CHAPTER 1

INTRODUCTION

1.1 Background of the study

For a long time, the Food & Beverage (F&B) sector has existed and developed. A business in the F&B industry that provides these services in addition to selling food or beverage items is classified as a F&B business. The food business or in the food and beverage sector is one of the businesses that are in great demand by the public, because food is a basic necessity for everyone. Food and beverage in Indonesia have managed to maintain their growth throughout the year, even though surprising event had happened, such as the pandemic. (https://www.kompas.com, retrieved on 12 December 2021).

It is inevitable that the activity of consuming foods and beverages occurs daily and repetitively. So, wherever and whenever people will always need food as a staple source of life. However, since the Covid-19 virus Pandemic outbreak has officially entered Indonesia, it significantly affected every sector in Indonesia globally. The pandemic itself shook many aspects of life, beginning with the control of physical distancing; everyone is urged to work and school from home; face-to-face activities are prohibited; and health protocols are now essential. The Covid-19 epidemic has had a negative influence on Indonesia's national economy such as tourism sector, manufacturing sector, economy sector, transportation sector, social sector, and food sector (https://www.merdeka.com, retrieved on 12 December 2021).

During the Covid-19 pandemic, numerous business sectors suffered from

the health crisis and economic recession. However, despite weak public purchasing

power, but certain industries, such as the food and beverage industry, have remained

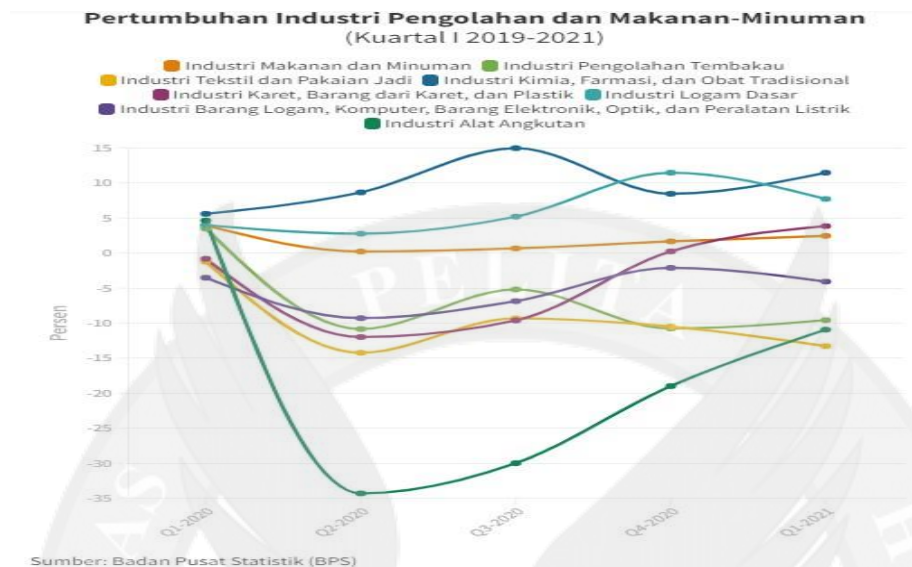resilient. (https://katadata.co.id, retrieved in 12 December 2021).

Figure 1.1 Industry's Growth Rate from Q1 2020-Q1 2021
Source : https://katadata.co.id, retrieved on 12 December 2021

In the middle of the Covid-19 pandemic, not many industries are able to

survive. A variety of industries have suffered as a result of the health crisis and the

slowing economy. The food and beverage business is one that has survived. This is

evidenced by its performance, which has continued to improve over the last year.

This industry's growth rate in the first quarter of 2021 was 2.45 percent, one of the

highest in the manufacturing sector. The food and beverage industry isn't the only

one that has grown in the last 12 months. (https://katadata.co.id, retrieved in 12

December 2021).

During the corona pandemic, the chemical, pharmaceutical, and traditional

medicine industries, as well as the base metal business, all performed well. Over

the last year, both sectors have experienced significant growth. Since the second

quarter of 2020, only the food and beverage industry has seen constant growth.

(https://katadata.co.id, retrieved on 12 December 2021).

The food and beverage business, on the other hand, has a variety of obstacles in improving its performance during the epidemic. One of these is related to people's declining purchasing power. Though the purchasing power of household might drop since the pandemic outbreak, in general as time goes by, people will need food as a staple source of life.
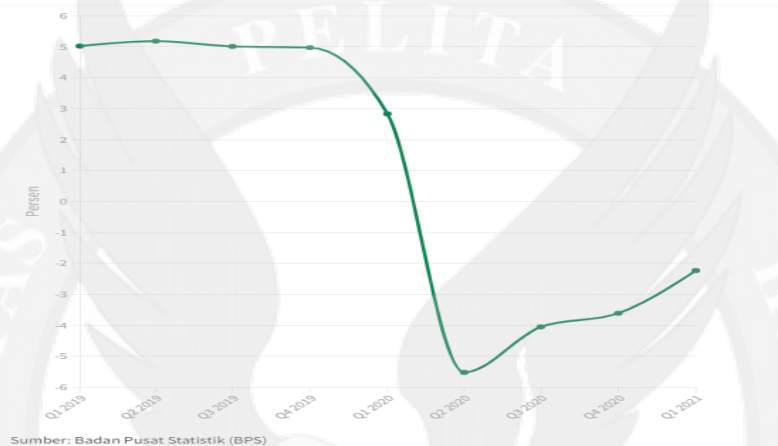

Figure 1.2 Household Consumption Expenditure Growth Rate
Source : https://katadata.co.id, retrieved on 12 December 2021

As the data above, its growth has slowed to -5.52 percent at the time. Although household consumption started to improve in the first quarter of 2021, it still decreased by 2.23 percent. (https://katadata.co.id, retrieved on 12 December 2021).

