

CHAPTER I

INTRODUCTION

1.1 Background of Study

The food and beverage industry currently has a very strong appeal because the market in Indonesia is very large. Especially the lifestyle of today's teenagers who often gather to hang out, play games, and more. The development of the food and beverage industry in 2022 has received a positive response and has returned to enthusiasm after experiencing dismalness during the pandemic.

According to Hartono (2018), as cited in Chambali (2021), the café business in Indonesia, especially in big cities, is overgrowing with various concepts designed for the convenience of customers from different circles. Besides that, several locations in small towns also have many cafés popping up, which cannot be inseparable from the local government's support, which makes it easier to establish permits effort. The development of cities in Indonesia in this modern era has a relatively high level of mobility in various fields.

During the Covid-19 pandemic that hit the cafe and restaurant industry, it was hit so hard that many entrepreneurs experienced a drastic decrease in income and could only generate income online. At present when the number of Covid-19 cases has begun to subside, offline cafe entrepreneurs are starting to have a sense of optimism about the rise of the cafe industry which will return.

Throughout 2019 before the pandemic occurred, the total number of food and beverage provider businesses in Indonesia was 4,008,927 businesses. This

number consists of 12,602 medium-large scale businesses and 3,996,325 small-medium scale businesses. During that year, the food and beverage industry's accumulated growth reach 7.78 percent. However, this growth was suddenly disrupted by Covid-19, so in 2020 the national food and beverage industry only grew 1.58 percent (<https://mediaindonesia.com>, retrieved on 6 February 2023).

The food and beverage industry continues to grow despite the COVID-19 pandemic. Its growth reached 3.68% in the second quarter of 2022, up from the same period in 2021 of 2.95%. The development of the food and beverage industry in 2022 has received a positive response and has returned to enthusiasm after experiencing dismalness during the pandemic (<https://intacsindo.com>, retrieved on 2 July 2023).

The food and beverage industry's contribution to GDP until the second quarter of 2022 reached 38.38%, which is the largest compared to other manufactured products. On the other hand, the trade surplus in the food and beverage sector from January to September 2022 reached USD 23.23 billion. Investment in this sector in the second quarter of 2022 reached IDR 41.37 trillion, with Domestic Investment reaching IDR 23.36 trillion, surpassing Foreign Investment of USD 1.23 billion (<https://intacsindo.com>, retrieved on 2 July 2023).

According to Baskoro & Mahmudah (2021), one of the places that are often visited by consumers in spending time eating their food or enjoying drinks other than a restaurant is a cafe. Cafe is considered a place that has added value because the facilities provided support consumer convenience. The atmosphere in

cafes tends to be quieter than in restaurants in general, making cafes the top choice for consumers to spend time and seek peace.



Figure 1.1 Logo and Location of The Cafe House
Source: Cafe House & Google Review (2023)

Café House Binjai was founded in 2013 on Jalan Jendral Ahmad Yani (GWBC Complex), Binjai City, North Sumatra. The Café House only started with a 1-floor room for customers to enjoy exciting dishes. A few years later, it was renovated to 2 floors because his space was minimal. Hence, they added one more base to expand customer satisfaction by having accessible wi-fi facilities. And until now, they continue to improve their quality, so they upgraded their cafe to be spacious and have outdoor seating to enjoy a meal with live music held on a beautiful evening. Their opening hours are 10.30 AM – 10.30 PM for Monday to Thursday and 10.30 AM – 11.45 PM for Friday to Sunday.

One of the well-known cafes in Binjai is Café House. Café House serves both western and oriental food. Additionally, they promise that all of their food and drinks are 100% halal. At The Café House, a variety of menu options are

available, including pasta, fried rice, pizza, steamboat, coffee, juice, tea, ice cream, and others.



Figure 1.2 Cafe House's Menu
Source: Google Reviews (2023)

Café House Binjai has a rating of 4.6 out of 5 on Google review. However, there are some negative reviews regarding the café's service; this is a problem for consumers because customers need better service from the café. Regarding price, café atmosphere, and locations that do not have parking spaces for customer who drive cars.

