

CHAPTER I

INTRODUCTION

1.1 Background of The Study

The Badan Pusat Statistik (BPS) reports that the gross domestic product (GDP) of the national food and beverage industry at current prices (ADHB) is IDR1.12 quadrillion in 2021. This value represents 38.05% of the non-oil and gas processing industry or 6.61% of the national GDP which reached Rp. 16.97 quadrillion. If measured by GDP at constant prices (ADHK) 2010, the food and beverage industry grew 2.54% to Rp775.1 trillion last year compared to the previous year. This achievement is better than the previous year which only grew 1.58%, but lower than before the pandemic which grew above 7%. This achievement is also below the national GDP growth last year (<https://www.bps.go.id/>, retrieved in 2022, May 1).

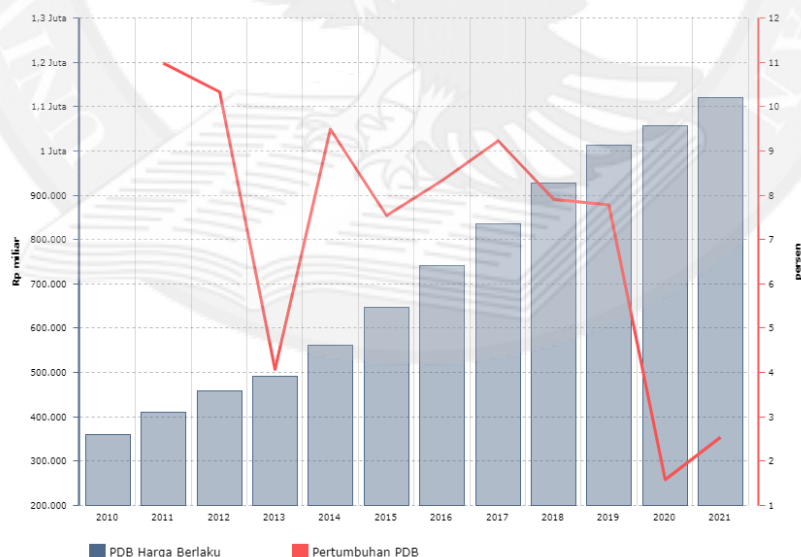


Figure 1.1 Food and Beverage Industry Value and GDP Growth (2010-2021)

Source: <https://databoks.katadata.co.id/>, retrieved in 2022, May 1

The food and beverage industry is one of 9 sub-sectors of the non-oil and gas processing industry that will record growth in 2021. Meanwhile, 8 other sub-

industries out of 17 sectors experienced contraction. The growth of GDP in the food and beverage industry is in line with the growth in public consumption expenditure for food and beverage needs (other than restaurants) by 1.44% last year compared to the previous year.

The food and beverage industry is one of eight national priority sectors. This industry always generates positive development year by year. The food and beverage contribution to GDP in the first quarter of 2020 achieved 19.98%. In addition, the Food and Beverage Industry is still the mainstay of support for the growth of the non-oil and gas processing industry, contributing significantly to the GDP of the non-oil and gas processing industry reaching 17% or Rp. 278.19 trillion in the second quarter of 2021 (Ministry of Industry, 2021).

