

CHAPTER I

INTRODUCTION

1.1 Background of the Study

As time goes by, the business industry especially in the field of food and beverage sector, is one of the fields that is competitive and has become a rapidly growing business sector in the industry. This has encouraged many entrepreneurs to open or create new businesses or even develop existing businesses (Harianto & Gunawan, 2019).



Figure 1.1 Food and Beverage Industry Growth in Indonesia

Source: <https://www.dataindustri.com> (2023)

Trend analysis like this helps in predicting new business entrants and allows companies to develop strategies to maintain their industry position. As we

can see from figure 1.1 above, every year, there is a significant growth in Indonesia's food and beverage industry. From quarter to quarter, especially in the third quarter of year 2022, the food and beverage industry experienced a positive quarterly growth performance of 4.67% (<https://www.dataindustri.com/> retrieved in 2023, 28 Jan). Even though the previous year had decreased, it's sure that it's because of the rampant of covid-19 virus. But that was natural because at that time, the change in trend could be said to be quite drastic. The trend of gathering before the pandemic occurred, now must be forced until there is a graphical decline in the food and beverage industry due to policies with reasons of prioritizing health where gathering activities inevitably have to be limited. However, the food and beverage industry are still able to adapt to these changing trends. Especially in any trend, living things must eat and drink to survive. This is also one of the reasons that the food and beverage industry, both products and services, will always experience improvement. However, this positive growth performance in 2022 continued the performance of previous years which was also always positive, covering the previous year which had dropped briefly.

The rapid growth of the food and beverage industry in Indonesia also marked by many food and beverage businesses such as cafes that have similarities and differences, both in terms of product, price, and service offered. For example, in the food and beverage business, namely innovating something new on the menu, so that a new menu is created. The more menus the greater the business owner's chances of winning the market, then this will create intense competition between business owners. And because of that, every business owner is required

to have the right strategy in order to attract the attention of consumers and achieve sales targets. Not only that, but business owners are also able to make consumers feel more satisfied with the product and services they have purchased, thus fostering customer loyalty (Jannah et al., 2022).

That is enough to prove that the food and beverage business is getting tighter, where more producers are involved in fulfilling the needs and desires of consumers, and one of them is the cafe business. Cafe is a cozy place to hang out or chat with friends or family while enjoying drinks and food that has been provided on the menu (Erlina & Daniel, 2021). With the rise of business competition in the cafe business, various ways are used by cafe owners to meet customer satisfaction and gain customer loyalty. Determining and designing a strategy is very important to face existing and future competition.

Among many food and beverage business sectors, this research will focus on a cafe in Medan, namely 53 Steps Laurence. 53 Steps Laurence is located at Jalan Petula, No. 2A, Petisah Hulu, Medan Baru District, Medan City, North Sumatra, which is a strategic location that is easy to reach. 53 Steps Laurence target customers are the public, employees, and students. 53 Steps Laurence is a cafe that has instagrammable looks, unique and various menu, attractive, and luxurious. 53 Steps Laurence provides facilities for meetups, events, and more. This cafe also has many visitors because of the cafe provides live music, has good service, provides both western and Indonesian food, and others which of course can make people happy to visit continuously and feel satisfied.

However, apart from that, this cafe also has shortcomings, both in terms of strategy and others to be able to satisfy customers and gain customer loyalty because of some factor. For example, that's because there are many cafes in Medan and on average they have similarities, so that at 53 Steps Laurence, there are also some people who think that 53 Steps Laurence hasn't provided many innovations that make some people not satisfied with the prices and menus that are already offered at 53 Steps Laurence. In addition, sometimes the sensory experience at 53 Steps Laurence itself is not good in the minds of some customers because they get better sensory experience at other cafes. Innovation on some factor must be applied to attract the attention and interest of the customer, especially the millennial generation or young people in Medan (Joesyiana, 2020). Another problem that faced by 53 Steps Laurence Cafe was the decrease in the customers, especially after the covid-19 case, because since the case was not so widespread, more people opened businesses in the food and beverage sector. This is also the reason why the dependent variable in this research is variable customer loyalty.

