

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Medan is known as a city of culinary. Almost every street and corner of the city of Medan is available with food and beverage vendors. Among a series of foods and beverages, coffee is a type of beverage that continues to increase in popularity. This can be seen from the increasing number of coffeesellers in Medan who continue to produce unique coffee that is their trademark. Although coffee is the core of the menu sold by the seller, it is stated that now to support coffee sales, coffee sellers are currently also complementing the menu by adding snacks, heavy meals and other drinks besides coffee. Even so, the most prominent product that is sold is coffee, so it is called a coffee shop.

Globalization also affects the behavior of each individual, especially in socializing. In this case, socialization serves to expand friendship and business relations. Coffee shops are often chosen as the right place to build relationships because coffee shops tend to have a relaxed atmosphere and are meant to hang out for a longer time than in a restaurant.

The amount of the competition among coffee businesses in Medan is highly competitive, and the Covid-19 outbreak has made people even more hesitant to go out and spend time at a coffee shop. According to William, P. (2020), coffee consumption in bars, restaurants and cafes in the world has decreased but now the business is starting to recover. This means that even

though the F&B business has decreased sales, it cannot be guided that the business will dim but over time the business will develop for the better through the right methods and strategies.

The Cemara Asri Complex is considerable known in the city of Medan. From the culinary center of Medan to the best complete residential complex in Medan. Tens to hundreds of shops from culinary shops, supermarkets, schools and others make thousands of people come to visit or live in the complex. It is not surprising that many coffee shops have opened, one of which is Kebun coffee shop.

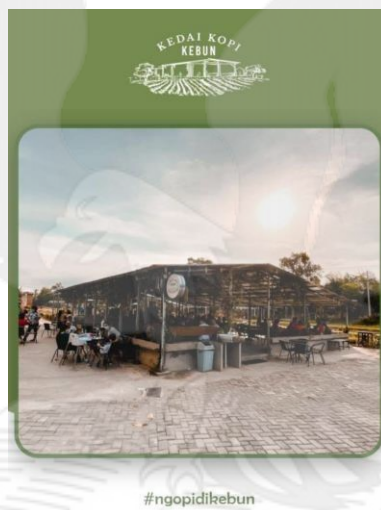


Figure 1.1 Kebun coffee shop
Source: Kebun Coffee Shop (2021)

This coffee shop is located in the Cemara Asri complex, precisely on Teratai street. The concept of this shop is quite unique where they only provide vegetarian food and drinks and also provide vegetable fields that can be directly selected by buyers.

The mission of this coffee shop is:

1. Provide a comfortable place to gather and fresh air
2. Provide a fresh place for customers to enjoy nature with an organic vegetable garden refinement
3. Giving kindness through fresh and healthy eating to customers

Andry, T. (2018) stated one of the factors that influence customer satisfaction is pricing. In general, customers will compare prices with other brands that have similar products. According to him, the more comparable the price and the product or service you get, the more valuable your business will be. Because of the fierce competition, Kebun coffee shop must be able to assess market prices and adjust them so that they can compete with competitors. Furthermore, pricing must be ensured to meet the quality provided and meet customer satisfaction.

With many restaurants, cafes and coffee shops in the Cemara Asri complex, Kebun coffee shop has difficulty competing with them. The strategies and simple ways to compete with them are through price competition. Pricing has to be reasonable because Medan people are concerned with the quality and prestige of a brand. The majority of Medanese people have the principle that the more expensive the goods, the better the quality and can increase prestige in the eyes of the public. However, overpricing goods can cause reverse effect where people find the goods are not worth buying.

Table 1.1 Negative Responses of Price in Kebun Coffee Shop

Year	Responses
2022	Place is good but food is rather pricey
2022	Cozy place, good coffee, unfortunately the food is a bit expensive
2022	The menu prices are a bit high. Coffee cost around 25k per cup.
2022	The food is very expensive, the place is also ordinary

Source: Google Review (2023)

Table 1.2 Comparison of Price between Kebun coffee shop and other shop

Kopickup	Pricelist	Kebun Coffee Shop	Pricelist
Coffee Milk	Rp. 30.000	Piccolo	Rp. 30.000
Caramel Latte	Rp 26.000	Latte	Rp 28.000
Picks Coffee	Rp 24.000	Cappuccino	Rp. 30.000
Americano	Rp 18.000	Americano	Rp. 25.000
Sanger	Rp 18.000	Sanger	Rp. 23.000

Source: Prepared by the writer (2023)

The table 1.1 above is the negative responses of the price in Kebun coffee shop. This response indicates that there is customer dissatisfaction with the price set by this coffee shop. This indicates that there is a possibility that the product offered by Kebun coffee shop in terms of price does not meet customer expectations and fit the target market.

