef to ask for further about the menu of the food because it can be done remotely nowadays.

In fact, the outbreak of Covid-19 has sped up the changes in these days where before people who used to go shopping at the market, are now changing the way to get what is needed by using the online delivery services. Meanwhile, people who are used to consuming food in restaurant are now changing the way by taking home or ordering their food online some the restaurant provides in-car dining facilities or there is some the restaurant produces a frozen food where people can heat their own food and can enjoy it directly without adding any spices and flavors. Further, the researched conducted by Sales Force stated that customers highly expect companies to adjust towards customers' behaviors. Which commonly known that customer shifted to do things from home (<https://www.salesforce.com/> retrieved in 2022, January 6)

Through the power of digitalization, innovation, and adaptation, the F&B industry can survive in the middle of the pandemic outbreak

(<https://www.tribunnews.com/bisnis> retrieved in 2022, January 7). The only way is to optimize the use of digital technology to keep interacting with customer. If people can adapt to the new transformation, can be believed that the results will not only be felt in the middle of the pandemic, but in the long term as well. Also, aligned with the statement by Charina Prinandita, a co-founder of outlet Eatlah (2021) mentioned that Eatlah, a F&B business that was founded in 2016 also felt the impact of pandemic Covid-19 (<https://money.kompas.com/> retrieved in 2022, January 8). In few months ago, government announced the Pembatasan Sosial Berskala Besar (PSBB) that forced many malls to close, at the same time Eatlah have required to close their outlet. Having this problem, Charina and team have decided together to be more creative and required to adapt quickly to the situation. Luckily, Chairina got an idea to create a Ghost Kitchen or Cloud Kitchen concept. Ghost Kitchen or Cloud Kitchen concept here means that a professional food preparation and cooking facility is set up special for the food delivery. Some of the ghost kitchens also allow take-away or even drive-thru. In this kitchen, are not provided any seating or display for customer to dine in. At first, all of Eatlah outlets opened in the mall, but because of the pandemic Eatlah has decided to move to Cloud Kitchen. Why is Eatlah moving? Because Eatlah has to keep expanding and have to keep focusing on their employees who are currently experiencing difficulties so by deciding to move to Cloud Kitchen can solve the problem to be better in order to survive in the pandemic.

Café and resto are one of the businesses that engaged in the food and beverage industry. This industry is currently expanding in various places including Medan,

Sumatera Utara. Café and resto have become a popular hangout spot due to the comfort place, lifestyle, place doing assignment or work, and so on (<https://lifestyle.kontan.co.id>, retrived in 2022, January 8). However, since the Covid-19 entered the world, café and resto have become a good place to hangout after staying at home for a very long time. Due to this situation, many entrepreneur are competing each other to win in a competition. Therefore, the owner has to create something different and unique in order to attract customers. Owner is also required to be able to analyze customer behavior by analyzing what customer want and what trends is occurring. In analyzing process must be done continuously because the trends are keep changing over the time. By doing so, can help business owner to determine the strategy that should be done to be successful in running the business.

Kito Garden Café & Resto, one of the famous café and resto in Medan was officially operated and launched in 2017. Until now, this cafe and resto has developed into 3 branches which named Kito Floral Café & Resto, Kito Art Café and Kito Garden Café & Resto. These all three branches are located in Medan and all of the concept of the decoration is very unique and attractive. For its branches, Kito Garden Café & Resto is the third branches. For the specific location, Kito Garden Café & Resto is located at Jln Gunung Krakatau Number 192 , Pulo Brayan Darat I, Kec. Medan Tim., Kota Medan, Sumatera Utara 20237 (<https://www.instagram.com/stories/highlights/17943624046475750/>, retrived in 2022, January 8). For the operational days, Kito Garden Café & Resto is opened every day which starting from Monday to Sunday and for the operational hours it is starting from 11.00 up to 21.00 (<https://msha.ke/kitocafe/> , retrived in 2022, January

8). For the contact number, it can be called at (061) 6614 738 or 0823 6070 0748 and for the social media, Kito Garden Café & Medan have their own Instagram named @kito\_cafemedan and WhatsApp at 0823 6070 0748. ([https://www.instagram.com/kito\\_cafemedan/?hl=id](https://www.instagram.com/kito_cafemedan/?hl=id), retrived in 2022, January 8).



**Figure 1.1 Location and Map**

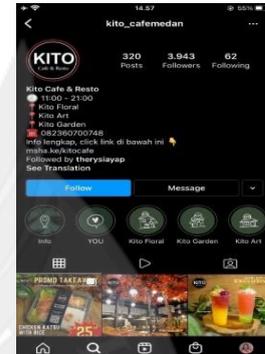
Source:

<https://www.instagram.com/stories/highlights/17943624046475750/>, retrived in 2022, January 8



**Figure 1.2 Operational days and hours**

Source: <https://msha.ke/kitocafe/>, retrived in 2022, January 8



**Figure 1.3 Instagram profile**

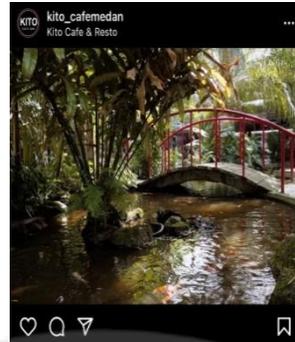
Source:

