CHAPTER I

INTRODUCTION

1.1 Background of Study

Indonesia is a country that has diversity in ethnicity, race, and culture. Indonesia is also known as a country that is rich in spices, because of that are many kinds of culinary delights in Indonesia and each region has a different food menu characteristic. Indonesia is also one of the countries with the largest population in the world and until now, Indonesia's population continues to increase. Based on a report from the *Badan Pusat Statistik (BPS)*, Indonesia's population is 270.20 million in mid-2020. In the middle of 2021, it reached 272.68 million people and continued to increase in 2022 to 275.77 million people (https://www.bps.go.id/, retrieved on 15th February 2023).

Indonesia has a large population, so the food and beverage industry has a greater chance of making a profit. This can be a consideration for starting businesses that refer to the food and beverages industry because food is a basic human need and Indonesians themselves really like new things that have never been tried and are interested in something viral. Economic development in Indonesia, especially in the field of food and beverages is growing rapidly. The food and beverage industry makes a major contribution to Indonesia's gross domestic product.
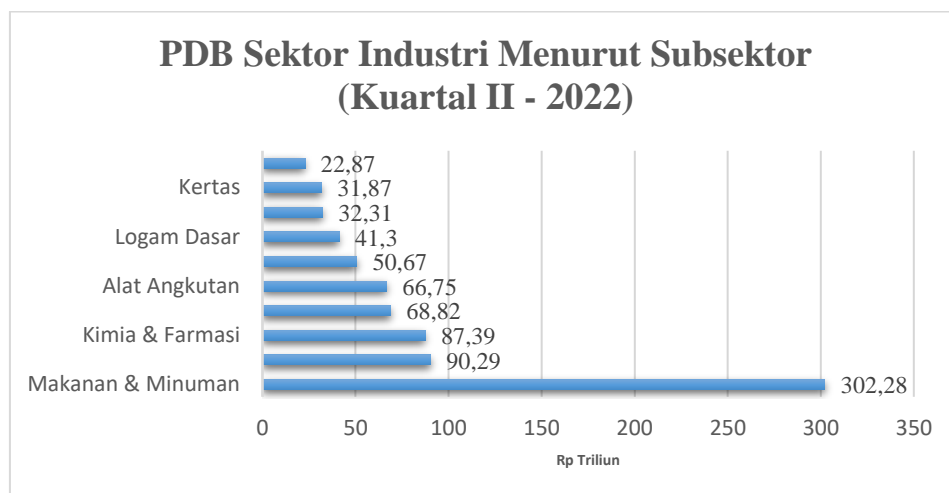
PDB Sektor Industri Menurut Subsektor (Kuartal II - 2022)

- Kertas: 22,87 / 31,87
- Logam Dasar: 32,31 / 41,3
- Alat Angkutan: 50,67 / 66,75
- Kimia & Farmasi: 68,82 / 87,39
- Makanan & Minuman: 90,29 / 302,28

Rp Triliun

Figure 1.1 Gross Domestic Product Second Quarter 2022
Source: Badan Pusat Statistik (2022)

Based on Figure 1.1 above, it can be seen that the food and beverage industry is the largest contributor to Indonesia's gross domestic product in the second quarter of 2022, which reached IDR 302.28 trillion with a percentage of 34.44%. The Indonesian government also trying to support young people in developing micro, small, and medium enterprises (MSMEs). Indonesian people, especially in Medan, consider that the food and beverage industry is a promising business. This makes people compete to open businesses in the food and beverage sector.

Several businesses in the food and beverage industry are in great demand such as restaurants, cafes, coffee shops, bars, and franchised restaurants. Currently, the café has become one of the favorite places apart from just enjoying coffee for millennials and generation Z to carry out daily activities such as gathering with friends or hanging out, doing assignments, working, and meeting, even the café is a lifestyle of today's society. Cafés are the most popular choice because they have various concepts that make

consumers interested in visiting. There are so many people in Medan who are opening cafes or restaurants, ranging from the lower middle class to the upper middle class. The development of this café is growing rapidly and each café has to compete to create a store image with a different concept and follow trends.

