

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this era of globalization, the growth of the cafe business seems to be increasing rapidly in several nations. In the third quarter of 2022, the performance of the food and beverage industry experienced a positive growth of 4.67%. Meanwhile, the annual growth of the food and beverage industry sector until the third quarter of 2022 is 3.66% (*Data Industri, 2022*). The development of this business industry has led to the emergence of new competitors and penetrating existing market segments. Competition in the business world is unavoidable currently and competition in the industrial world from year to year continues to experience tight developments, Sanjaya (2018). It's forcing businesses to position their cafe products and services to be competitive and able to survive and increase sales by providing a strategic, safe, comfortable, menu diverse and provide quality products.

Several factors affect the growth of a cafe that will cause repurchase intention:

- a. Location: Strategic location is very important for the success of a cafe. Hendra Fure (2013) as cited in Salma & Tustorini (2018) said that location is a very important factor in a cafe, choosing the right and strategic location

for a cafe will be more successful than other cafes with less strategic locations.

- b. **Food Quality:** Food quality has been seen as the main criterion for visitors to assess restaurant performance. Ramanathan (2015) as cited in Suryandriyo (2018). One example is a study on luxury restaurants in Spain and it is indicated that "respondents rated food quality as the most important restaurant element", Ramanathan (2015) as cited in Suryandriyo (2018).
- c. **Customer Service:** According to Junaedi (2019), customer-oriented marketing through quality service is very effective in retaining customers. The company's response to customer expectations will create customer satisfaction and loyalty so that they will repurchase at the cafe.
- d. **Cafe Atmosphere:** Another way to win the competition is to create an attractive atmospheric cafe. This is as stated by Kotler (1973) as cited in Rahmawati et al, (2022) that the identity of a store can be communicated to customers through the cafe's decorations or more broadly from the atmosphere. Baker et al, (1974) as cited in Rahmawati et al, (2022) also added that by showing a cafe that has a good and elegant atmosphere, the cafe can give a good social impression in the eyes of customers, and if this positive impression lasts time it will give satisfaction to customers.
- e. **Menu Variation:** The task of a cafe is not to find the right customer for a product, but to find the right product for the customer, according to Kotler & Keller in Bob Sabran (2009) as cited in Ramdani (2022). So it is hoped that by presenting a varied menu of food and drinks it will be able to fulfill

the desires of consumers, each of whom has differences in terms of tastes and preferences in form or taste.

- f. Price: Price plays an important role in a company to attract the attention of consumers to buy something they want. Kotler and Armstrong (2012) as cited in Pitriani (2019). This will influence consumers in purchasing decisions which in turn will provide customer loyalty and repeat purchases.

Based on the background of the factors above, there are several problems that the author can identify:

- a. A strategic location determines the customer's return to visit
- b. Food quality determines return to buy
- c. Customer service determines customer retention
- d. Cafe atmosphere can create customer comfort
- e. Variation menus can meet diverse customer desires
- f. Price determines the customer's repurchase decision

Considering that there are several identified problems and due to the limitations of time and ability that the writer has in carrying out this research, from the identified problems the writer will try to limit the problems that will be studied to only the cafe atmosphere and menu variation problems.

The first factor is the cafe atmosphere. Cafe Atmosphere is an important factor for cafes because the environment (all the physical surroundings or some tangible objects) can influence consumer behavior, Wikstrom, (2005) as cited in Kurnain & Marlina (2021). The fact that this cafe atmosphere helps to influence how consumers feel during their purchase. So that customers are interested and

make purchases, it can be done by providing a pleasant cafe atmosphere for customers. The atmosphere of the cafe will also create the image of the cafe itself, creating an attractive, comfortable, and pleasant impression so that it can affect the emotions of visitors when making purchases.

The second factor is menu variation. Menu variation is a marketing strategy implemented by a company to be able to retain its customers, with the aim that customers are not easily bored with the products offered, in addition to the implementation of a menu variation strategy will also have an impact on customer satisfaction so that it will increase customer interest in making repeat purchases, Wijayasari & Mahfudz (2018) as cited in Afriyanti and Rahmidani (2019). The business owner must make the right decisions regarding the variety of menus offered because variation of the menus will provide convenience and choices for customers to choose and make purchasing decisions based on their requirements and needs.

Customers' requirements and needs must be met in order for them to be interested in making purchases at cafes. Customers' repurchase intention is crucial since it becomes a measure of the cafe's success. Positive thoughts and feelings of satisfaction with the products and services being purchased lead to customer repurchase intention.

The food industries are not just places to eat anymore. Culinary business is competing to create cafes that can attract the attention of customers to visit. A cafe is a place to eat and drink in a peaceful and pleasant environment, as well as a type of restaurant with seats either within or outside the building. The definition of a

cafe has evolved from a location where people go to rest to a place where people may be entertained and eat.

Maka Coffee is one of the outdoor cafes that elevates the concept of home coffee shop, monochrome, modern, and simple. Maka Coffee was established in January 2020, in the center of Medan, which is located on Jl. Sei Musi No.46.