[https://www.instagram.com/kito\\_cafemedan/?hl=id](https://www.instagram.com/kito_cafemedan/?hl=id), retrived in 2022, January 8

Besides from the information above, Kito Garden Café & Resto has a unique and attractive decoration. This decoration is very rare for us to find in other café & resto, it is because all of their concept is designed like a garden with urban art decorations which is very eye catching to take the photos. Every corner of the room is decorated with trees or leaf, for its table and chair Kito Garden Café & Resto are using a wood and for its floor and using the fake grass to complete the vibes of the garden and for the outside the space there are many garden decorations to make customer feel like are in the real garden. Customers don't have to afraid of taking the photos, because every spot is instagramable and photogenic so it is suitable for influencer or models to take the photo in Kito Garden Café & Resto. (Internal source, 2022).



**Figure 1.4 Spot for Photo**  
 Source:  
<https://www.instagram.com/p/CJ-5tSGHK8R/>, retrieved in 2022, January 9



**Figure 1.5 The Decoration of Garden**  
 Source:  
<https://www.instagram.com/p/CBxuhwsHynl/>, retrieved in 2022, January 9



**Figure 1.6 The table and chair**  
 Source:  
<https://www.instagram.com/p/BrkV0IyD-Ch/>, retrieved in 2022, January 9

Kito Garden Café & Resto has a strong commitment to always delighting customers from the beginning until nowadays. This commitment can be seen from their decorations, where Kito Garden Café & Resto always full effort in designing their café & resto. For its facilities, Kito Garden Café & Resto has provided many facilities start from Very Important Person Room (VIP Room), Karaoke Room, Meeting Room and spacious parking for customer to park their car. Besides that there is an acoustic stage where every weekend, Sunday and Saturday there are a live band music to make customer feels relaxed. However, due to the pandemic of Covid-19 government are not allowed every café & resto to have live band music. Moreover, Kito Garden Café & Resto is very focused on the customer behaviour where Kito Garden Café & Resto are provided a prayer room for Moslem people to pray. This proof that cafe and resto has a great sense of tolerance which is a point of advantages compared to other café and resto. ( Internal source, 2022)

Besides of its unique decoration and lots of rooms, Kito Garden Café &

Resto have advantages on their food and beverages where serves customer with many variety of menu start from Arcipelago cuisine, Chinese cuisine, and Western cuisine. Each of the cuisine have their own specialty which is definitely tempting to taste. Some menu of the dishes that can be ordered are Taliwang chicken, oxtail soup, fried rice, gurame fish, and tomyum soup and many more. For the recommendation, Kito Garden Café & Resto have frozen caramel latte, fettucini carbonara, and tenderloin steak. Kito Garden Café & Resto also guarantees that all of the food and beverages are 100%. For its price, Kito Garden Café & Resto can offer with relatively cheap with five-star class. In some condition, Kito Garden Café & Resto are having a promo price packages with certain menus. The example of the condition is when breaking fast together ( Ramadhan), Chinese New Year, and during the Christmas and New Year holidays. For those customers who wanted to hold any party or event, Kito Garden Café & Resto would be one of the recommendation to having an event. Because it can capacity up to 400 people and the food and vibes in this café can be enjoyed. (Internal source, 2022)



**Figure 1.7 The photo of Taliwang chicken**

Source:  
<https://www.instagram.com/p/CJvkJKQn1tn/>, retrived in 2022, January 10



**Figure 1.8 The Ramadhan promo packages**

Source:  
<https://www.instagram.com/p/CNrsnRHHFnd/>, retrived in 2022, January 10



**Figure 1.9 The photo of Alfredo Fettucine**

Source:  
[https://www.instagram.com/p/B3G\\_eS8HXNk/](https://www.instagram.com/p/B3G_eS8HXNk/), retrived in 2022, January 10

In addition, Kito Garden Café & Resto is very focused on the health protocol which is one of the most important things nowadays in this situation. Where from their operational hours, start opened at 11.00 and closed at 21.00 where before this pandemic closed at 23.00, the reason is to reduce of meeting customer with employee or employee with employee. Another one is Kito Garden Café & Resto is also prioritizing the take-away services and online orders the reason is to make customers feel comfortable and feel the same service whether in restaurant or not. The other one is Kito Garden Café & Resto is providing a place for washing hands, thermogun and hand sanitizer in front of the door before entering the café to make sure that all of the customers are in a good health and feel clean and hygiene when entering the café & resto. Next one is Kito Garden Café & Resto are installing an appeal for the application of health protocols to persuade customers comply with existing health protocols which is stay away from crowds, wash hands, wear masks, limit mobility, and maintain at least 1 meter from other people. And also Kito Garden Café & Resto applied the limit eating in restaurant at least 50% of capacity to avoid any contamination between fellow customers. More than that, Kito Garden Café & Resto have to ensure all of the officers and store managers is in a healthy condition which is no cough, runny nose, shortness of breath or diarrhea and all of their temperature are not above from 37.3 degrees so that there is no contamination between employee with customers. Last but no least is Kito Garden Café & Resto always to make sure that all of the officers, store managers and customer always wearing amask when in the café and it is recommend to take off the mask when the food is arrives. (Internal souce, 2022).