The Cafe House
4,6 ★★★★★ (461) ·
Cafe · \$\$ ·
Open · Closes 11:45 PM

Figure 1.3 Google rating of Cafe House
Source: Google Review (2023)

According to Mariah (2020), a strategic location makes it easier for consumers to reach restaurants and also guaranteed security. Thus, there is a relationship between a strategic location and the attractiveness of consumers to purchase a product/service. A location that is comfortable, safe, clean, crowded, and easy to reach are some of the criteria that are of interest to many consumers. The existence of the Location variable can be observed in the review and rating from Café House customers in Google Reviews in Figure 1.4 below.

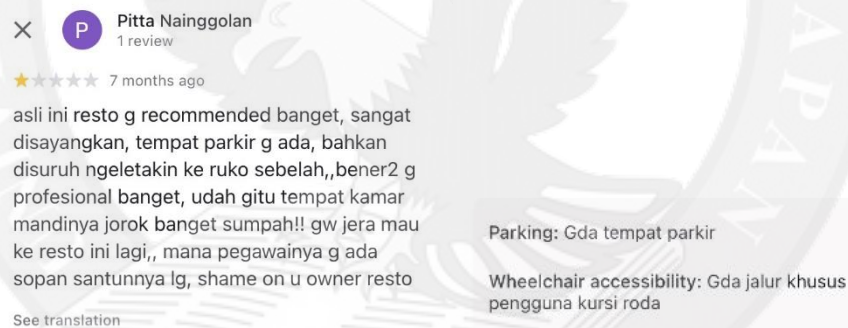


Figure 1.4 Customer Review of Location
Source: Google Review (2023)

According to Lee and Lawson-Body (2011:532), as cited in Suyoto (2020), suggest that price perception is a consumer's judgment and the associated emotional form of whether the price offered by the seller and the price compared to other parties is reasonable, acceptable or justifiable. The existence of Price

Perception variable can be observed in the reviews and ratings from Café House customers in Google Reviews in Figure 1.5 below.



Figure 1.5 Customer Review of Price Perception

Source: Google Review (2023)

Here is a food and beverages price comparison between Café House Binjai and several similar Cafés in Binjai:

Table 1.1 Food and Beverages Price Comparison at Café House Binjai and similar Cafés

Menu	Café House	Lim Kok Tong	Kyiv
Nasi Goreng Ikan Teri	Rp.26.000	Rp.25.000	Rp.22.000
Spaghetti Carbonara Chicken	Rp.28.000	Rp.26.000	Rp.27.000
Chicken Wings	Rp.22.000	Rp.20.000	Rp.20.000

Source: Prepared by the Writer (2023)

According to Sopiiah and Syihabudhin (2008:148), as cited in Sholihah (2020), state that the café atmosphere can be influential factor for consumers to visit and then buy at the store. Many consumers visit cafes because they are interested in and like the atmosphere in them. After all, what they pay attention to is not only what services or goods are offered, but they also pay attention to the environment where they make purchases. The existence of Café Atmosphere variable can be observed in the reviews and ratings from Café House customers in Google Reviews in Figure 1.6 below.



Figure 1.6 Customer Review of Cafe Atmosphere
Source: Google Review (2023)