Despite the fact that people's purchasing power is low during the pandemic time, the food and beverage industry continues to do well since their products are still a priority during the corona pandemic. According to a report by consumer research firm NielsenIQ, Indonesian consumer expenditure on food accounted for 22% of total spending in the first quarter of 2021. In comparison to the first quarter of 2020, this percentage was reported to have fallen by 1%. However, when

compared to consumer expenditure in other categories, this figure remains the highest.

During the Covid-19 epidemic, the food and beverage business is still growing. The sector has been able to survive and flourish since 2011, despite a slowdown. The national food and beverage industry's GDP at current prices was IDR1.12 quadrillion in 2021, according to the Central Statistics Agency. (https://databoks.katadata.co.id, retrieved on 12 December 2021).

As can be seen in figure 1.1 and 1.2, it can be concluded that food & beverages industry keeps improving even after the pandemic outbreak because people still make the purchase. This leads to the great opportunity for entrepreneurs in innovating the food businesses.

Moreover, another factor that encourages entrepreneurs to work in the food business is a shift in the lifestyle of the community where most people have started to open up and are getting used to eating outside the home, because in addition to efficiency it is also used as a means of refreshing, both with family and relatives. As the pandemic outbreak happens for more than 2 years and cause the people to become bored especially there's restriction to travel. In addition, numerous countries have imposed entry restrictions on foreigners. Covid-19 has been ravaging Indonesia for almost two years, making it impossible for people to adhere to the stay-at-home regulations. People are becoming bored at home and want to leave to get some fresh air.
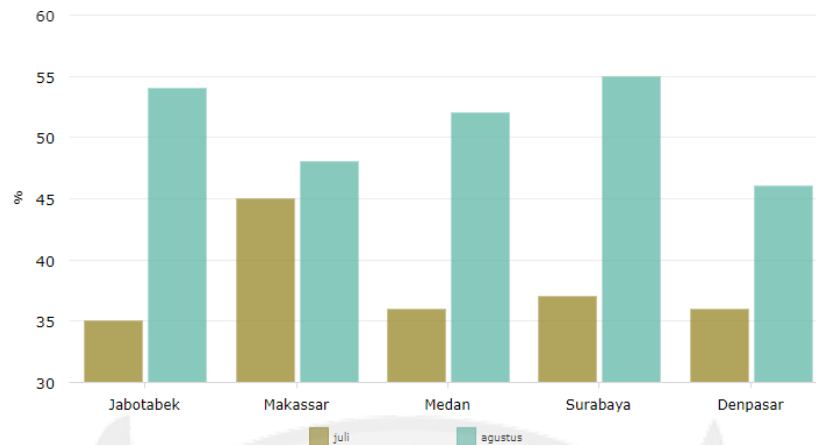
Figure 1.3 Restaurant Consumer Visits (Dine-in) in Big Cities of Indonesia
Source : https://databoks.katadata.co.id , retrieved on 12 December 2021

As can be seen from the data above, people particularly in the middle class economy, have begun to dare to dine in restaurants. Jabodetabek had the fastest-growing visitation rate. In August 2020, its visits jumped from 35% in July to 54%. In August 2020, Surabaya had the highest visitor rate. Meanwhile in Medan, the number of people dining in restaurant increased up to 50%. It can be concluded that, customer has to change their lifestyle behavior and get used to adapting to the new normal condition by starting to visit restaurants, cafes, and coffee shops.

Figure 1.4 Guzva Coffee and Resto Logo
Source : Instagram @guzvacoffee.id

Guzva Coffee & Resto Medan is a new coffee shop established by Anthony Tandri & Wendy Haryanto. It is located at Jl. Sukamulia No.1-2, A U R,

Medan Maimun, Medan, North Sumatra 20151, Indonesia. The location itself is precisely behind the office building of government workplace. Guzva Coffee & Resto Medan is a coffeeshop that adopts minimalist white concept interior design. The interior itself is dominated by white color, the café also provides its iconic aesthetic Instagrammable spot that many people often take pictures with it.
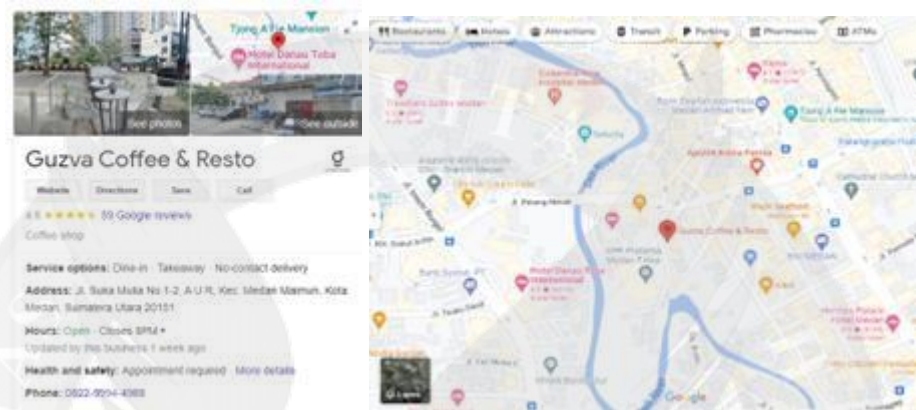