According to operational manager of Kito Cafe Dani Handrian (2019) stated that, all of the Kito Café & Resto concept is different compared to others café & resto, it because all of the design can make customers feel like in a painting museum. Kito Garden Café & Resto have ancient products such as car miniatures and car plate displays. More to the old concept. Moreover, in Kito Café & Resto is very comfortable here, and of course with good food. Owner are not afraid to miss an idea, it because the owner is a creative person. When people are still thinking, the owner have already acted. The owners is super creative so customer can feel like home here. In addition, owners of Kito Café are always notice of the graph, if there is an increase or decrease in the graph, the owner always evaluate. In the future, Kito Garden Café & Resto will follow what their millennial friends are like. Moreover, will always keep renovating in every corner of the room to make it more Instagramable. And also, all of the customers will be given a feedback sheet to write the review about this resto, it because the one who can judge about this resto is only customers (<https://medan.tribunnews.com/>, retrived in 2022, January 10)

On the other hand, Kito Garden Café & Resto is really prioritize customers to dine in, it is because Kito Café & Resto is focus more in selling the places than others. As know that, Kito Garden Café & Resto has an unique decorations and garden vibes in every of the corner. Therefore, the owner of this café want customers to visit and feel the unique decorations direct in the café. For now, Kito Garden Café & Resto do not accept orders via Whatsapp because this café is focus with dine it than take away and for those customer who wanted to takeaway the food, customers can come to the café and takeaway it by themselves. For those

customers who want to dine in, don't have to be afraid of the health protocol because the health protocol in this café is very disciplined. All of their employees are wearing a mask and before entering the café, there are provided a temperature machine for customers to check and a hand sanitizer for customers to use so it can make sure that all customers in the café are in a healthy condition and their hands are free from any contamination. For the employee condition, they are all healthy, it is because before the employees enter to this café, they have already checked their temperature and all of their conditions are good. A good point of this café is that the employees always sanitize their corners of the room to make sure there is no virus scattered. (Internal source, 2022).

Meanwhile, for customers who want to reserve for a special occasion, they can contact the info and order WhatsApp number that is provided in the link above. In Kito Garden Café & Resto, it is allowed to hold special occasions such as birthday parties, bride-to-be events, office events, and so on. For further information, customers can contact directly to the WhatsApp number to get specific prices and details in the Kito Garden Café & Resto (Internal source, 2022).



**Figure 1.10** Whatsapp number for info and order

Source: <https://msha.ke/kitocafe/>, retrieved in 2022, January

Covid-19 pandemic not only bring chaos to society, but also there is at least a positive thing that every aspects of lives is accelerated for the digital transformation including education where virtual learning has become a trends, business operations that companies have to adapt with remote working culture, massive growth on internet adoption and digital commerce (<https://graduate.binus.ac.id>., retived in 2022 January 11). By having this pandemic, it accelerated the digitalization process for all industries including food and beverage industry. Digital transformation that supposed to be done in several years become several months. People that supposed need several months to learn about technology, it proven to be learn in at least 1 month. Also, this pandemic can aware of the actual potential that had never been thought.

Although Kito Garden Café & Resto is having a great opportunities in accelerating its technology in this pandemic where people are also forced to get used to due to safety and urgent health issue, Kito Garden Café & Resto must be aware regarding to the competition that also become a fierce where not only Kito Café & Resto that has this momentum but many café & resto are also taking actions to graps this opportunity. Jody Broto Suseno as a owner Waroeng Steak & Shake (2021) mentioned that restaurant are competing to improve their resto by adding more option which is a dine in car. For this service, customers are only need to park and wait in the car and employee that are already standby near the carpark will serve customers who want to order. After customer have ordered, employee will give the total of the order and ask for the payment. Then employee will deliver the food, and customer can eat using a hot plate in the car. Jody also mentioned that due to the

pandemic conditions, Waroeng Steak & Shake have to issued several new healthy menus to make customer are more aware of health. So that, the food preferences began to change towards healthy foods with more vegetables and not much sugar (<https://www.inews.id/news>, retrived in 2022, January 11).

Many significant corporations are competing to create maximum customer loyalty such as Café Rumah Pohon, Tea Garden Café & Resto, and Food Ten Resto Garden & Coffeeshop. Moreover, the latest research by Sodexo (2019), mentioned that Customer Loyalty is an important asset for a company. To achieve customer loyalty will be very difficult. Moreover, Customer Loyalty will be able to influence consumer decision making, including making purchases between the business product lines (<https://www.sodexo.co.id/>, retrived in 2022, January 11). Also, customer loyalty is a valuable asset for every company, that is why retailers are currently competing to reach their customers by creating loyalty. According to Gee et al (2008), stated that by having the loyalty the advantages are the cost of maintaining loyal customers is less that the cost incurred to acquire new customers. Loyal customers are willing to pay higher costs for the products or services offered and loyal customers will acts as a agents of word of mouth marketing (<https://profesionalmudacendekia.com/index.php/jbmr/article/download/209/112>, retrived in 2022, Januarv 11).