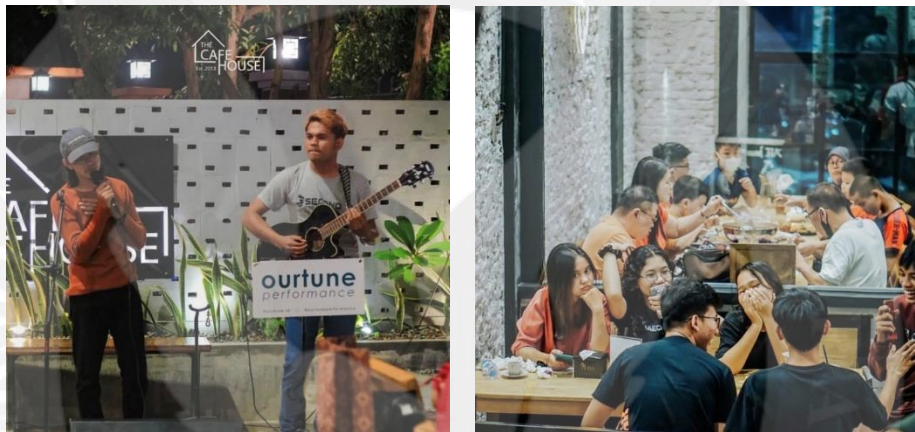


Figure 1.8 Cafe Atmosphere of Café House Binjai
Source: Instagram (2023)

Table 1.2 Sales of The Café House 2022

No	Month	Total Sales (in Rupiah)
1	January	108.042.000
2	February	103.744.000
3	March	98.220.300
4	April	116.274.400
5	May	114.491.000
6	June	112.242.450
7	July	107.503.000
8	August	104.083.000
9	September	102.039.000
10	October	97.730.000
11	November	94.313.000
12	December	127.902.000

Source: Prepared by the Writer (The Café House, 2023)

From the data in Table 1.1, we can see that Café House Binjai sales have experienced ups and downs. The highest sales were in December and the lowest

sales were in November. The sales in April can be increased because of entering the fasting month (*bulan puasa*) and the Eid Mubarak holidays. In December, the sales increased due to entering the Christmas and New Year holidays.

Based on the discussion above, the writer will do a research with the title of **“The Influence of Location, Price Perception and Café Atmosphere on Customer Purchase Intention at Café House Binjai”**.

1.2 Problem Limitation

The research has opted to limit the scope of this investigation due to time and funding constraints. The data for this study came from Café House Binjai located in Jalan Jendral Ahmad Yani (GWBC Complex), Binjai City, North Sumatra. The period of this research is from January 2023 to April 2023.

The writer focuses on the location, price perception, and café atmosphere at Café House Binjai as the independent variables and its influence on customer purchase intention as the dependent variables.

1.3 Problem Formulation

According to the background that has been described, the problem formulation is this study will be discussed as follows:

- a. Does location have a partial influence on customer purchase intention at Café House Binjai?
- b. Does price perception have a partial influence on customer purchase intention at Café House Binjai?

- c. Does café atmosphere have a partial influence on customer purchase intention at Café House Binjai?
- d. Do location, price perception, and café atmosphere simultaneously influence customer purchase intention at Café House Binjai?

1.4 Objective of Research

The following are the research objectives:

- a. To examine whether location has an influence on customer purchase intention at Café House Binjai.
- b. To find out whether price perception has an influence on customer purchase intention at Café House Binjai.
- c. To examine whether café atmosphere has an influence on customer purchase intention at Café House Binjai.
- d. To find out whether location, price perception, and café atmosphere simultaneously have an influence on customer purchase intention at Café House Binjai.

1.5 Benefit of the Research

There are two types of benefits result of this study that is expected to provide more understanding of the issue of this observation. As a result of this study, a corporation or other researchers will be able to learn and use a strategy to optimize customer purchase intention through location, price perception, and café atmosphere at Café House Binjai, such as:

1.5.1 Theoretical Benefit

Hopefully, the result of this study is expected to provide a further understanding regarding location, price perception, and café atmosphere on customer purchase intention in the service industry and be used as references for researchers to increase more knowledge and insight related to variables.

1.5.2 Practical Benefit

The practical benefit of conducting this research are as follows:

- a. For the writer, the research gives more new knowledge, insight, and understanding about location, price perception, and café atmosphere on customer purchase intention.
- b. For the company, the research will provide solutions to increase customer purchase intention and how location, price perception, and café atmosphere influence it.

For other researchers, the research can help as a reference material related to the topic of location, price perception, and café atmosphere on customer purchase intention in the future.