Figure 1.5 The location of Guzva Coffee & Resto
Source : Google

The white minimalist concept could be their attraction because there is still no coffee shop in Medan that adopts the concept. The cafe's predominant color scheme is white with a small hint of black. The white color makes the café's visual become bright and clean, while the black color makes it minimalistic. The café concept is further supported and enhanced by the selection and positioning of assets such as tables, chairs, and other furnishings. As a result, many people enjoy visiting Guzva Coffee & Resto since the cafe provides a welcoming environment and aesthetic spots for taking photos and it is why Guzva Coffee & Resto Medan is chosen to be the object of this research. From the observation, the capacity in Guzva Coffee & Resto can limit to 50-60 customers. They prioritized the safety health protocols in the way to prevent the virus spread. Every customer that visit Guzva Coffee needs

to wear masks and do the temperature body checked.

Figure 1.6 Guzva Coffee & Resto's Interior & Ambience
Source : Instagram @guzvacoffee.id

Guzva Coffee & Resto not only serves coffee as the beverage, but also has the non-coffee menu like matcha latte, red velvet latte, etc. Moreover, Guzva Coffee & Resto also serves main course like pasta, fried rice, noodles, etc, and some snacks like fries and mini cakes.

Figure 1.7 Some food & beverages menu at Guzva Coffee & Resto
Source : Instagram @guzvacoffee.id

One of the most challenging things for a new entrepreneur to do is to identify the customers and target market. However, that challenge is most likely be able to be identified by using social media. Since nowadays everything is digitalized, many people from young to old generations are most likely to have social media account. Having a social media account could give easy access to any information for all ages.(https://www.jurnal.id, retrieved on 12 December 2021). Therefore, Guzva Coffee & Resto also have Instagram account as their social media to connect with customers and public.

Figure 1.8 Guzva Coffee & Resto's Instagram Profile
Source : Instagram @guzvacoffee.id

Guzva Coffee & Resto's Instagram profile as can be seen in Figure 1.8, they have 1,040 followers in general, it is stated on their Instagram Bio Profile that

their operating hours during Ramadhan are from 9 AM until 8 PM. Guzva Coffee

&Resto is also available on food delivery application like GrabFood and GoFood

where customers can order foods and beverages online. The implementation using

food delivery application for company like cafes or restaurants could make benefit

both customers and business owners. Many entrepreneurs nowadays areusing the

food delivery application like Grabfood and Gofood. According to 95% of

merchants stated that Grab has aided the growth of businesses and entrepreneursin

Indonesia, while 93% of merchants stated that Gojek has aided the growth of

businesses and entrepreneurs. (https://industri.kontan.co.id, retrieved on January 12,

2020).

Table 1.1 List of competitors nearby Guzva Coffee & Resto

No.	Coffeeshop	Followers on Instagram	Google review rate	Specialty
1.	The Brewing Space	1,278	4.8 / 5	Cold brew coffee
2.	Elixir.id_	1,476	4.5 / 5	Coffee
3.	Zunocoffee	2,195	4.4 / 5	Coffee
4.	Moscot.co	3,898	4.6 / 5	Coffee
5.	Miel.mdn	4,596	4.8 / 5	Specialty coffee
6.	Unitycoffee.id	5,748	4.3 / 5	Japanese coffee

Source : Instagram account of @thebrewingspace, @elixir.id_, @zunocoffee, @moscot.co, @miel.mdn, @unitycoffee.id, Google review (2022)

The culinary business in Indonesia especially in Medan is definitely more

developed than in previous years. This can be seen from the existence of new

culinary business, new restaurants, and new foods that are so exciting. The coffee shop or cafe industry is now increasing in a variety of settings, not just urban ones. This phenomenon is caused by the millennial generation's habit of spending a lot of time socializing. (https://lifestyle.kontan.co.id , retrieved on 20 December 2021). In this fierce competition in the coffee shops industry as can be seen from table 1.1, a strategy that only prioritizes service quality is still considered insufficient to attract and retain customers. The growing culture and lifestyle of people in Indonesia have created a new perspective on how consumers do not only think about what to consume but more about satisfaction and comfort so that loyalty is created from consumers.

Due to intense competition in the food and beverage industry, customer loyalty is much needed to face the tight competition. Customer loyalty, according to Kotler and Keller in Sinurat et al, (2017), is a firmly held commitment to buy or re-support a preferred product or service in the future, even though situational impact and marketing efforts may persuade customers to switch. The importance of conducting a research about customer loyalty is to increase the possibility of customers visiting back Guzva Coffee & Resto, improving the factors/variables that significantly influence customer loyalty, and most of the goal is to generate profits.

In this case, Guzva Coffee & Resto has put much attention and effort in order to obtain customer loyalty. It could be indicated from the way Guzva Coffee & Resto is applying loyalty membership to its customers. A pre-research is conducted by interviewing the CEO of Guzva Coffee & Resto, according to him, the loyalty membership is created based on the request of their loyal customers.