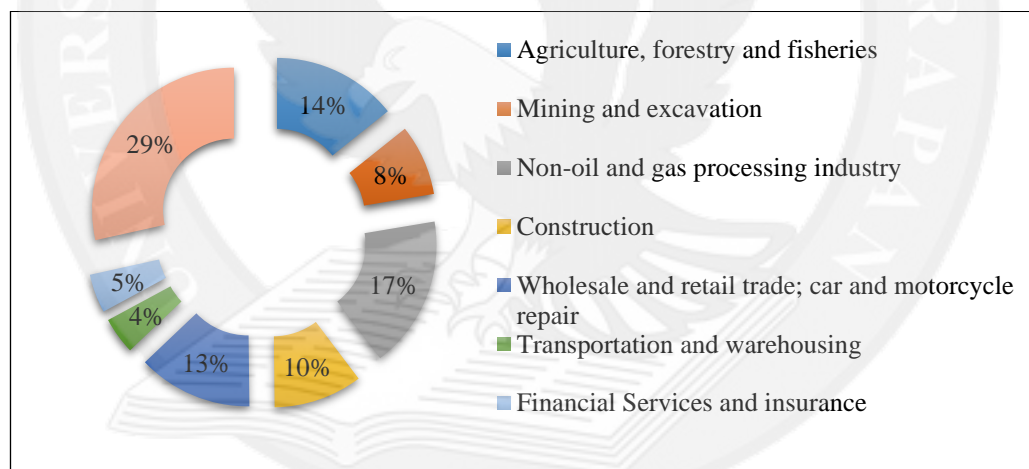


Figure 1.2 Sources of Economic Growth and Non-Oil and Gas Contributions in the Economic Sector

Source: Pusdatin Kemenperin (2021)



Figure 1.3 Contribution to GDP of Non-Oil and Gas Processing Industry
Source: Pusdatin Kemenperin (2021)

The food and beverage industry currently has a significant contribution to the Indonesian economy. In recent years the growth and investment value of this sector have continued to increase. The contribution of food and beverage to the Gross Domestic Product (GDP) of non-oil and gas industry reached 33.6 percent in the third quarter of 2016.

The food and beverage industry plays an important role in the Indonesian economy since Indonesian households spend 50 percent of their income on food and beverages. The characteristics of food and beverage companies in Indonesia are among the strongest products in facing free-market competition, especially in the ASEAN Economic Community (Masyarakat Ekonomi ASEAN or MEA). This is because the number of tourists continues to increase, and food and beverage are expected to increase linearly. Unfortunately, food and beverage companies are classified as high risk and sensitive to economic fluctuations. Hence, this industry has great public visibility, requiring them to go the extra mile to legitimize society's position (Saraswati, 2021).

According to Statistics Indonesia (2018), as cited in Ragimun and Widodo (2019), the growth of the food and beverage industry was largely due to the realization of new investments, an increase in people's purchasing power, and the growth of Indonesia's population with an average of 1.49 percent per year in the last 10 years. Indonesia, as the world's fourth most populous country and growing middle class, has increasingly attracted the food and beverage market. However, going forward, the challenges and obstacles of the Indonesian food and beverage industry will continue to increase. At present, with the entry into force of the free market of the Asean Economic Community (AEC), the competition in the food and beverage industry among ASEAN countries has become tighter. Therefore, Indonesia's food and beverage industry need to strengthen its competitiveness so as to create a healthy business climate.

In the current era of globalization, many businesses have developed, especially in the food and beverage sector, so that entrepreneurs compete with each other. This competition is caused by the high level of consumers who consume food and drinks in cafes. On the one hand, technological developments that have developed quite rapidly have made entrepreneurs interested in competing with each other. According to Nurjaya (2011), as cited in Tunjungsari and Wirawan (2017), restaurant should apply marketing strategy, such as providing the need of the tourists to survive in the high competition of the restaurant industry.

The conditions of competition in the business world require every entrepreneur to be able to survive, considering that many business people are competing to get consumer satisfaction to come and make purchases, making the competition even tighter, of course, a special strategy is needed to face this competition as well as the quality of service provided to customers. In addition to service, food quality is also one of the factors to satisfy customers and make customers intend to revisit.



Figure 1.4 Zac Point Logo

Source: <https://gastro.id/>, retrieved in 2021, Nov 30

Zac point is one of the cafes in the city of Medan which is engaged in food and beverage sectors. Zac Point is a cafe that has just been established in 2021, which is located on Jalan S. Parman No. 248 Middle Split. The Zac Point location is also easy for consumers to find. The view from Zac Point is quite minimalistic. For views of Zac Point, there are designs for indoor and outdoor views. Consumers who come to Zac Point can choose whether customers want to enjoy the atmosphere indoors or outdoors. Zac point provides rooms with air conditioning and not. The outdoor atmosphere is supported by beautiful views, while indoors enjoy a comfortable room by looking at the waiters who are making drinks / food. Although a little cramped, the room and dining area inside Zac

Point are arranged aesthetically and still pay attention to health protocols during the pandemic.