**Table 1.1 Competitor of Kito Garden Café & Resto**

<b>Brand of the café</b>	<b>Specialty</b>	<b>Ratings on Google</b>
Kito Garden Café & Resto	<ul style="list-style-type: none"> <li>- Have an unique concept for the environment</li> <li>- Available in outdoor and indoor seats</li> <li>- Specialty on Nusantara Food</li> <li>- Suitable to hold a party and the location is quite strategic.</li> </ul>	4.1 out of 1142 review

Café Rumah Pohon	<ul style="list-style-type: none"> <li>- Have an attractive concept both outdoor and indoor</li> <li>- Available in outdoor and indoor seats,</li> <li>- Specialty on Indonesia and Sumatra food</li> <li>- Suitable to hold a party and the location is strategic.</li> </ul>	4.4 out of 585 review
Tea Garden Café & Resto	<ul style="list-style-type: none"> <li>- Have a simple concept</li> <li>- Available in indoor seats</li> <li>- Specialty on the Chinese Food</li> <li>- Suitable for family and the location is strategic</li> </ul>	4.2 out of 732 review
Food Ten Resto Garden & Coffeshop	<ul style="list-style-type: none"> <li>- Have a simple concept</li> <li>- Available in indoor and outdoor seats</li> <li>- Specialty on the Chinese Food</li> <li>- Suitable for family and the location is strategic</li> </ul>	4.2 out of 1784 review

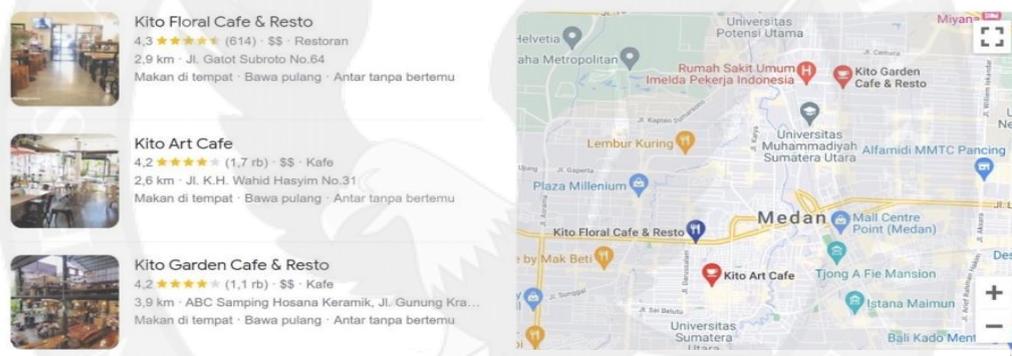
Source: Google review ( Prepared by Writer, 2022)

Based on the table 1.1 above, it can be seen that the café competition is fierce, starting from Café Rumah Pohon, where for the concept have an attractive concept both outdoor and indoor. Since this café has a garden theme, so that this café is divided outdoor and indoor seats for customer to choose. For the food recommendation, their specialty on Indonesia and Sumatra food. Moreover, Café Rumah Pohon is also suitable to hold a party or an event on there and their location is very strategic so it is effective for customer to visit it. While for the second competitor is Tea Garden Café & Resto, this café has a simple concept compared to others. This café is only available in indoor seats and no outdoor seats available. Their specialty is on the Chinese Food and this café is suitable for family and the location is strategic. The next competitor is Food Ten Resto Garden & Coffeshop, for the concept are design in a simple way, for the seats are available in outdoor and indoor seats. This café is specialty on Chinese Food and suitable for family and the location of this café is also strategic. It can be seen that the competition of the café in Medan is very tight. The opportunity for café in Medan is very large where customer will prefer to choose the café that provides the best ones.

Eventhough the rating of Kito Garden Café & Resto is low but it has much more people to visit where it can be seen from lot of responses on the google reviews. Moreover, I am using this object it was because Kito was one of the first launch and has been able to survive until now, meaning that it has loyal customers. In addition, Kito also has a potential to develop bigger in the future, it can be seen from the branch where Kito is the third branch after Kito Floral Café & Resto and Kito Art Café. It shows that Kito already has the customer loyalty, it is just need to maintain and improve the customer loyalty in order to win in a competition. Because of this, it is important to conduct this research while considering the importance of improving customer loyalty. Therefore, from this situation who have loyalty will be studied for variables that have a significant influence in forming customer loyalty where these variables will be increased to further increase the customer loyalty in Kito Garden Café & Resto.