Since the location of Guzva Coffee & Resto itself is a strategic location that is near the office environment, many customers visit Guzva Coffee & Resto regularlyand request the loyalty membership program.

Figure 1.9 Guzva Coffee's Loyalty Membership
Source : Instagram @guzvacoffee.id

Referring to Figure 1.9, Guzva Coffee & Resto applies the loyalty membershipto customers with only spending the minimum transaction IDR 100k in order to join the membership. The advantages for customers of being Guzva Loyalty Membership are : they will earn 1 point for every IDR 10k transaction amounts, points accumulated can be redeemed with drinks, foods, and merchandise, customers will also get 10% discount on every purchase of their merchandise, and customers will get a chance for winning monthly giveaway prize.

However, customer loyalty can be formed by the satisfaction felt by the customer after the purchase of the products or services. According to Widjaja and Nugraha (2018), customer satisfaction is needed to create customer loyalty. Customer satisfaction is the level of one's feelings after comparing the comparing

performance or the results he feels compared to the expectations. (Lubis and Andayani 2017: 89). Customer satisfaction is a customer's evaluation of a product's perceived performance as predicted prior to purchase or consumption, and whether it meetsor exceeds expectations (Kamaru and Kurniati 2017). The satisfaction leads the customers to stay loyal to the brand.
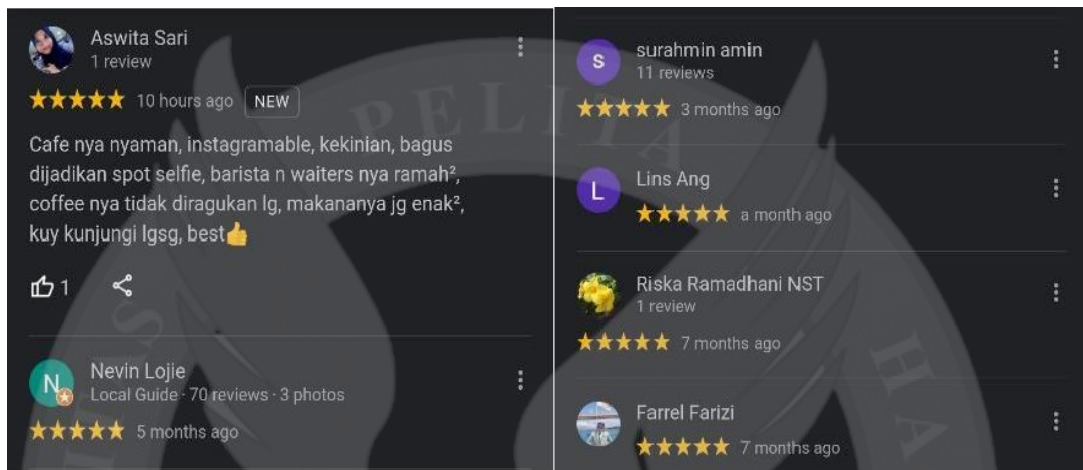

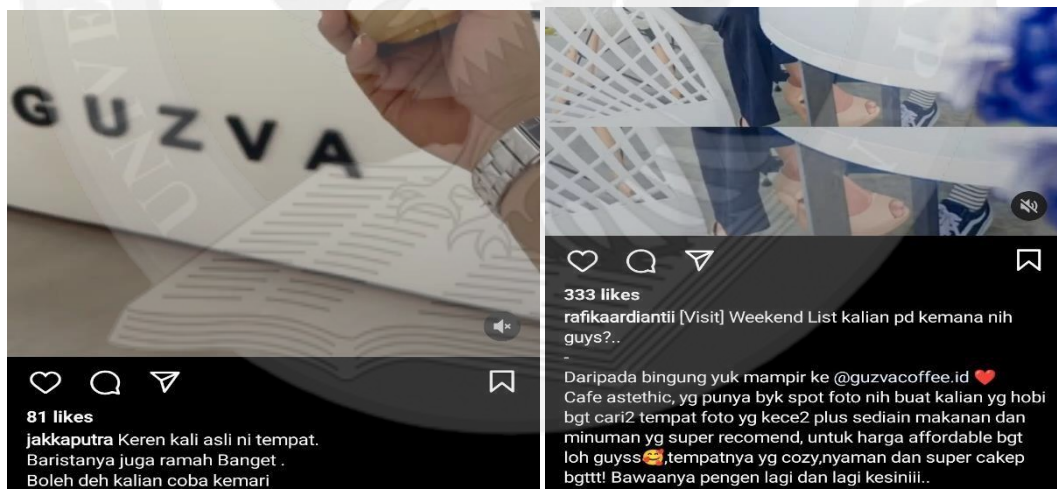**Figure 1.10 Customer Review on Google Review**
Source : Google Review (2022)

Figure 1.11 Customer Satisfaction review on InstagramSource :
Instagram (@guzvacoffee.id)

Guzva Coffee & Resto is highly committed to engaging with customer satisfaction, it can be seen from the Figure 1.10 above that customers are happy and satisfied with Guzva Coffee & Resto as well as they are giving a 5-star review.