Since the implementation of the Emergency Community Activity Restrictions (PPKM) in Medan, cafe, restaurant and coffee shop entrepreneurs have started to sag. In fact, some of them went out of business due to bankruptcy. The existing income is not sufficient to cover operational costs. Because the visitors are quiet. The income is only 10%, the maximum is 15%. It's not a profit, the debt bills are increasing. The food sold doesn't sell well and is stale. Just being able to take away is the same as killing the restaurant business (<https://medanbisnisdaily.com/>, retrieved in 2022, May 1)

During PPKM, business locations such as cafes and restaurants in Medan are limited to operations until 17.00 WIB. However, food service via delivery or takeaway is still permitted until 20.00 WIB. The policy has an impact on the culinary business sector in Medan. Entrepreneurs also have no choice but to follow the policy. Like it or not, our society nowadays lives in accordance with health protocols. Many here and there (businesses) have closed, and after that the reduction of employees, the reduction of salaries, there are also those who are laid off (<https://sumut.suara.com/>, retrieved in 2022, May 1)

The government further regulates the implementation of eating/drinking activities in public places during the Level 4 Community Activity Restriction (PPKM) which is extended until August 16, 2021. Food stalls/warteg, street vendors, hawker stalls, and the like are allowed to open with strict health protocols until 20.00 local time. Meanwhile, visitors are allowed to eat at the

place for a maximum of 3 people with a time of 20 minutes. Then for restaurants, cafes with service areas in open spaces are allowed to open with strict health protocols until 20.00 local time with a maximum capacity of 25 percent, one table for a maximum of two people. Maximum meal time is only 20 minutes (<https://ekonomi.bisnis.com/> , retrieved in 2022, May 1).

The recommended dish menu at Zac Point is coffee drinks made from real arabica beans. In addition to coffee drinks, Zac Point also provides food from snacks to heavy meals such as pizza, fried rice, pasta, and fried indomie at affordable prices. This place is suitable as a gathering place with friends and business associates. Zac point also carries out promotions through social media such as Facebook, Instagram, GoFood, GrabFood, etc.