According to Sheth & Mitall (2007), customer loyalty is a customer's commitment to a brand, store or supplier that based on a positive attitude that is reflected in consistent repeat purchases. (<https://knepublishing.com>, retrived in 2022, January 11). Moreover, adding by Gremler (1996) that customer loyalty is a customer that is only buy good or services, but has a positive commitment towards the services companies for example recommending others to buy([https://www.researchgate.net/publication/242451313\\_Service\\_Loyalty\\_Its\\_Nature\\_Importance\\_and\\_Implications](https://www.researchgate.net/publication/242451313_Service_Loyalty_Its_Nature_Importance_and_Implications), retrived in 2022, January 11). By having a customer loyalty will have a positive impact on Kito Garden Café & Resto. Hence, customer loyalty might be necessarily needed in order to face the intense

competition in the industry. According to Kotler and Keller in (Sinurat et al, 2017) stated that customer loyalty is a deeply held commitment to buy or re-support a preferred product or service in the future eventhough situational influence and marketing efforts have the potential to cause customers to switch (<https://online-journal.unja.ac.id/jbsmr/article/download/11909/10579>, retrived in 2022, January 11). It could be indicated from the data on Figure 1.11 that Kito Café has opened branches in various areas in Medan city. It shows that Kito Garden Café & Resto already has customer loyalty so that Kito Café can continue to expand its market share by opening Café & Resto which initially only had one branch to 3 branches.

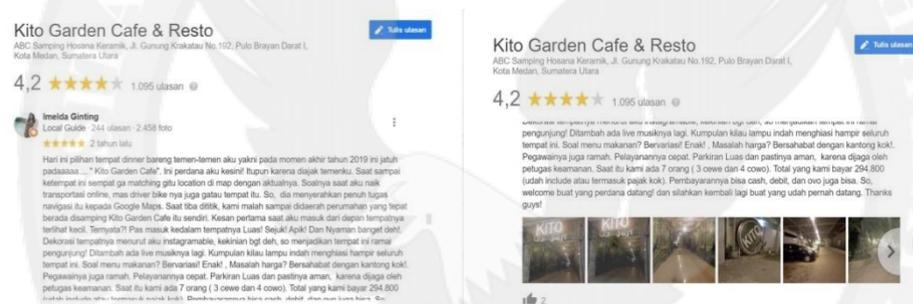


**Figure 1.11 : Location of the café and several branches of Kito Café**

Source: Google.image, downloaded in 2022, January 13

Further, another important aspect is customer satisfaction that Ratnasari (2017) explained that customer satisfaction is the level of feeling where someone states the results of a comparison of the products or serviced performance received and expected. (<https://jurnal.stie-aas.ac.id>, retrived in 2022, January 13). As an addition, customer satisfaction is needed for every industry in order to create customer loyalty. The level of satisfaction is very subjective where the measure of satisfaction is one consumer with other consumers will be different. This is caused

by several factors such as age, occupation, income, education, gender, social position, economic level, culture, mental attitude and personality. So, the level of satisfaction is a function of the difference between perceived performance and expectations. Kito Garden Café & Resto is highly committed in terms of customer satisfaction, it can be seen from the Figure 1.12 below shows that customers are happy and satisfied with the ambience, decoration, service, price and food in the Kito Garden Café & Resto as well as giving a 5 star review which indicates that customers are satisfied from all sides and also the owner of Kito Café & Resto will always upgrade their facilities to engage customers feel more satisfied in the future.

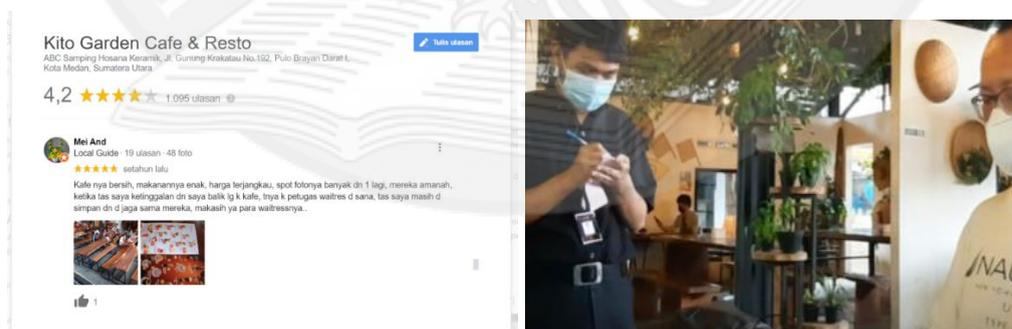


**Figure 1.12: Customer Review**

Source: Google.image, downloaded in 2022, January 13

In the other hand, there are also variables that affect customer satisfaction which are service quality. As explained by Lewis and Booms (in Tjiptono 2017: 142) that service quality can be interpreted as a measure of whether the level of service provided is able to match the expectations or expectations of customers. (<https://media.neliti.com/media/publications/186809-ID-none.pdf> retrived in 2022, January 13). Moreover, service quality can be said as an actions and abilities of employees in a company that is carried out with full commitment to provide the best and quality service to consumers, fellow employees, and company leaders. The

benefits of service quality accumulate over time or it can be said in the long term so that service companies have to identify efforts to provide appropriate service quality and implement them effectively. By having a good service quality, will affect to the customer satisfaction and at the same time will caused the customer loyalty to the café & Resto. It can be seen from the Figure 1.13 where one of the customers left her bag at Kito Garden Café & Resto and when go back to the café and ask about her bag. It turn out, the employee keep the bag until the owner of the bag come and take it. It means that the service quality at Kito Garden Café & Resto is very well because their employee is not only take care of the café & resto but also take care of the customer's luggage. Furthermore, on the second picture shows that the employee of Kito Garden Café & Resto obey the health protocol by using a mask when taking orders. Moreover, it is seen that Kito's employee always make sure to fulfill the customer service expectation by reread the customer's order to minimalize mistake in serving foods. This can be said to be an advantage in this café because not all of the café have the same thing as this.