The table 1.2 shows the comparison between Kebun shop with Kopickup coffee shop. These two coffee shops are in the same area and neighborhood. The price comparison between the two coffee shops is quite significant. The average price difference per glass is Rp. 5,000,- with the price of drinks at the Kebun coffee shop being more expensive than Kopickup. This might be a trigger for dissatisfaction from buyers with the price offered by Kebun coffee shop compared to other coffee shops that offer similar products.

Gie (2020) claimed that there are 2 purposes to use promotional strategies namely informing current product to potential customer and persuade them to buy the product. Through right strategies, customer might be interested and sales might be increased. The promotion intends to attract interest from potential consumers to come to the coffee shop so that along with the increase

in consumers, the higher the sales and ultimately the greater the profit that the coffee shop gets.

Table 1.3 Total sales of Kebun Coffee Shop for 10 Months

Month	Total sales
February	Rp41.072.000
March	Rp56.920.000
April	Rp50.344.000
May	Rp55.920.000
June	Rp46.806.000
July	Rp37.576.000
August	Rp36.948.000
September	Rp43.698.000
October	Rp44.191.000
November	Rp58.226.000

Source: Kebun Coffee Shop (2021)

In the table above, it shows that sales tend to be stable. At least every month, Kebun coffee shop will get sales of over 35 million. From this data, it is known that the highest sales were in March and November, while the lowest sales were in July and August. Basically, sales in June should have increased significantly due to the Eid holiday which falls in that month. However, as the data shows, the month suffered a setback in sales.



Figure 1.2 Instagram Highlight Promo of Kebun coffee shop

Source: Kebun Coffee Shop (2021)

One reason for this decline is the lack of promotion. This can be seen

from the highlight of Kebun coffee shop's personal Instagram with a “promo” title that does not include promotions on certain holidays. In addition, feeds posted on these pages tend to show more of the products being sold and there are no promotions such as discounts or others. When compared to other stores, Kebun coffee shop can be said to be too few. This will be a consideration for consumers to choose this coffee shop as their choice compared to other stores that have better promotions. Better promos will make customers interested in coming.

Depending on prices and promotions alone cannot guarantee that a business will be successful. Many other things are also part of success and survival in the midst of fierce competition, especially in fields related to service. Coffee shop is part of the fields that related to the service. One thing that also greatly influences business development is service quality. If prices and promotions have been set well but the service is not satisfactory, then the customer will also not be satisfied. Therefore, stability and focus on price, promotion and service quality must be balanced to achieve maximum customer satisfaction.

Ramya, Kowsalya and Dharanipriya (2019) stated that service quality can determine success and survival in the market while helping to meet and exceed customer expectations. Service quality becomes important in competitive markets where goods in the market are similar to each other. Customer satisfaction is strongly influenced by the attitude, service and convenience provided by employees towards customers which can determine the survival of the company.

Table 1.4 Responses of Service Quality at Kebun Coffee Shop

Year	Responses
2022	The view is good, but the serve is too slow
2022	The way to deal with flies around must be improved. Maybe the fallen food was immediately cleaned and sprayed because it was a bit disturbing.
2022	There are still lots of flies around the visitor's table, the service is still not satisfactory.
2022	The service is lacking. It's too long...until we leave
2022	Friendly service
2022	The food serving is very long
2022	Ordinary, the table is not taken care of after the guest left
2022	Happy with the service
2022	The service is rather slow

Source: Google Review (2023)

The table above shows the responses of service quality at Kebun coffee shop taken from the Google Review. In the table, 7 out of 9 respondents show dissatisfaction on the service quality provided. As mentioned before, service quality is important in the field related to the service. This response show that service quality might be the cause of the non-optimal customer satisfaction which causes the income is not maximized.