Maka Coffee also offers a food and beverage menu, with prices ranging from 8.000 rupiah to 45.000 rupiah. The main menu is their beverages. For the food menu, they serve as a side menu, such as a bowl series of dishes and snacks. The beverage menus served such Maka Coffee (the signature one), matcha, strawberry tea, and others. This cafe is equipped with free WIFI facilities, selfie spots, and net seating that you can enjoy.

To determine the amount of customer purchase transactions that occurred between 2020 and 2022, as follows:

Table 1.1 Total Beverage Units Sold for Year 2020 - 2022

Month	2020	2021	2022
Jan	504	253	230
Feb	474	289	257
Mar	403	310	280
Apr	291	315	341
May	20	304	370
Jun	27	300	382
Jul	59	228	373
Aug	86	217	160
Sep	102	203	132
Oct	134	236	134
Nov	127	129	122
Dec	158	121	100
Total	2385	2902	2881

Source: Prepared by the Writer (Maka Coffee, 2023)

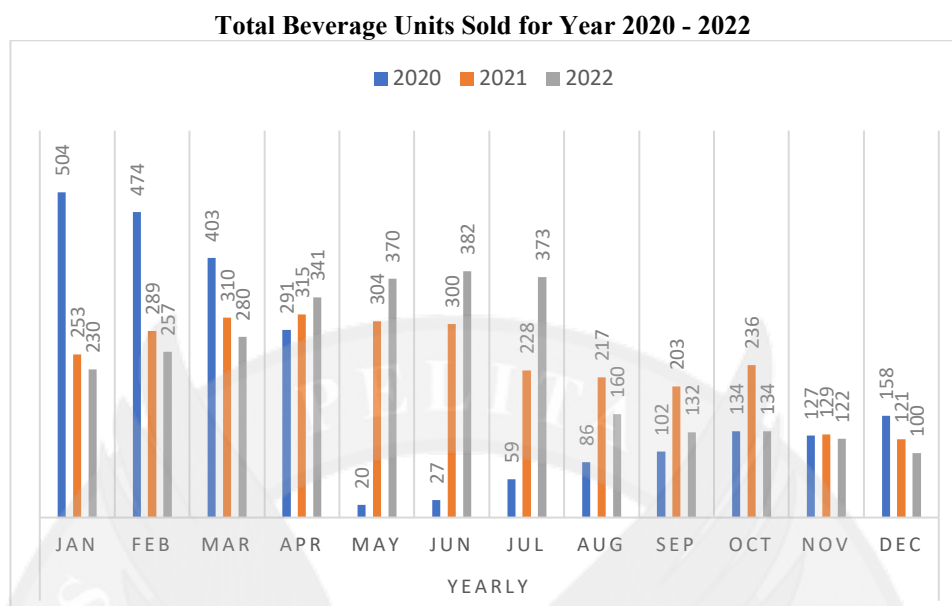


Figure 1.1 Total Beverage Units Sold for Year 2020 - 2022

Source: Prepared by the Writer (Maka Coffee, 2023)

From the table and figure above, in 2020, the beverage sales at Maka Coffee initially remained high due to customers' interest in trying new things and various promotional programs, such as the opening promotion of "buy 2 get 1" discounts. However, as the months passed, the frequency of promotions decreased, leading to a decline in sales. In April, the sales further declined due to the spread of Covid-19 news, and from May to August, the implementation of strict PSBB measures in Medan resulted in a significant drop in sales. During this period, the cafe only provided dine-in services through online orders and takeaways.

To cope with these circumstances, Maka Coffee took several initiative steps to maintain and increase sales. Some of the strategies included offering free delivery within a certain distance, providing discounts with minimum spending requirements, implementing digital promotions on Instagram and Facebook, and introducing package menus. However, these initiatives required additional

promotion costs. Consequently, Maka Coffee also implemented internal cost-cutting measures, such as reducing the number of employees and optimizing electricity and water consumption.

In September 2020, sales started to show a slight increase as restrictions eased, allowing people to engage in activities outside their homes while adhering to social distancing and mask-wearing guidelines.

Moving on to January to June 2021, sales began to stabilize as movement restrictions eased, increasing the number of visitors. However, in July 2021, restrictions were reinstated due to a surge in the cumulative number of Covid-19 deaths. This harmed sales, which continued to decline until October. In November and December 2021, the owner decided to renovate the cafe, resulting in a further decrease in sales

In early January 2022, the cafe commenced its journey with a fresh concept after undergoing renovations. During the period from August to December, the establishment faced the repercussion of increased rainfall, as it was a fully outdoor cafe. This led to a decline in the number of dine-in customers.

Maka Coffee received a rating of 4.6 stars from 90 Google reviews, some of them wrote complaints against this cafe. There are 8 negative reviews and here are few reviews from Google regarding complaint against Maka Coffee that influence their repurchase intention relevant to cafe atmosphere and menu variation, as follows:

Table 1.2 Negative Guests' Review of Maka Coffee

Time of Posting	Negative Reviews
2021	During the night-time maybe it'll be great hangout place. However, when you go there in daytime, it'll be very hot and there's no parking space when it's getting packed with people
2021	It's pretty delicious. The place is clean, however, it's not spacious enough
2022	The menu doesn't have many choices, there are still a few, please improve
2022	There is no power socket unless you ask for it with their staff

Source: Prepared by the writer (Google review, 2023)

According to the results of google reviews, customers complain about outdoor cafes, so this coffee tends to be hot during the day, there is also no parking space when it is full of customers, power socket problems, the cafe space is also not spacious, and the menu choices are still not varied.