For this reason, if 53 Steps Laurence wants to achieve their goals in order to get customer satisfaction and consumer loyalty, then they must implement a strategy and pay attention to several things. Among them is sensory experience which in the end can make consumers have positive memories when visiting 53 Steps Laurence. Then, 53 Steps Laurence also must pay attention to the satiety value and menu selection which makes consumers feel full, satisfied, and have a high appetite. Not only that, but another strategy is also to maintain hygiene

which can give consumers the impression that these foods and drinks are healthy and nutritious, so that consumers are not reluctant to consume these foods and drinks. And the last is implementing the right price strategy and can be achieved by consumers from various circles. By focusing on these factors, it will provide customer satisfaction and customer loyalty. Moreover, all of these things include development trends that are occurring in the food and beverage sector everywhere (Lim et al., 2022).

There are several cafes that cannot survive and cause the cafe become bankrupt. To prevent bankruptcy, the most important thing to get is customer satisfaction and customer loyalty.

Table 1. 1 Comparison of Cafes in Medan

Number	Cafe's Name	Year	Outlet	Rating in Google	Price Range
1.	53 Steps Laurence	2018	1	4.4	Rp. 28.000 – Rp. 240.000
2.	The Stepping Stone	2020	1	4.3	Rp. 28.000 – Rp. 218.000
3.	Higher Step	2019	1	4.2	Rp. 25.000 – Rp. 145.000

Source: Google.com (2023)

53 Steps Laurence is one of the cafes with the highest rating that has been trying to improve their sales by paying attention to several factors, such as paying more attention to sensory experience, level of satiety value, menu selection, hygiene, and price adjustments with competitors. Besides aiming to pay attention to these factors, 53 Steps Laurence will also pay attention to its competitors, as a reference in order to continue to be better. Table 1.1 shows a comparison of some cafe in Medan, consisting of year it was founded, the number of outlets, rating in google, and the price range. 53 Steps Laurence is the first cafe that appeared in

Medan and was established in 2018, has only 1 outlet in Medan and has a price range of Rp. 28.000 – Rp. 240.000, while Higher Step was founded in 2020 and also has 1 outlet, it has quite a variety of food and beverage at a price of Rp. 28.000 – Rp. 218.000. The Stepping Stone is one of the cafes that has also appeared in Medan since 2020, that also only has 1 outlet with a price range of Rp. 25.000 – Rp. 145.000. Then, from the table 1.1 above, its known that 53 Steps Laurence is the one that provides menu with a various price range. Not only that, 53 Steps Laurence also gets the highest rating on google with the rate of 4.4 star, which shows a combined rating from customers or google users that feel satisfied at 53 Steps Laurence Cafe. Its known that an average rating for being trusted is 4.2-4.5 star, while 53 Steps Laurence get a 4.4 star, which indicates that 53 Steps Laurence Cafe is recommended to be visited or trusted (<https://widewail.com/> retrieved in 2023, 30 Jan).

Being in a competition with many other cafes that try to compete in the food and beverage market in Indonesia where they are trying to increase their sales, it is rather important for 53 Steps Laurence Cafe to be able to increase their customer loyalty. The reason is that according to Tabrani et al. (2018), customer loyalty is describing the behavior to re-buy or use a product or service because customers like it. Meanwhile, the other definition is the customer's willingness to return to buy or use the product or service and provide recommendations to others with voluntarily and happily, and customers have very deep loyalty so they will continue to make transactions repeatedly, which in the sense are also willing to pay more in the future. This can be seen through the increasing sales of 53 Steps

Laurence, which can be indicated by the increasing number of positive reviews on Google.

Below is a figure that shows customers already have a sense of customer loyalty at 53 Steps Laurence Cafe, where they will return to 53 Steps Laurence Cafe as a destination to be visited.