Gie (2020) concluded that customer complaints could help company to outperform competitors in the field through improvement in products and services quality. Complaints and feedback can be taken from surveys, digital review such as google review and similar platforms. Through handling their complaints and do improvements to the drawback, Kebun coffee shop could improve the customer satisfaction because satisfied consumers have substantial impact on business revenues, customer satisfaction is the most important component in the business world. In addition, customer satisfaction can also increase customer loyalty where it will have a direct impact on increasing sales and company profits. Through the review platform provided, Kebun coffee shop can monitor the customer experience while transacting at the coffee shop. The platform can be a reference for Kebun coffee shop to

improve aspects that become problems or dissatisfaction of its customers. The positive comments will continue to be maintained or even improved for the better. That way, customer satisfaction will increase or even exceed customer expectations.

According to Gregory, Smith, & Lenk (1997) in Rahman et al., (2020), satisfying customer expectations strengthens the restaurant's competitive edge over consumers and other competitors. With the achievement of customer satisfaction, customers will have thoughts of visiting again and having Kebun coffee shop in their coffee shop choice. This makes the coffee shop has an advantage compared to other coffee shops. As a result, even though there is intense competition in the restaurant business, Kebun coffee shop can still survive by having regular customers whose satisfaction has been fulfilled.

The reason writer decides to use price, promotion and service quality as variable in this research is to know if Kebun coffee shop has implemented the right price, promotion and service quality according to the market and its target market. In addition, this research is also needed to find out the current situation and how customers think about the price, promotion and service quality set by Kebun coffee shop. Furthermore, by knowing customer opinions regarding the latest prices, promotions and service quality, Kebun coffee shop management can find out more definite steps in setting prices and promotions in the future and bring the service quality to the next level.

Based on the background above, the writer wants to find out how much influence the price, promotion and service quality of Kebun coffee

shop has on customer satisfaction. Therefore, the author will conduct a final project research with the title **“The Influence of Price, Promotion and Service Quality towards Customer Satisfaction at Kebun Coffee Shop”**.

1.2 Problem Limitation

According to the background above, writer will limit the problem as follows:

1. This research is done to find out how is the influence of Price, Promotion, and service quality as the independent variable while customer satisfaction will be the dependent variable and it will take place in Kebun coffee shop
2. This research period journal and other relevant information is restricted from 2018-2023
3. The data will be obtained originally from Kebun coffee shop
4. The difference between previous research and this research is the location and total observations.

1.3 Problem Formulation

From the background above, author has formulated the problem of Kebun coffee shop, namely:

1. Does price partially influence customer satisfaction at Kebun coffee shop?
2. Does promotion partially influence customer satisfaction at Kebun coffeeshop?
3. Does service quality partially influence customer satisfaction at Kedai coffee shop?
4. Does price, promotion and service quality influence customer

satisfaction simultaneously at Kebun coffee shop?

1.4 Objective of the Research

The objective of this research is:

1. To know if the pricing is partially influencing customer satisfaction at Kebun coffee shop
2. To know if the promotion is partially influencing customer satisfaction at Kebun coffee shop
3. To know if the service quality is partially influencing customer satisfaction at Kebun coffee shop
4. To know if price, promotion and service quality is simultaneously influencing customers' satisfaction towards Kebun coffee shop

1.5 Benefit of the Research

This research will benefit for both theoretical and practical as follows:

1.5.1 Theoretical Benefit

1. For writers

To find out how dependent Kebun coffee shop in their price, promotion and service quality strategy through respondent's opinion. In addition, this study aims to be a source of reference for writers and readers both in knowing the influence of price, promotion and service quality in Kebun coffee shop and next research.

2. For readers

This study aims to provide information and references (description) in

conduct research that has something in common with this research especially in the field of hospitality.

3. For academic

As one source in conducting similar research and as evidence that research has been carried out at that location. Furthermore, this research can be the evidence of how price, promotion and service quality could affect customer satisfaction.

4. For investor

This research will be expected to be used as information for potential investor to know the growth and current situation of Kebun coffee shop. Therefore, it can be one of resource that affect investors' decision making.

5. For the general public

This research can be used as additional information.

1.5.2 Practical Benefits

1. For Future Researcher

This research is expected to be a source of information and a reference for conducting research that similar title by other researchers in the future.

2. For Kebun coffee shop

This study aims to determine the level of price, promotion and service quality at Kebun coffee shop so that if the results of the research are not satisfactory, they can take steps and planned on how to improve and find suitable way to do pricing, promote and service quality strategy that cause the problem.