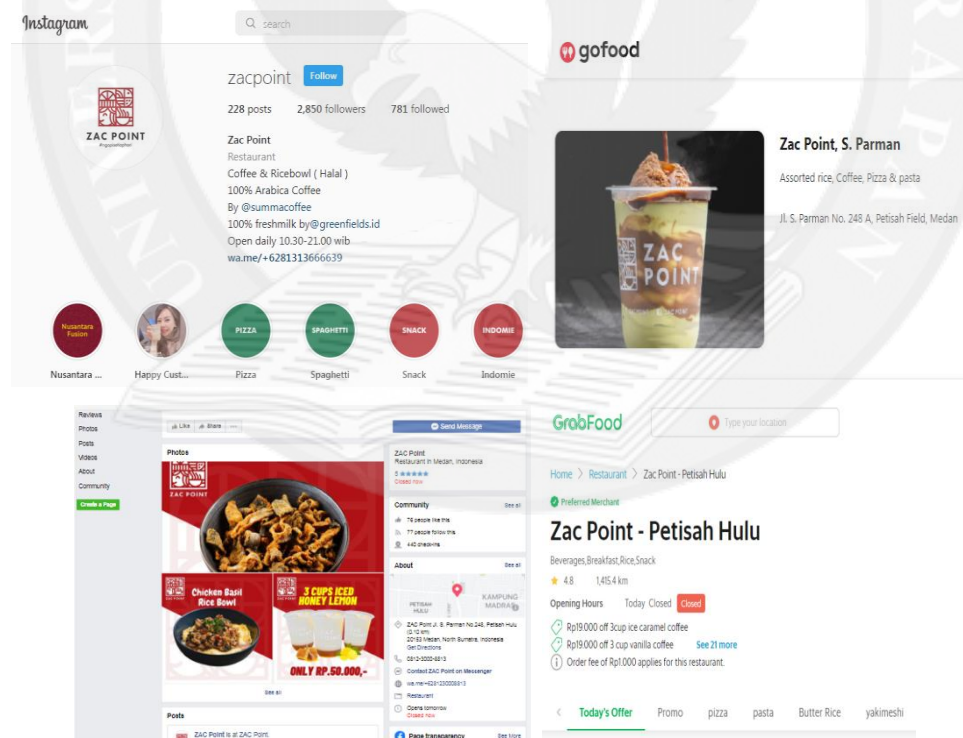


Figure 1.5 Social Media of Zac Point Which Used as Promotion Strategy

Source: Prepared by the Writer, (2022)

Although the view obtained from Zac Point is quite simple, this is not a problem for customers because customers need more service provided by the cafe owner supported by the quality of the food that will be served to customers. Due to its strategic location and in the middle of the city, Zac Point is located in an area full of other competitors in the culinary business, as can be seen in the Figure 1.5 and Table 1.1

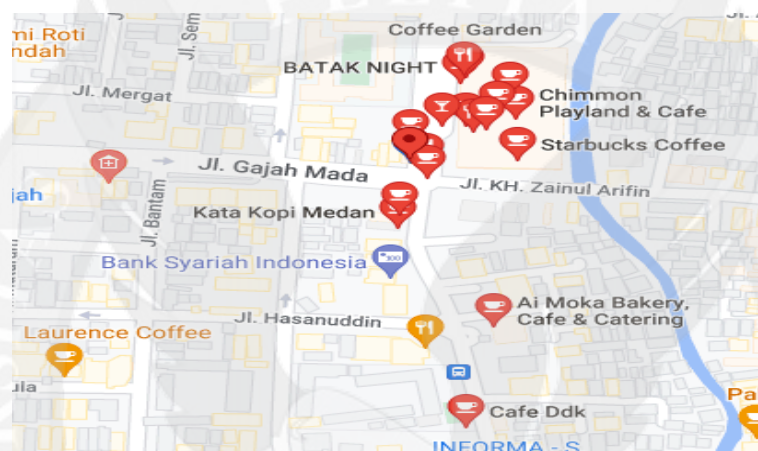


Figure 1.6 Location of Zac Point and Local Competitors
Source: Google Maps (2022)

Table 1.1 Competitors of Zac Point

No.	Competitors	Address	Rating	Types of Food
1.	Monks Coffee	Cambridge City Square, S. Parman Street, Central Petisah, Medan Petisah	4.2	Breakfast, Coffee, Snack
2.	J.CO Donuts & Coffee Cambridge City Square	Taruma Street No.15, Central Petisah, Medan Petisah Districts	4.4	Donuts, Coffee
3.	Medan Coffee Words	S. Parman Street No. 250A , Petisah Hulu, Medan Baru Districts	4.7	Breakfast, Coffee. Snack
4.	Starbucks Coffee	Cambridge City Square, S. Parman Street No.250, Petisah Hulu, Medan Baru Districts	4	Bread, Snack, Coffee
5.	Kaffd Cambridge city square	S. Parman Street No. 250, Petisah Hulu, Medan Baru Districts	4	Breakfast, Snack, Coffee
6.	Coffee Garden	S. Parman Street No.217, Central Petisah, Medan Petisah Districts	4.6	Coffee

7.	Laurence Coffee	Petula Street, Petisah Hulu, Medan Baru Districts	4.4	Breakfast, Coffee, Snack
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Source: Google Maps (Prepared by the Writer, 2022)