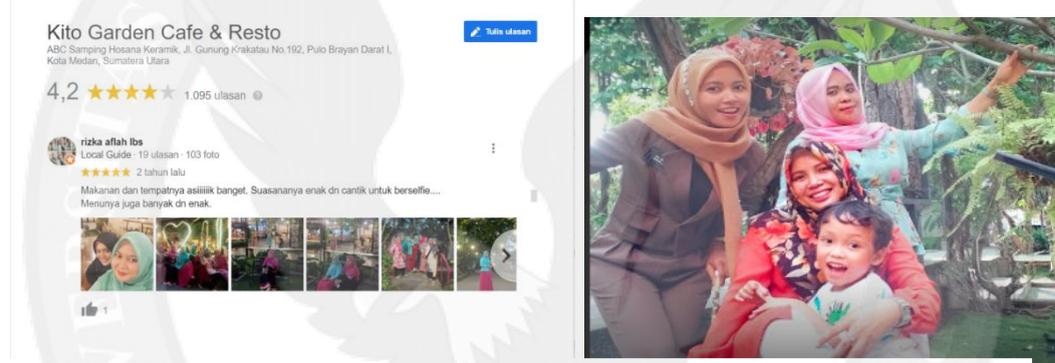


**Figure 1.13: Service Quality at Kito Garden Café & Resto**

Source: Google.image, downloaded in 2022, January 13

Besides service quality, there are also variables that affect customer satisfaction which are social enjoyment. According to Simpson and Weiner (1989)

defined social enjoyment is a state of consciousness or sensation that caused by enjoyment or anticipation of what is felt or seen as good or desirable; enjoyment; pleasure; satisfaction. (<http://unsworks.unsw.edu.au>, retrived in 2022, January 13). It could be indicated from the data on Figure 1.14 where customers are feel very happy to take a pictures and feel satisfied with the food, places, menu, ambience at Kito Garden Café & Resto. It can be interpreted that Kito Garden Café & Resto has social enjoyment felt by customers of Kito Garden Café & Resto, where visitors who come with friends or family look happy and satisfied.

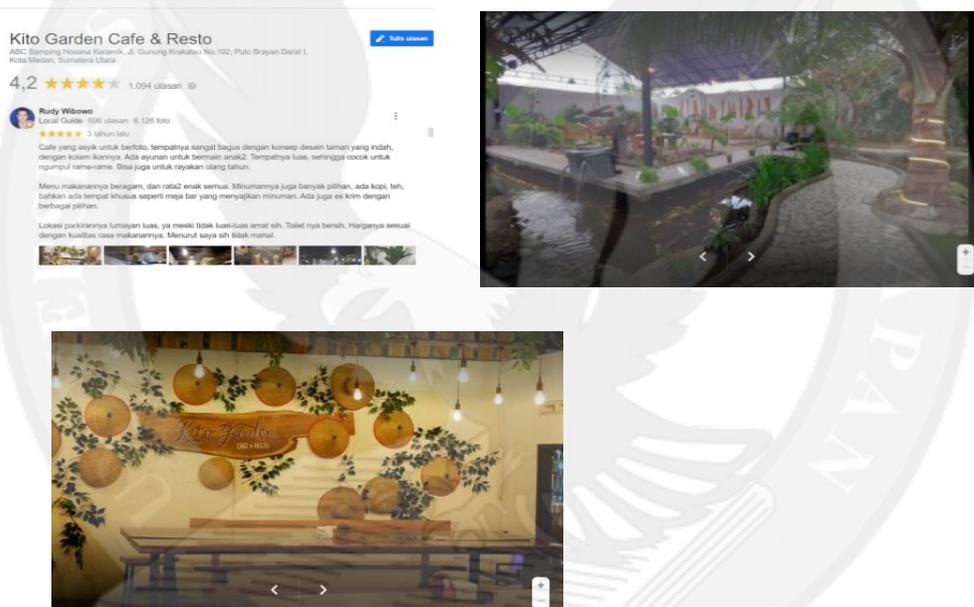


**Figure 1.14: Social Enjoyment at Kito Garden Café & Resto**

Source : Google.image, downloaded in 2022, January 13

Further, there are also variables that affect customer satisfaction which are cleanness. Cleanness according to Wakefield and Blodgett (1996) is a quality of service that can be felt from service providers where the quality of the service can be in the form of a clean environment (<https://www.researchgate.net/publication/>, retrived in 2022, January 13). The way to judge cleanness at Kito Garden Café& Resto is by looking from the environment, whether each side of the café & resto is clean or not, the tableware and cutlery of this café is clean and hygienic or not, the toilet is clean and fragrant or not, the food and beverage is clean and hygiene or not

and so on. As know that, cleanness is really affect to satisfaction. Therefore, all café & resto have to take care of their cleanness in order to get the satisfaction from the customer. Moreover, in this pandemic where cleanness is very important to our live to avoid any virus contamination to the food and environment. It can be proven in the Figure 1.15 where one of the customer has mentioned the toilet at Kito Garden Café & Resto is clean and there are some of the picture shows that every of the corner of the area and the table, floors and walls is clean enough. It means that Kito Garden Café & Resto has a good cleanness compared to others café & resto.