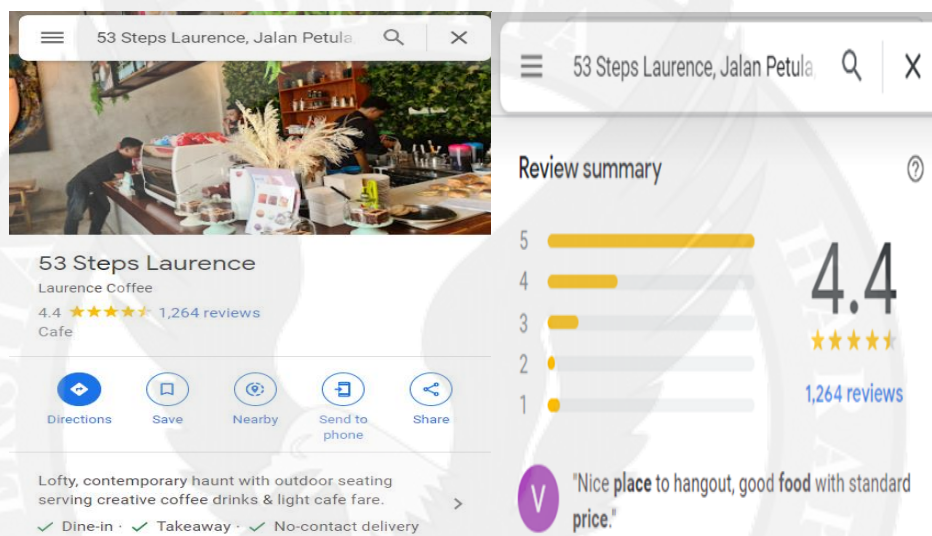


Figure 1.2 Google Rating of 53 Steps Laurence Cafe Medan
Source: Google.com (2023)

From figure 1.2 above, we can see that through the rating of 53 Steps Laurence on Google, the average is positive comments given by loyal customers from 53 Steps Laurence. Many positive reviews about 53 Steps Laurence were given by customers after experiencing the experience of visiting the cafe. Therefore, customer loyalty is very important. In terms of strategies to maintain customer loyalty, 53 Steps Laurence provide maximum service to satisfy their customers. This is because customer loyalty can occur if expectations actually materialize and vice versa (Sochenda, 2021). This variable is important because if

the customer has committed in the long term which is implemented in behavior or a form of loyalty to a company or business that becomes an important part of the consumption process carried out by a customer where this will affect the performance of the company or business.

Furthermore, another important aspect is the customer satisfaction explained by Tjiptono & Chandra (2019), consumer satisfaction is the level of emotion a person experiences, whether happy or disappointed, after comparing their performance or results to their expectations. If performance fails to meet expectations, the customer will be dissatisfied. If the performance meets expectations, the customer will be satisfied. Additionally, customers are either very satisfied or very happy when performance exceeds expectations. This proves that customer satisfaction is a key element in modern marketing thought and practice. Based on the theory above, it can be concluded that customer satisfaction is a customer response or response in the form of feelings or an assessment of product use where their hopes and needs are met.

According to Mamalaki et al. (2017), the quality of the food and beverage served, and also the environment in the cafe is the factors that can influence customer satisfaction. 53 Steps Laurence Cafe Medan provides a good service, delicious food and beverage, unique design, and the ambiance of the cafe makes the customer feel very satisfied. It was also known that the customer of 53 Steps Laurence Cafe Medan who had just visited or had a dine-in experience at 53 Steps Laurence Medan admitted that the customer was satisfied with the experience given by 53 Steps Laurence Cafe.

Moreover, 53 Steps Laurence Cafe Medan has a different impression from the other cafe in general, it has a luxurious enough impression to be enjoyed while eating the menu that has been served. The impression of luxury that can be seen from 53 Steps Laurence Cafe Medan is the concept of the cafe, that was in term of the food or beverage equipment to be used, the luxurious menu, to the waiters that is very welcome to the customers. That way, the customers who come to 53 Steps Laurence Cafe Medan will be greeted politely and will be given extraordinary service while in the 53 Steps Laurence Cafe Medan. Then 53 Steps Laurence Cafe gives the impression of sensory experience, satiety value, and good prices, where the cafe provides prices that are not too expensive with delicious food and beverage.