As seen in Figure 1.5, Zac Point is close to other competitors in the same area. One thing that distinguishes Zac Point from other competitors is the possibility of return visits by customers. Simamora in Priyanti, et al., (2017), Revisit intention is something personal and related to attitudes, individuals who are interested in an object will have the power or encouragement to carry out a series of behaviors to approach or get the object. Revisit intention is considered very important in increasing the number of customer visits to a place and controlling future customer visits, because satisfied customers tend to make return visits and provide positive word of mouth (Som et al., 2012). According to Putra (2020) stating that the level of consumer return visits to a local coffee shop is largely determined by the behavior of a consumer who visits the coffee shop, this can be felt and determined through experience in terms of taste, product quality, product supply services, and also recommendations other consumers who have experienced it firsthand. Acquiring a new customer will cost six to seven times more than retaining an existing customer (Conklin, 2006). Revisit intention is a sign of brand loyalty and an indication of customer satisfaction. Thus, in an industry such as cafe, where customer has many options, it is crucial for cafe owners and managers to comprehend what makes customers want to come back. Therefore, it is important for Zac Point to improve its revisit intention.



Figure 1.7 Recommendation reviews from customer
Source: Google reviews (2022)

In addition from some of the reviews given by its customers, many have left reviews where the customer highly recommend Zac Point which it concluded the customer has the intention to return to visit Zac Point which customer would not recommend if themselves do not have the intention to revisit. Customers who come back for the second time are customers who are satisfied with the cafe.

Djunaidi (2020), customer satisfaction is the result of a perceived comparison between product performance and the conformity of expectations that consumers want after making a purchase, if the product matches or exceeds consumer expectations, the consumer will feel satisfied and vice versa, if the consumer does not comply expectations, the consumer is not satisfied. According to Hallencreutz and Parmler (2019) as cited in Suhud et al. (2020) stated that a high level of customer satisfaction is argued to lead to stronger company image, protection of current market share, and increased customer loyalty, decreased customer complaints, and strengthened financial performance. Creating and maintaining customer loyalty helps companies develop mutually beneficial long-term relationships with customers. The coffee shop is rapidly expanding its

market share by attracting new customers and attracting others from competitors. According to Pesoa et al. (2020) stated that business people need to produce products and services of excellent quality that can produce very satisfied and loyal customers. There are some factors that affect customer satisfaction, such as service quality, food quality, atmospherics, other customers, and price. Of course, Zac Point itself has high customer satisfaction, this itself is shown from the rating he got on google reviews which shows the number 4.5 which is a fairly high rating.

ZAC Point
 Jl. S. Parman No.248, Petisah Tengah, Medan City, North Sumatra
 4,5 ★★★★★ 75 ulasan ⓘ

Figure 1.8 Zac Point Review
 Source: Google reviews (2022)



Figure 1.9 Service Quality Review
 Source: Google reviews (2022)



Figure 1.10 Service Quality at Zac Point Medan
 Source: Google Image (2022)

Customers will feel satisfied if the quality of service provided is also good. Service companies must maintain the quality of services offered and be greater than imagined by customer. The Company must also understand the needs and expectations of customer towards the products or services offered. According to Taufik et al. (2022) stated that a coffee shop needs to have good service quality to achieve customer satisfaction. Especially in today's modern times, the need for this coffee is increasing and causing intense competition between coffee shops. This is unavoidable so more advantages are needed to survive in the middle of competition. Zac Point has provided the best quality of service for each customer, although there are several aspects that continue to be improved. Zac Point provides adequate facilities. Zac Point has also provided services that meet customer expectations, on time and guaranteed services for every customer. This can be seen from the figure 1.9 which shows reviews given by customers where it explained Zac Point has good and friendly service.