**Figure 1.15: Cleanliness at Kito Garden Café & Resto**

Source : Google.image, downloaded in 2022, January 13

The next variables that affect customer satisfaction are aesthetic, Dra. Artini Kusmiati (2021) explained that aesthetics is a condition that is related to the sensation of beauty that can only be felt by one person which has a harmonious blend of elements in an object. (<https://pdfs.semanticscholar.org>, retrived in 2022, January 13). Usually, café that are decorated with aesthetics have the aim to invite

customers to visit it because every spot of the café is beautiful and instagramable. Moreover, for influencer or model that loved to take pictures. It will become a good idea for them to visit and enjoy the vibes of the café. There are evidence that Kito Garden Café & Resto has aesthetics is in the Figure 1.16 where Kito Garden Café & Resto are designing various decorations and furniture that are made of wood so it can add artistic value, such as tables, chairs, decorations and etc. The arrangement of various furniture and decorations is also very neat and organized and also Kito Garden Café & Resto are using a unique placement of lamps to be used as photo objects.



**Figure 1.16: Aesthetic at Kito Garden Café & Resto**

Source : Google.image, downloaded in 2022, January 13

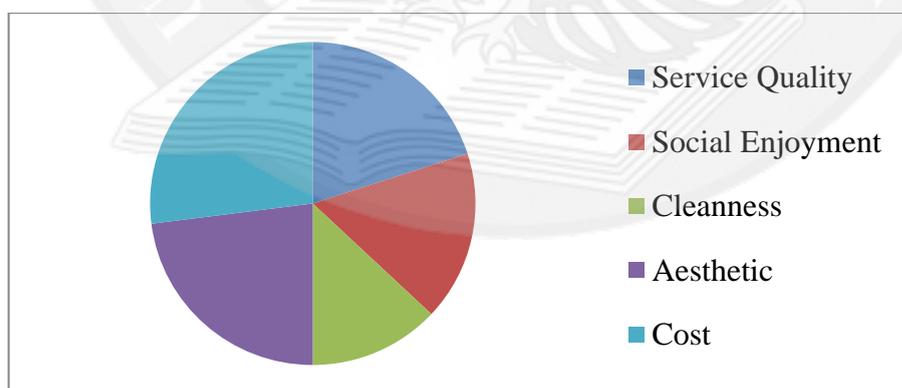
The last variable that affect to the customer satisfaction is cost. Cost according to Tjiptono (2016) is a part of the marketing which shows the costs incurred by the company which are reflected in the price set for a particular product which will ultimately generate revenue for the company (<http://repository.radenintan.ac.id>, retrived in 2022, January 13). Costing is a very important way in every industry, because costing can provides income for the business. In pricing, owners have to see whether the price is worth the product or not because it can impact to the customer satisfaction. If the owner set the expensive price but it don't worth the product then customer will feel disappointed and dissatisfied with the café and vice

versa if the owner set the cheap price but it worth with the product then customer will feel satisfied with the café. “Higher price equals good quality”, it means that expensive goods are high-quality goods, and conversely, high-quality goods are of course expensive. In Figure 1.17, there are a price list that owned by Kito Garden Café & Resto where it is written the price for drinks and food prices and also there are a review from one of the customer that mentioned the prices of the food and beverages is very worth it and it is very recommended for new customer to visit and try it directly at Kito Garden Café & Resto. It can conclude that Kito Garden Café & Resto has an appropriate cost and it is very friendly on the wallet.



**Figure 1.17: Menu and Review at Kito Garden Café & Resto**

Source : Google.image, downloaded in 2022, January 13



**Figure 1.18 Pre-Test Respondent Data**

Source : Data Analyzed (2022)

The reason that specifically service quality, social enjoyment, cleanness, aesthetic and cost is the focus of this study is supported by a pre-test conducted among 30 respondents whose details are attached in the appendix at the end of the report. During the pre-test study, the average respondent had consumed Kito Garden Café & Resto's food and drinks directly (dine in) at least 2 times in the last 1 year which are considered frequent in visiting. Furthermore, respondents were asked the reason why they visit Kito Garden Café & Resto and whether they still have the intention to visit Kito Garden Café & Resto again, it turns out that 30 out of 30 respondents said they had the intention to visit Kito Garden Café & Resto again and the results were dominated by factors such as cost (8), aesthetic (7), service quality (6), social enjoyment (5) and cleanness (4).

A simple-qualitative research is conducted as the pre-test to support this research, which highlights the situation that is currently happening where the competition on the food and beverage industry is getting fierce. Hence, customer loyalty is highly essential for the food and beverage industry to keep leading the industry. Bringing customer loyalty as the main question in the pre-test, resulted in several answers which are dominated by those aforementioned variables. The result is aligned with several previous researches that become references. Thus, the influence of service quality, social enjoyment, cleanness, aesthetic and cost on customer satisfaction and customer loyalty at Kito Garden Café & Resto in Medan are going to be analyzed and studied in order to come up with particular insights to make Kito Garden Café & Resto leading the industry.