In order to meet the characteristics and desires of customers who are generally easily bored, the café offers a variety of drinks as well as a variety of preparations for customers. Customers tastes vary and they tend to follow trends while also paying attention to the quality of products. Product quality is one of the keys to competition among business actors offered to consumers because customer always want to get a quality product according to the price paid, even though some people think that an expensive product is a quality product (Riadi, 2020).

Customer purchase decisions in choosing a café can be seen in the phenomenon of the emergence of new places where customers prefer Coffee Shops according to the activities carried out. For example, some customers prefer the indoor type for work or doing assignments, while the outdoor type is for customers who want to hang out and relax.

Café offers an industrial concept with an aesthetic design that makes customers feel comfortable hanging out at an affordable price. Café also facilitates unlimited free Wi-Fi. Apart from that, the cafés also do promotions, often to encourage purchasing decisions. Below is the data of total sales and number of product sold in 2022 at Literally Café.

Table 1.1 Data of Total Sales and Number of products in 2022

No	Month	Num. of Products	Total Sales (in Rupiah)
1	January	4338	92.654.000
2	February	2418	57.708.000
3	March	2338	54.778.000
4	April	2188	55.197.002
5	May	1954	44.878.000
6	June	1984	45.658.000
7	July	1826	45.007.900
8	August	1684	43.310.600
9	September	1398	35.457.000
10	October	1210	35.098.000
11	November	1419	34.284.250
12	December	1562	37.057.000

Source: Prepared by writer (Literally Café, 2023)

It can be seen in Table 1.1 above that sales at Literally Cafés have fluctuated. Several months have been up and down. The highest sales are in January and the lowest sales are in November. In January, sales were still high because there were no factors affecting the store's image. Starting from February to May, sales continued to decrease. In December, there was an increase in sales due to entering the Christmas and New Year holidays so, there were many customers who had more time to hang out.

Based on information obtained from the café management, throughout 2022 the sales level is below average due to reduced customer purchase decision which is likely to be influenced by various factors including store image, food quality, and location. The writer decided to conduct this research because recently there is a problem at Literally Café Medan with the store image, food quality, and location. Below are some supporting data to show the research problem at Literally Café using google review, grab review, and direct message from Instagram.

Table 1.2 Negative Review about Literally Café Medan (January 2022- April 2023)

No	Variable	Negative Review
1.	Store Image	Lack of food menu variety, unlike the surrounding cafes.
2.		The place is not too big, during lunchtime, there are many school children and feels so hot.
3.		The owner of the café is a Binomo affiliate. The coffee is haram and made from the victim's tear extract.
4.		There is a parking fee at literally café.
5.	Food Quality	The coffee and fried rice have no taste.
6.		The eggs are very thin.
7.		The drinks are not the same size.
8.		Slices of the chili are not thin enough. Maybe next time can add more menus.
9.		Ordered food and was not informed that the paper bowl had run out. It was replaced with Styrofoam, which is not good.
10.	Location	The place is so far.
11.		Often pass that road, but the café is not visible.
12.		Difficult to park and traffic jams.
13.		The café is small.
14.		Lack of parking space and the café is on roadside.

Source: Google Review, (Prepared by the Writer, 2023)

Based on Table 1.2, negative reviews regarding the store's image are because of lack of product diversity, uncomfortable store atmosphere and there are brand ambassadors of literally café have been involved in problems or scandals on platforms like online gambling from March 2022. According to (Nuriyah & Surianto, 2022), better and more memorable store image in the minds of consumers can influence purchasing decisions. Through a strong and positive image, the position and name of a restaurant will be easy to remember and familiar in the form and mind of consumers so the purchasing power shown is very large. According to Suhartono (2022), store image has a positive and significant influence on customer purchasing

decision. Meanwhile, according to Imanulah et al. (2022) stated there is no significant influence of store image on customer purchase decision.