Figure 1.11 Food Quality Review

Source: Google reviews (2022)

Customer satisfaction is also related to product quality. In this case, the product in question is food. Quality is the level of quality desired by consumers to become the reason for choosing to use the product. Producers must consider product quality to get consumer satisfaction so that it becomes the goal of marketing activities carried out by the company. According to Naini et al. (2022) stated that product quality can affect customer satisfaction based on product

consistency free from damage. The quality of these products is usually controlled by quality management. Quality management is all management activities and functions that determine quality policies, objectives, and responsibilities and implement them through quality management tools. Zac point has provided quality food according to customer wishes. This is evident from the varied menu with appropriate portions, where which itself is also supported by the reviews given by customers there figure 1.11. The customers leave that the food there is delicious and delicious, indirectly showing that the quality of the food at Zac point is good.



Figure 1.12 Atmosphere of Zac Point

Source: Google reviews (2022)

Atmospheric of Cafe can affect customer satisfaction. Since customers use their senses to apprehend the atmosphere of service setting, their dimension of service atmosphere is inherited from sensory terms like sight, sound, scent, and touch. Kumar and Aggarwal (2019) stated that planned Atmospherics is a step towards designing the buying environment in such a way to evoke certain specific emotional influence on buyer that enhances his purchase ability. This term can

also be used to describe the quality of the surroundings. People have been often seen saying that the cafe has good atmosphere. Consumer expectations and perception can be effectively managed by offering favorable atmospherics which would ultimately lead to customer satisfaction. Zac Point provides an environment for adequate and comfortable dining. The cafe also provides the option to eat outdoors or indoors with a unique and contemporary feel. Customers are free to choose to eat anywhere.

Customer loyalty can be increased with other customers because other customers who are satisfied with the cafe will increase the revisit intention of old and new customers. According to Rumondang, et al., (2020) stated that another customer is consumer actions that are directly attached to the process of getting, consuming, and spending products or services, including the processes that precede and follow these actions. Consumer behavior is dynamic, meaning that the behavior of a consumer, consumer group, or the wider community is always changing and moving all the time. Other customers at Zac Point proved to be very friendly and willingly made recommendations to other customers regarding the menu and service. This is evident from a google review that uploads photos from the recommendations of other customers who have visited Zac Point. Other evidence that shows that Zac Point itself has the influence on other customers is that in this pandemic era all customers who visit Zac Point wear masks.



Figure 1.13 Zac Point Social Media Post
Source: Google reviews (2022)

In addition to quality food and service, food prices also affect customer satisfaction with the food served. Supriadi (2018) stated that price is the determination of the money value of goods and the price of goods. With the existence of a price, the public can sell an item that is owned at a general and acceptable price. While according to Ramdhani, et al., (2020) stated that price is a component that has a direct effect on company profits and becomes a value for an item or service that has a major role in the decision-making process of buyers. Zac point provides a menu with quality food available in large portions and at affordable prices. Although each customer's taste perception will be different, the majority of customers who have visited Zac Point feel that the food provided is cheap and delicious, so customers are satisfied. Evidence that Zac Point has a good price can also be seen from the reviews that customers provide.



Figure 1.14 Price Review
Source: Google reviews (2022)

Zac Point also has added the other strategy which is regis the store to Go-Food whether it makes customer to easy order the menu of Zac Point. The menu of Zac Point can be seen in the figure 1.15



Figure 1.15 Social Media of Zac Point's Menu

Source: Prepared by the Writer, (2022)

Quality of food and service will increase customer satisfaction. It could be argued that customer satisfaction with product quality is one of the most crucial elements in supporting and enhancing the competitive position of an organization, particularly in the business-to-business market. Food quality is generally accepted as one of the fundamental elements of the overall consumer experience in the cafe. Food quality is all the provisions that have been set relating to the characteristics of food quality needed to satisfy the desires and expectations of consumers.

According to Bei and Chiao (2001), as cited in Suhud et al. (2020), product quality will affect perceived product quality, service quality will affect perceived service quality, and price will affect perceived price. Further, perceived product quality, perceived price, and perceived service quality predicted customer satisfaction and loyalty. Based on reviews from customers on Google Reviews, it appears that Zac Point has made efforts to improve in terms of Service Quality, Food Quality, Atmospherics, and prices. Many customers commented on the good and friendly service provided by the waiters at Zac Point. The list of menus and types of food is also always updated and the number is always increasing. The

conditions and atmosphere of the dining area for customers are also always made more comfortable with the renovations that have been carried out. Food prices are always adjusted to the quality and taste offered. These things can be conveyed by word of mouth by customers who are satisfied with the services provided by Zac Point so that customers can increase their desire to eat again at Zac Point.