Next is one of the important factors in increasing customer satisfaction and maintaining customer loyalty is sensory experience. Sensory experience means that it is an attempt to provide an experience that involves the five senses. The elements of the five senses are used as a differentiation used by companies and business owners to create consumer desires to use or buy a product or service (Ailudin & Sari, 2019). In this era of globalization, there are many competitors in the food and beverage industry, especially cafes. That way, sensory experience is one of the most important factors to compete with other competitors. Sensory experience can also be described as an experience that occurs and is felt when a consumer or individual responds to some form of stimuli through observation or direct experience. If the consumer's sensory experience is good, then it can be said consumers have positive emotions. (Smith, 2017). There is a significant positive

influence between sensory experience on customer satisfaction and consumer loyalty, which means that if the consumer's sensory experience is getting better, then the consumer's satisfaction will also increase significantly, giving rise to customer loyalty itself. Thus, when a consumer of 53 Steps Laurence Cafe is involved in this sensory experience, the motivation of the consumer will be stimulated and their level of satisfaction will increase, so that they may continue to show loyalty.

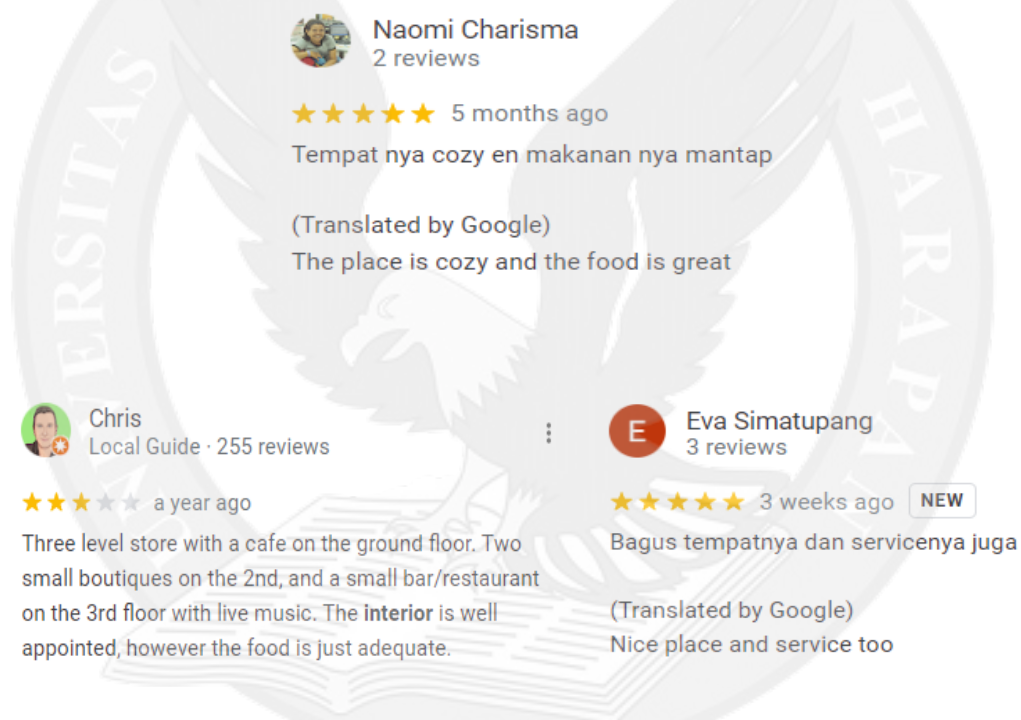


Figure 1.3 Online Reviews of 53 Steps Laurence Cafe Medan
Source: Google.com (2023)

In this research, the research object used is a cafe. In cafes, of course they really care about sensory experience. As in figure 1.4, there are several comments or reviews on 53 Steps Laurence.

Eating is one of the most important things we do and can also be one of the most enjoyable things. According to Willy (2017), satiety value is the number of times you eat in a day including breakfast, lunch, dinner and snacks. When the time to eat comes, we will feel hungry and then eat by consuming a relatively constant amount of food. The main cause of satiety appears to be a full stomach. Many studies have shown that satiety is caused by the entry of a number of nutritious foods into the stomach. While according to Benelam (2009), satiety value is a feeling of fullness that persists after consuming a meal, which will cause further suppression of energy intake until the hunger returns.