In the figure 1.11 specifically customers' review on their personal Instagram account which tagged Guzva Coffee & Resto, customers are most likely to be satisfied with the experience they gained at Guzva Coffee & Resto. One of the customers was also satisfied with the services, where the barista at Guzva Coffee & Resto is friendly meanwhile the other customer explains that the environment and goods which makes them want to visit Guzva Coffee & Resto again. However, the measurement of customer satisfaction could be subjective because the satisfaction rate of one another would not be the same as others. Therefore, we need to look back to other variables that could result in the customer satisfaction.

Pribadi (2018) defines physical environment as the overall appearance of the restaurant, including layout, design, furnishing, and decors that can make customers enjoy and feel pleasant. Kotler in Dewi et al., (2017) define physical environment as a spatial design developed to elicit specific effects in clients in order to increase the possibility of a purchase. A study by Kim and Lee (2013) stated that the design of appealing, unique physical environments has become an essential tool for engraving the desired image in the customers' mind, particularly in upscale restaurants. The first impression that would make the customer decide to enter a service firm is the physical environment. After entering a restaurant, the physical condition of the restaurant is the first aspect that customers can feel, becoming a core factor for clients. In reality, customers want to eat at a restaurant not just for their nutritional needs, but also to have a memorable experience, to get along with others and get away from the problems and routines of life. (https://lifestyle.kontan.co.id , retrieved on 20 December 2021). This is the reason why the owners of food and beverage industry need to have an attractive physical environment in order to attract more customers .

The physical environment in restaurants plays an important role in increasing financial performance and the customer's intention to buy again as well as customer satisfaction and customer loyalty (Githiri; Magnini & Parker, 2017). According to Seo in Kim & Choi (2018) physical environment also leads to customer satisfaction. Physical proofs of good will have a major impact on every customer's perception and at the same moment, this factor is one of the causes that will have an impact on customer expectations. (Kim and Lee, 2013). In this case, the physical environment of Guzva Coffee & Resto itself has brought a satisfaction to customers as can be seen in the Google review. They are mentioning the ambience and interior of Guzva Coffee & Resto and most likely are satisfied with it.

Figure 1.12 Customer Review of Physical Environment of Guzva Coffee & Resto
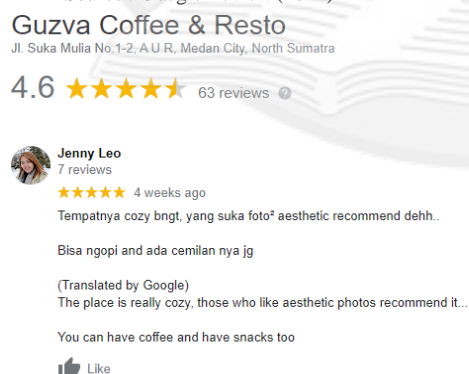

Source : Google Review (2022)

Figure 1.13 The Physical Environment of Guzva Coffee & Resto
Source : Google Review (2022)

Figure 1.13 shows the attractive physical environment of Guzva Coffee & Resto which is dominant in white colour. The dining table itself also implements the health regulation in keeping the distance. Moreover, the ideal lighting at Guzva Coffee & Resto is also on point since it adds up the environment value to be more minimalistic and white-dominant.

According to Hanaysha (2016), food quality is an aspect of the food and beverage industry that aims to meet customers' expectations of taste, freshness, and temperature. Food quality is all of the provisions that have been established in relation to the quality characteristics of food required to satisfy consumer wants and expectations Alli in Dewi et al., (2017). Good food that fulfills customer's expectation will lead to customer satisfaction. As Sugianto and Syamsuar (2020) said that the customer must be able to feel that he can rely on the company with the quality of food provided by the company. Food quality is one of the factors that affect customer loyalty (Mattila and Wirtz in Abdullah et al., 2018). Ing and Lin (2019) stated that higher customer satisfaction could be achieved by serving hygienically prepared food, served in good portion at appropriate temperature. Full-service restaurant would be able to meet their customer needs better by providing a variety of food menu and achieving higher level of satisfaction. (Kim and Lee, 2013).

Customers visit Guzva Coffee & Resto Medan because Guzva Coffee & Resto Medan is able to fulfill customers' hope from the taste and the quality of their food, also the quality of their services. Therefore, Guzva Coffee & Resto Medan must have quality food in accordance with customer tastes or expectations so that it can make customers feel satisfied. Based on the customer's review sourced on Google Review, it can be seen that Guzva Coffee & Resto has already provided the good food quality where the customers are happy and like the foods/beverages.
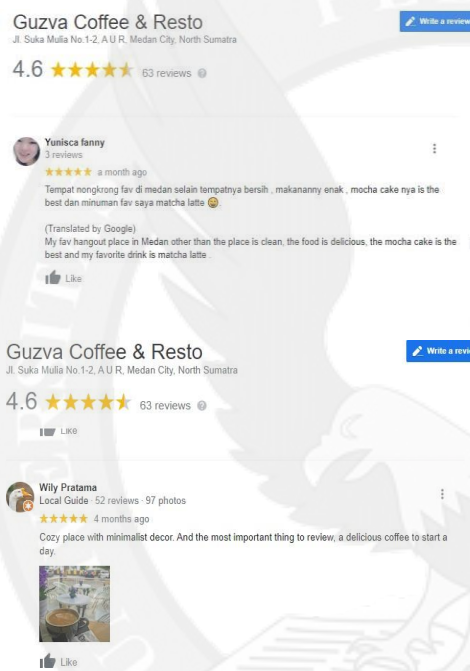
Figure 1.14 Customer Review of Food Quality of Guzva Coffee & Resto
Source : Google Review (2022)

Figure 1.15 Food Presentation by Guzva Coffee & Resto
Source : Guzva Coffee & Resto (2022)

Figure 1.15, shows the attractive visual of food presentation by Guzva Coffee & Resto which puts the best colour combination of the food that can enhance the appetite. Moreover, as can be seen, the mocha cake which is liked by one of the customers also looks appetizing since the ingredients making the food at Guzva Coffee & Resto are always fresh and in a good quality condition.