There are also several reviews regarding the quality of food with concerns that the portions are not the same, they do not provide a varied food menu, and the food taste does not suit customers. Products in the café are food and beverages. (Buchory & Saladin, 2018) stated food quality as an important role in consumer purchase decisions, when the food quality increases, purchasing decisions will also increase. If the café can provide quality according to the price given or even more, then it will influence customer purchase decision on buying the café products. According to Lestari and Yusuf (2019) stated that food quality has a significant influence on purchasing decision.

Furthermore, from google review above, there are problems with the location. Literally, Café is located at Jl Teuku Cik Ditiro Medan, even though it is close to the city, the problem is difficult for customers to park their car, small road with two lanes which many vehicles pass the road. In determining the location, entrepreneurs must be smarter and more careful because location is an important thing in doing business to market products. It will make it easier to get target customers so that consumers are interested and can make a purchase decision. According to (Balqis & Hariasih, 2023) location has a significant influence on customer purchase decision.

Based on the various explanations above, the writer is interested in conducting research with the title of **"The Influence of Store Image, Food Quality and Location on Customer Purchase Decision"**.

1.2   Problem Limitation

Due to limitations in this study, the writer decides to conduct research by setting up several limitations, such as:

a. The data of this research is gathered from the manager of Literally Café located at Jl. Teuku Cik Ditiro No. 29, Madras Hulu, Indonesia, North Sumatra. The period of this research will be conducted from January to April 2023.

b. The research uses four (4) variables, which are Store Image, Food Quality, and Location as variable X (independent variable) and Customer Purchase Decision as variable Y (dependent variable).

c. In addition, the writer also limits the indicators to measure each variable. According to Utami (2017), indicators of store image are merchandise, promotion, convenience, store facilities, store services, store atmosphere, and famous brand. According to (Tjiptono & Chandra, 2019) the indicators of food quality are color, appearance, portion, shape, temperature, texture, and aroma. Moreover, the indicators of location according to (Tjiptono & Chandra, 2019) are access, visibility, traffic, large and secure parking, expansion, environment, competition, and government regulations. Meanwhile,

according to Kotler and Keller (2016), as cited in Gunawan (2022), the indicators of customer purchase decision are product choice, brand choice, dealer choice, purchase timing, purchase amount, and payment method.

1.3 Problem Formulation

Based on the background of the study that has been defined, four problems would be discussed in this research, which are:

a. Does store image partially influence customer purchase decision at Literally Café Medan?

b. Does food quality partially influence customer purchase decision at Literally Café Medan?

c. Does location partially influence purchase customer decision at Literally Café Medan?

d. Do store image, food quality, and location simultaneously influence customer purchase decision at Literally Café Medan?

1.4 Objective of Research

Based on the problem formulation, we can conclude the objective of this research, which are:

a. To find out if store image partially influences customer purchase decision at Literally Café Medan.

b. To find out if food quality partially influences customer purchase decision at Literally Café Medan.

c. To find out if location partially influences customer purchase decision at Literally Café Medan.

d. To find out if store image, food quality, and location simultaneously influence customer purchase decision at Literally Café Medan.

1.5 Benefit of the Research

There are two types of benefits resulting from the research store image, food quality, and location can influence customer purchase decision.

1.5.1 Theoretical Benefit

The theoretical benefit of this research is to prove whether Store image, Food Quality, and Location have influenced Customer Purchase Decision in the food and beverages industry. Moreover, this research is also done to gain more knowledge related to the theories about independent variables and dependent variables.

1.5.2 Practical benefit

The practical benefit of doing this research is as follows:

a. For the writer

Through this research, the writer can enrich knowledge about The Influence of Store Image, Food Quality, and Location on Customer Purchase Decisions.

b. For the company

This research can provide suggestions or input about how to improve Customer Purchase Decision through Store Image, Food Quality, and Location

c. For other researchers

To the next researcher, this research can be used as their reference in researching similar topics.