Based on the above background, the researcher conducted a study entitled **"The Influence of Service Quality, Food Quality, Atmospherics, Other Customers, and Price Towards Customer Satisfaction to Gain Revisit Intention at Zac Point Medan"**.

1.2 Problem Limitation

In this study, according to the ability of the researcher, there are several of this research which was conducted to improve accuracy as follows:

1. The researcher will focus on the problem of service quality, food quality, atmosphere, other customers, and value/price as independent variables on revisit intentions as the dependent variable with customer satisfaction as mediating variable at Zac Point.
2. The data for analyzing the research model will be collected in the form of questionnaires based on the research object.
3. This research will be conducted at Zac Point Café Medan. So the respondents selected who have either visited or are currently visiting Zac Point Café Medan at least 2 times in the last 2 years, as

many as 145 respondents. Customer who came several times during the data collection period could only fill out the questionnaire once.

1.3 Problem Formulation

There is some problem formulation that will be used :

1. Does service quality significantly influence customer satisfaction at Zac Point Medan?
2. Does food quality significantly influence customer satisfaction at Zac Point Medan?
3. Does atmospherics significantly influence customer satisfaction at Zac Point Medan?
4. Does other customers significantly influence customer satisfaction at Zac Point Medan?
5. Does price significantly influence customer satisfaction at Zac Point Medan?
6. Does customer satisfaction significantly influence revisit intention at Zac Point Medan?
7. Does customer satisfaction mediate the effect of service quality on revisit intention at Zac Point Medan?
8. Does customer satisfaction mediate the effect of food quality on revisit intention at Zac Point Medan?
9. Does customer satisfaction mediate the effect of atmospheric on revisit intention at Zac Point Medan?

10. Does customer satisfaction mediate the effect of other customers on revisit intention at Zac Point Medan?
11. Does customer satisfaction mediate the effect of price on revisit intention at Zac Point Medan?

1.4 Research Objective

According to the background of the study and the problem formulation, the purpose of this research is :

1. To determine whether service quality has a significant impact on customer satisfaction at Zac Point.
2. To determine whether food quality has a significant impact on customer satisfaction at Zac Point Medan.
3. To determine whether atmospherics has a significant impact on customer satisfaction at Zac Point Medan.
4. To determine whether another customer has a significant impact on customer satisfaction at Zac Point Medan.
5. To determine whether price has a significant impact on customer satisfaction at Zac Point Medan.
6. To determine whether customer satisfaction has a significant impact on revisit intention at Zac Point Medan.
7. To determine whether customer satisfaction mediates the effect of service quality on revisit intention at Zac Point Medan.

8. To determine whether customer satisfaction mediates the effect of food quality on revisit intention at Zac Point Medan.
9. To determine whether customer satisfaction mediates the effect of atmospheric on revisit intention at Zac Point Medan.
10. To determine whether customer satisfaction mediates the effect of other customers on revisit intention at Zac Point Medan.
11. To determine whether customer satisfaction mediates the effect of price on revisit intention at Zac Point Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

Based on the theoretical benefits, researchers hope to increase understanding and theory about service quality, food quality, atmospheric, other customers, price, and customer satisfaction to make customers intend to return to make purchases. In addition, this research can also be used as a reference or guide for further researchers.

1.5.2 Practical Benefit

For practical benefits, the researcher hopes that it can be used as a suggestion for Zac Point so that the cafe view that is currently in the design is even more unique even though no customers are disappointed with the view from Zac Point because customers are satisfied with the service and quality of food and the prices obtained from Zac. Points. For this reason, the researcher hopes that Zac Point will continue to maintain his achievements to date.