Employee service quality is well defined as Service Quality on four dimensions, namely reliability, responsiveness, assurance and empathy (Parasuraman et al., in Namin 2017). In a restaurant, service quality is closely related to how employees perform their duties, whereas technical quality of service is related to food quality (Bell, Auh, & Smalley in Abdullah et al., 2018). Kim et al in Phang et al., (2019) also pointed out that employee service quality plays a critical role in maintaining relationship quality for achieving customer satisfaction Service quality is guided by the level of perfection of service in meeting the needs and demands of each consumer. So that is defined by the quality of service that is representing the level of service excellence to bring a sense of complacent individual consumers or customers. The company's attempts to meet the requirements and desires of consumers in accordance with their expectations are referred to as service quality (Martina and Apriani, 2019). The role of good service quality is very important and has a very significant impact on customer satisfaction and customer loyalty, if there is no proper service it will reduce customer satisfaction and customer loyalty. With good service quality in a company, it will create satisfaction for its customers. Sugianto and Syamsuar (2020) argued that after the customer is satisfied with the product or service he receives, the customer will compare the services provided.

When customers are completely satisfied, customers are most likely will repurchase and recommend others to buy at the same place. Based on the customer's review on Google about the employee service quality, most likely stated that the employee service quality is great at Guzva Coffee & Resto, specifically that the employees serve in a friendly way, polite, and moreover the employees are also responsive in helping the customers. The employees at Guzva Coffee & Resto also smile andgreet the customers. Moreover, one of the baristas is friendly and has a good knowledge of the coffee he served. (Google Review, 2022).
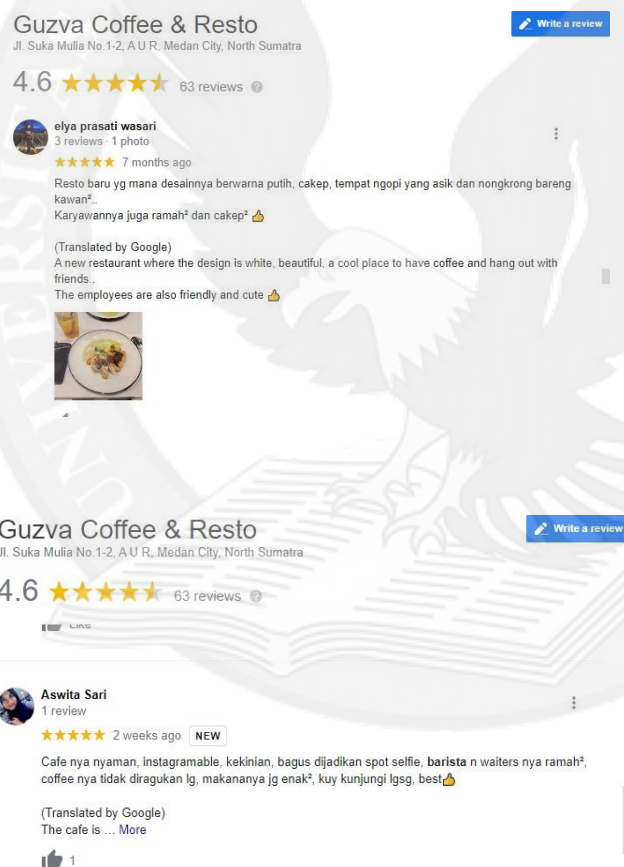
Figure 1.16 Customer Review of Employee Quality of Guzva Coffee & Resto
Source : Google Review (2022)
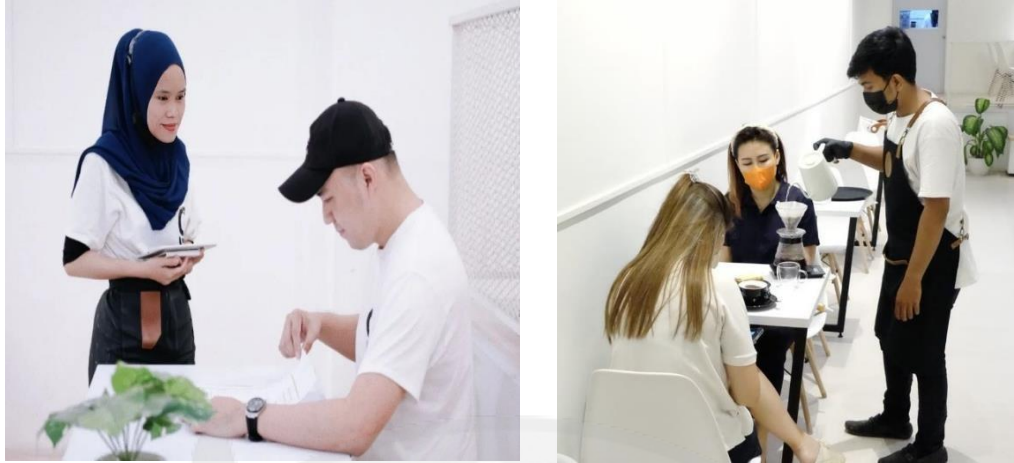
Figure 1.17 Employee' services at Guzva Coffee & Resto
Source : Guzva Coffee & Resto (2022)