53 Steps Laurence Cafe is a cafe that provides both Indonesia and Western cuisine. 53 Steps Laurence Cafe served food and beverage while considering the health of its customers, namely by not giving too many substances that can make its consumers unhealthy by giving a food with high nutritional value or healthy food. For example, there are several menus where vegetables are usually served as additional food or side dishes, such as the salad menu, the light bites menu is also served with vegetables, as well as the main course. 53 Steps Laurence Cafe also serves food with appropriate portions, in which the arrangement between the portion of carbohydrates and protein according to the food at 53 Steps Laurence Cafe has high and good nutritional value, besides that 53 Steps Laurence's food is not difficult to chew. All of that with the purpose is to give the impression of healthy and filling food. That way, customers don't need to hesitate to choose any menu at the cafe, and it will also give the impression of being full, so that it will give its own satisfaction to its customers.

According to Adriyanti (2018), menu selection comes from the French language, namely *Le Menu*, which means a list of food served to guests in the dining room. The menu is a guide for those who prepare food or dishes. Menu offerings have a separate message that will make customers have the experience of tasting unique menu offerings and in the menu selection, the owner can also include classic dishes with a note that they still prioritize authenticity or restaurant specialties. Menu generally contains a list of displayed foods and beverages and is usually accompanied by pictures and prices to attract customers. According to Gumelar et al. (2016), menu is a list of foods that have been prepared and are available. One of the key factors in culinary business competition is the menu. 53 Steps Laurence Cafe has a menu selection that is quite varied and unique, which this cafe also offers food in packages and *ala carte* so that customers can choose according to their wishes.

The business owner must be able to make the right decisions regarding the different menus sold. Because, as mentioned above, with offering full menu of choices, starting with flavors, food and beverage types, and always focus on the product availability, it will be attracting the consumer's attention to do purchase and allowing the consumer to choose according to their preferences. Customer also can easily select and purchase different types of menus. Therefore, in a business, what really needs to be focused on is not finding the right customer for a product but finding the right product for the customer (Amalia et al., 2021). So, for that, it is hoped that the menu selections, both food and beverages, will be

varied so that they can fulfill the desires of consumers, each of whom has differences in terms of tastes, preferences in shape, and taste.

According to Yulianto et al. (2020), what is meant by hygiene is an effort to avoid disease or impurities such as bacteria and viruses, but by relying on health efforts which include the individual or oneself and the environment around the human being. Hygiene in food or beverage is one of the prevention efforts that focuses on the necessary activities and actions to free food and beverage from all hazards that can interfere with or damage health, starting from before the food or beverage is produced, during the processing, storage, transportation, up to the time it is consumed. where the food and beverage are ready to be consumed to consumers. 53 Steps Laurence Cafe maintains cleanliness around the cafe, where the furniture or food equipment used is very clean. The food served by 53 Steps Laurence also uses clean and fresh ingredients.

A very important factor in the service of food and beverage businesses such as cafes is convenience and guarantees of cleanliness for health for the sake of their survival, namely maintaining hygiene. Maintaining hygiene as an important part related to food processing in accordance with existing requirements (Yulianto et al., 2020). 53 Steps Laurence ensure that all of their employees have followed the hygiene standards they have, especially kitchen employees, so they can continue to maintain the hygiene of their food or drinks. This is because consumers have the expectation that if the food or drink is hygienic, then the food or drink consumed means it is safe and avoids contamination. If the cafe environment and food or beverage handling are guaranteed to be hygienic and

clean, then it can improve the cafe's reputation and create good relationships with consumers so as to increase customer satisfaction and increase customer loyalty.

Price is one of the most important marketing mix variables in marketing management. Price plays an important role in influencing the choice of buyers in buying goods and services. Price is the amount of money that must be sufficient to get a number of combinations of goods and services (Nasution, 2020). According to Haryoko et al. (2020), price is a value that is made to be a benchmark for the value of an item or service. From several definitions of price, it can be seen that price is the amount of money that has been agreed upon by the prospective buyer and seller in exchange for goods or services. 53 Steps Laurence Cafe has a menu with a very varied price range, so customers who visit 53 Steps Laurence Cafe can choose a menu according to their desired budget.