## **1.2 Problem Limitation**

In order for this research to be more precise, there are some limitations as follow:

1. This research will study about several variables including: customer loyalty as the dependent variable, customer satisfaction as the intervening variable and service quality, social enjoyment, cleanness, aesthetic, and cost as the independent variable. Moreover, the writer will limit the research objective where the research will only take place in Kito Garden Café & Resto that is located in Medan, Indonesia.
2. The data that is going to be used in examining the research model is going to be collected in form of questionnaire that are designed based on the research object.
3. The samples that are going to be analyzed are limited to certain criteria; both male and female, 18 to 60 years old, living in Medan, visited Kito Garden Café & Resto in these last 3 months, consumed Kito Garden Café & Resto food and drink (dine in) at least 2 times in the last 1 year.

## **1.3 Problem Formulation**

Refer to the information provided on the background of the study, here will be formulated some problems precisely to be researched. In order to see whether customer loyalty is significantly influenced by the service quality, social enjoyment, cleanness, aesthetic, and cost through customer satisfaction. Here are the problems

formulated:

1. Does service quality significantly influence customer satisfaction of Kito Garden Café & Resto in Medan?
2. Does social enjoyment significantly influence customer satisfaction of Kito Garden Café & Resto in Medan?
3. Does cleanness significantly influence customer satisfaction of Kito Garden Café & Resto in Medan?
4. Does aesthetic significantly influence customer satisfaction of Kito Garden Café & Resto in Medan?
5. Does cost significantly influence customer satisfaction of Kito Garden Café & Resto in Medan?
6. Does customer satisfaction significantly influence customer loyalty of Kito Garden Café & Resto in Medan?
7. Does customer satisfaction meditate the effect of service quality on the customer loyalty of Kito Garden Café & Resto customers in Medan?
8. Does customer satisfaction meditate the effect of social enjoyment on the customer loyalty of Kito Garden Café & Resto customers in Medan?
9. Does customer satisfaction meditate the effect of cleanness on the customer loyalty of Kito Garden Café & Resto customers in Medan?
10. Does customer satisfaction meditate the effect of aesthetic on the customer loyalty of Kito Garden Café & Resto customers in Medan?
11. Does customer satisfaction meditate the effect of cost on the customer

loyalty of Kito Garden Café & Resto customers in Medan?

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

The objective of this paper is that researcher aims to find out the solution and conclusion from the hypothesis that are developed in order to provide advantages for owners which has the same industrial sector who might be benefits from this report. Refer to the background of the study, this report aims to analyze and evaluates the influence of:

1. To determine the influence of service quality towards customer satisfaction at Kito Garden Café & Resto Medan.
2. To determine the influence of social enjoyment towards customer satisfaction at Kito Garden Café & Resto Medan.
3. To determine the influence of cleanness towards customer satisfaction at Kito Garden Café & Resto Medan.
4. To determine the influence of aesthetic towards customer satisfaction at Kito Garden Café & Resto Medan.
5. To determine the influence of cost towards customer satisfaction at Kito Garden Café & Resto Medan.
6. To determine the influence of customer satisfaction towards customer loyalty at Kito Garden Café & Resto Medan.
7. To determine whether customer satisfaction meditates the effect of service quality on the customer loyalty of Kito Garden Café & Resto customers

in Medan.

8. To determine whether customer satisfaction meditates the effect of social enjoyment on the customer loyalty on the customer loyalty of Kito Garden Café & Resto customers in Medan.
9. To determine whether customer satisfaction meditates the effect of cleanness on the customer loyalty of Kito Garden Café & Resto customers in Medan.
10. To determine whether customer satisfaction meditates the effect of aesthetic on the customer loyalty of Kito Garden Café & Resto customers in Medan.
11. To determine whether customer satisfaction meditates the effect of cost on the customer loyalty of Kito Garden Café & Resto customers in Medan.

## **1.5 Benefit of Research**

The researcher really hope that this report could provide advantages for any owner which has the same industrial sector under this specific topic not only theoretically but also practically, as follow:

### **1.5.1 Theoretical Benefit**

In term of theoretical benefit, this report is expected to provide appropriate information and investigation regarding the influence of factors consist of service quality, social enjoyment, cleanness, aesthetic, and cost towards customer loyalty through customer satisfaction. Furthermore, researcher hopes that this report could

be used as reference for not only general research but also academic research in the future.

### **1.5.2 Practical Benefit**

This report wishes to provide practical benefit including:

1. For readers and upcoming researches, that the result of this research hopefully could be used as useful insights and foundation regarding on how service quality, social enjoyment, cleanness, aesthetic, cost are influencing customer loyalty through customer satisfaction.
2. For the management team or owner of Kito Garden Café & Resto, the research wishes to be able to provide appropriate data and evaluation on those factors; service quality, social enjoyment, cleanness, aesthetic, and cost that might influence customer loyalty through customer satisfaction. Hence, management team will be able to prepare better strategies in maintaining the customer loyalty in this competitive era.