According to Hennig-Thurau et al., in Fitria et al., (2017), relationship benefits are "additional benefits that consumers receive in addition to the core service" as a result of maintaining a long-term relationship with a service provider. Relationship benefit is defined as a measurement of the strength of the relationship between the customer and the store (Wang & Ha, in Fitria et al., 2017). According to Jarvelin and Lehtinen in Kim and Park (2022) relationship benefit refers to a buyer's perception of how well the overall relationship meets customer expectations, forecasts, desires, and goals regarding the overall relationship. Gwinner et al. in Fitria et al., (2017) stated that relationship benefits consist of social benefits, confidence benefits, and special treatment benefits. In the hospitality industry, building good relationships with customers is an important competitive strategy. Social benefits are a feelings of personal recognition, friendship, rapport, familiarity, and social support. (Barnes; Berry in Fitria et al., 2017). Gwinner et al., in Moliner et al., (2017) defined confidence benefits as feelings of reduced anxiety, trust, and confidence in the provider meanwhile according to Hennig-Thurau et al. in Kim (2020), special treatment benefits are a combination of economic benefits and the advantage of customer customization.

Along with the customer experience in enjoying the provided benefits, then the relationship with customers will also develop. This will lead to the emergence of relationship qualitywhich then impacts customer satisfaction and customer loyalty (Kim and Lee 2013). Relational benefits imply additional personalized service, aside from food quality, physical environment, and employee service, that is given to loyal/profitable customers or to those holding membership. (Kim and Lee, 2013). This supported by the research of Ardyansyah (2017), Kim (2020), and Prayustika and Andriani (2020). In Guzva Coffee & Resto itself, the relationship benefits are obtained by the customers as can be seen from the Google review, where one of the customers wrote if the employee recognized herself, the barista is also responsive and want to accommodate her requests meanwhile the other customers stated if the employees recognize her due to her several visits to Guzva Coffee & Resto. Moreover, another relational benefit that could be obtainedis that Guzva Coffee & Resto is holding a merchandise program where every customer that wear Guzva Coffee & Resto's shirt and bring Guzva Coffee & Resto's tumbler will get extra discount of 20%.

Figure 1.18 Customer Review about Relationship Benefits of Guzva Coffee & Resto

Source : Google Review (2022)
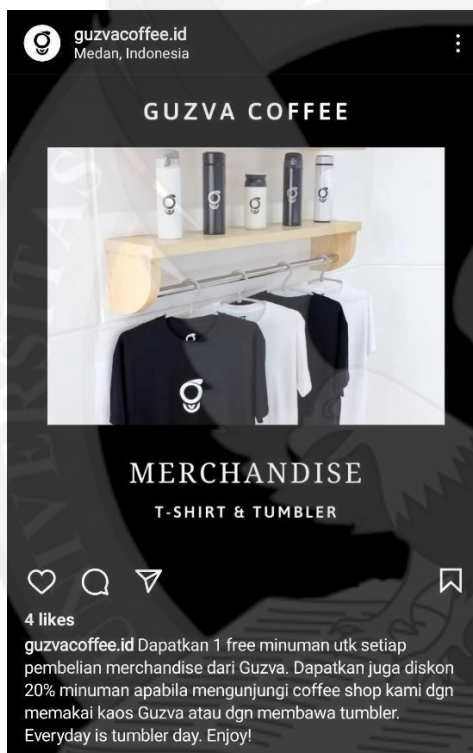
Figure 1.19 Examples of Relationship Benefits at Guzva Coffee & Resto

Source : Instagram @guzvacoffee.id (2022)

In figure 1.19, Guzva Coffee & Resto a special offer such as giving a free drink for every merchandise transaction at Guzva Coffee & Resto. In addition, an extra 20% discount for customers who wears the merchandise's shirt or brought the tumbler. In this case, Guzva Coffee & Resto has given special services for the customers. For customers who has already bought the merchandise, will obtained

such benefits as what has been stated above.