Therefore, the writer decided to find out if sensory experience, satiety value, menu selection, hygiene, and price of 53 Steps Laurence Cafe Medan could influence customer satisfaction and customer loyalty. The writer will conduct the final result of this research in the form of a thesis with the title **“The Influence of Sensory Experience, Satiety Value, Menu Selection, Hygiene, and Price Towards Customer Satisfaction and Customer Loyalty at 53 Steps Laurence Cafe Medan”**.

1.2 Problem Limitation

In order for this research to be more precise, the writer has set some limitations as follows:

1. This research will focus on several variables including sensory experience, satiety value, menu selection, hygiene, and price as the independent variables, with customer satisfaction and customer loyalty as the dependent variables.
2. The data of this research is gathered from 53 Steps Laurence Cafe Medan.
3. The data that is going to be used in examining the research model is going to be collected in form of questionnaires that are designed based on the research object.
4. 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, have consumed food and beverage at 53 Steps Laurence Cafe Medan directly (dine in) at least 2 times in the last 1 year, and have ever bought and tried to dine in on other than 53 Steps Laurence Cafe Medan in the last three months.

1.3 Problem Formulation

Analyzing what is the influence of Sensory Experience, Satiety Value, Menu Selection, Hygiene, and Price Towards Customer Satisfaction and Customer Loyalty is the intention of this research, therefore here are the

problems of formulation that are found in this research that attempts to answer the following questions:

1. Does sensory experience significantly influence customer satisfaction at 53 Steps Laurence Cafe Medan?
2. Does satiety value significantly influence customer satisfaction at 53 Steps Laurence Cafe Medan?
3. Does menu selection significantly influence customer satisfaction at 53 Steps Laurence Cafe Medan?
4. Does hygiene significantly influence customer satisfaction at 53 Steps Laurence Cafe Medan?
5. Does price significantly influence customer satisfaction at 53 Steps Laurence Cafe Medan?
6. Does customer satisfaction significantly influence customer loyalty at 53 Steps Laurence Cafe Medan?

1.4 Objective of the Research

Based on the problem identification proposed in previous point, here are some objectives of this research:

1. To determine whether sensory experience significantly influences customer satisfaction at 53 Steps Laurence Cafe Medan.
2. To determine whether satiety value significantly influences customer satisfaction at 53 Steps Laurence Cafe Medan.

3. To determine whether menu selection significantly influences customer satisfaction at 53 Steps Laurence Cafe Medan.
4. To determine whether hygiene significantly influences customer satisfaction at 53 Steps Laurence Cafe Medan.
5. To determine whether price significantly influences customer satisfaction at 53 Steps Laurence Cafe Medan.
6. To determine whether customer satisfaction significantly influences customer loyalty at 53 Steps Laurence Cafe Medan.

1.5 Benefit of the Research

The writer hopes that this research paper can give benefits both theoretically and practically.

1.5.1 Theoretical Benefit

The theoretical benefit from the results of this study is that can be used as additional information and as a reference to carry out further research related to sensory experience, satiety value, menu selection, hygiene, and price towards customer satisfaction and customer loyalty.

1.5.2 Practical Benefit

Other than gaining benefits on the theoretical side, this research will also provide benefit to the practical side. This research will be additional knowledge that can help 53 Steps Laurence Cafe Medan, the writer, and other researchers as well.

- a. For 53 Steps Laurence Cafe Medan, it is expected to provide additional information and as material for consideration in making decisions related to the sensory experience, satiety value, menu selection, hygiene, and price, so that in the future the results of this research can help 53 Steps Laurence Cafe Medan, to become a cafe with high levels of satisfaction and loyalty.
 - b. For the writer, it is to gain knowledge regarding sensory experience, satiety value, menu selection, hygiene, and price towards customer satisfaction and customer loyalty, and how they are being influenced by each other.
 - c. For the other researchers, this research can be able to act as a reference, basis, or source of information for other researchers that are interested in doing research with the similar variables.
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