Figure 1.20 Pre-Test Respondent Data
Source : Prepared by writer (2022)

The reason that specifically physical environment, food quality, employee service quality and relationship benefits is the focus of this study is supported by the pre-test conducted to among 30 respondents which the details are attached in the appendix at the end of the research. The pre-test was conducted by doing an interview with customers who were dining in the café. During the pre-test study, the average respondents had visited Guzva Coffee & Resto for 4.8 times which was considered fairly frequent of visit. Furthermore, the 30 respondents were asked the reasons why they are visiting Guzva Coffee & Resto, they stated because of satisfied with Guzva Coffee & Resto. Those respondents were then asked the reason regarding their satisfaction towards Guzva Coffee & Resto and the results were dominated by such factors as physical environment (9), food quality(7), employee service quality (6), relationship benefits (5). In addition, there are also another reason of visiting Guzva Coffee & Resto again, which are the location is not far from the respondent's workplace (1), affordable price (1) and habit (1). 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 in the restaurant / coffeeshop businesses are getting fierce. Hence, customer loyalty is highly essential for restaurant/coffeeshop to keep leading the industry. Bringing loyalty as the main question in the pre-test, results several answers which dominated by those aforementioned variables. The result is aligned with several previous researches that become references. Thus, the influences of physical environment, food quality, employee service quality and relationship benefits towards customer satisfaction and customer loyalty at Guzva Coffee & Resto Medan are going to be analyzed and studied in order to come up with particular insights to keep Guzva Coffee & Resto Medan leading the industry.

1.2 Problem Limitation

Due to some limitation of knowledge and ability possessed by the writer, this research will only focus on :

1. The variables such as Physical Environment, Food Quality, Employee Service Quality, Relationship Benefits, Customer Satisfaction and Customer Loyalty.

2. Data will be collected in the form of questionnaires based on the research object to be used in analyzing the research model.

3. The characteristics of the respondents; both male and female, 18 to 60 years old, domiciled in Medan city, know other similar coffee & resto besides Guzva Coffee & Resto, have bought and consumed (dine in) at Guzva Coffee & Resto for more than 2 times in the last six months.

1.3 Problem Formulation

Referring to the information provided on the background of study, here will be

formulated some problems precisely to be researched. In order to see whether actual usage of digital payment systems is significantly influenced by the BehaviorIntention to use digital payment systems. Here are the problems formulated:

1. Does physical environment significantly influence customer satisfaction at Guzva Coffee & Resto Medan?

2. Does food quality significantly influence customer satisfaction at Guzva Coffee & Resto Medan?

3. Does employee service quality significantly influence customer satisfaction at Guzva Coffee & Resto Medan?

4. Do relationship benefits significantly influence customer satisfaction at Guzva Coffee & Resto Medan?

5. Does customer satisfaction significantly influence customer loyalty at Guzva Coffee & Resto Medan?

6. Does customer satisfaction mediate the effect of physical environment on the customer loyalty at Guzva Coffee & Resto Medan?

7. Does customer satisfaction mediate the effect of food quality on the customer loyalty at Guzva Coffee & Resto Medan?

8. Does customer satisfaction mediate the effect of employee service quality on the customer loyalty at Guzva Coffee & Resto Medan?

9. Does customer satisfaction mediate the effect of relationship benefits on the customer loyalty at Guzva Coffee & Resto 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 is developed in order to be able to provide

advantages for any stakeholders who might be benefits from this report. Refer to the background of study, this report aims to analyze and evaluates the influence of:

1. To determine whether Physical Environment (PE) have a significant impact on Customer Satisfaction (CS) at Guzva Coffee & Resto Medan.

2. To determine whether Food Quality (FQ) has a significant impact on Customer Satisfaction (CS) at Guzva Coffee & Resto Medan.

3. To determine whether Employee Service Quality (ESQ) has a significant impact on Customer Satisfaction (CS) at Guzva Coffee & Resto Medan.

4. To determine whether Relationship Benefits (RB) have a significant impact on Customer Satisfaction (CS) at Guzva Coffee & Resto Medan.

5. To determine whether Customer Satisfaction (CS) has a significant impacton Customer Loyalty (CL) at Guzva Coffee & Resto Medan.

6. To determine whether Customer Satisfaction (CS) mediates the effect of Physical Environment (PE) on the Customer Loyalty (CL) at Guzva Coffee & Resto Medan.

7. To determine whether Customer Satisfaction (CS) mediates the effect of Food Quality (FQ) on the Customer Loyalty (CL) at Guzva Coffee & Resto Medan.

8. To determine whether Customer Satisfaction (CS) mediates the effect of Employee Service Quality (ESQ) on the Customer Loyalty (CL) at Guzva Coffee & Resto Medan.

9. To determine whether Customer Satisfaction (CS) mediates the effect of Relationship Benefits (RB) on the Customer Loyalty (CL) at Guzva Coffee & Resto Medan.

1.5 Benefit of the Research

The researcher really hopes that this report could provide advantages for any stakeholders under this specific topic not only theoretically but also practically, as follows:

1.5.1 Theoretical Benefit

1. The results of this research can be used by the writer to finish the academic form, to increase knowledge about the influence physical environment, food quality, employee service quality, relationship benefits towards customer satisfaction and customer loyalty.

2. The results of this research can be used as guidance in assisting further academic research, additional references, reference material for other researchers, interested parties to study a similar research subject or simply by examining the relationship within the certain variables

1.5.2 Practical Benefit

This report wishes to provide practical benefits including:

1. This research outcome can be used as a reference by Guzva Coffee & Resto Medan and other coffee shops / restaurant in understanding the variables that influence positively towards customer satisfaction and customer loyalty so they can create strategies and make improvements in the future to increase the customer satisfaction and customer loyalty.

2. The writer is expected to be able to increase knowledge about the variables that positively influence customer satisfaction and customer loyalty so when later in the future the knowledge that has been obtained in college will be useful and applicable for work/ business life in order to

apply the knowledge that has been obtained in college in business.