Based on observations and interviews with friends, relatives, family, and guests who have visited the cafe and personal perspective after visiting Maka Coffee, Medan, it can be concluded as follow:

Moreover, the preliminary study result for cafe atmosphere is as follows:

Table 1.3 Preliminary Study: Cafe Atmosphere

Indicator	Results
Exterior	In front of this cafe has a limited parking space.
General Interior	Modern and monochrome interior where there are several seats made of concrete. Decorated with the green color that comes from plants, which makes interior looks good enough.
Store (Cafe) Layout	For this cafe, it has a type of home cafe where the cafe space is not spacious and there's no indoor space for customers.
Interior Display	This cafe lacks directional signs such as cashier signs or toilet signs.

Source: Prepared by the writer (2023)



Figure 1.2 Cafe Atmosphere at Maka Coffee

Source: Prepared by the writer (2023)

From the preliminary study of the cafe atmosphere table and figure above, Maka Coffee surely has a positive and negative side to the cafe atmosphere itself. The positive side starts with this cafe having an attractive decoration that attracts the attention of customers. However, there is also limited parking space, the cafe area is not spacious, lacks directional signs such as cashier signs or toilet signs and there is no indoor space for customers, so the weather plays an important role for the cafe. Overall, the cafe atmosphere in this cafe is not optimal yet and needs to be improved.

Moreover, the preliminary study result for menu variation is as follows:

Table 1.4 Preliminary Study: Menu Variation

Indicator	Results
Size	Size option is only one, there are no other choices compared to other similar cafes.
Ingredients	There is no option for toppings to be put onto beverages.
Appearance	The packaging is similar to cafes in general that use plastic cups, the appearance of the drink is not attractive enough.
Product Availability	All menus are always available.

Source: Prepared by the writer (2023)



Figure 1.3 Menu Variation at Maka Coffee
Source: Prepared by the writer (2023)

From the preliminary study of the menu variation table and figure above, Maka Coffee has a positive side, all menus are always available to meet guest satisfaction. The negative side is that there are no options for additional toppings, the packaging is also not attractive enough, and the limited option size (don't have other choices). For cafes whose beverages are their main menu and there is no size option, they can lose in competitive advantage. The appearance and packaging of the products offered are mainstream. Overall, the menu variation in this cafe is also nonoptimal and can still be improved.

Based on the preliminary results, it is very obvious that both cafe atmosphere and menu variations at Maka Coffee have not been doing very well. For that reason, the writer is interested to find out whether the instability of customers to their repurchase intention is due to the cafe's issues with cafe atmosphere and menu variations. Thus, the writer carried out a research with the title of **"The Influence of Cafe Atmosphere and Menu Variation on Customer Repurchase Intention at Maka Coffee, Medan"**

1.2 Problem Limitation

Based on the research background above, researchers need to limit the problem with the aim that the research is more focused and avoids excessive discussion. The limitations of the problem defined in this research are: The problem of this research is based on the cafe atmosphere and menu variations at Maka Coffee. Cafe atmosphere and menu variation are independent variables (X), while customer repurchase intention is the dependent variable (Y). The sample that can be used in this research is only customers who have come to Maka Coffee. The research area will be limited to the relevant area, namely Maka Coffee.

According to Berman and Evans Berman et al. (2018), the indicators of cafe atmosphere are exterior, general interior, store (cafe) layout, and interior display. According to Kotler & Keller in Riyanto et al. (2020), it is stated in detail that menu variations can be in the form of variations in size, price, appearance, and product availability. According to Ali Hasan (2018), the indicators of repurchase intention are transactional interest, referral interest, preferential interest, and explorative interest.

1.3 Problem Formulation

The writer has created the following questions to be answered in this research based on the background provided above:

- a. Does cafe atmosphere have a partial influence on customer repurchase intention at Maka Coffee, Medan?

- b. Does menu variation have a partial influence on customer repurchase intention at Maka Coffee, Medan?
- c. Do cafe atmosphere and menu variation have a simultaneous influence on customer repurchase intention at Maka Coffee Cafe, Medan?

1.4 Objective of the Research

The following are the objectives of this research:

- a. To investigate whether cafe atmosphere has a partial influence on customer repurchase intention at Maka Coffee, Medan.
- b. To discover whether menu variation has a partial influence on customer repurchase intention at Maka Coffee, Medan.
- c. To analyze whether cafe atmosphere and menu variation have simultaneous influence on the customer repurchase intention at Maka Coffee, Medan.

1.5 Benefit of the Research

With the issuance of this research, the writer hopes that it can provide benefits to all interested parties. The benefits of this research are:

1.5.1 Theoretical Benefit

Theoretically, the value of this research is that it demonstrates an empirical finding about the influence of cafe atmosphere and menu variation. It is intended that the findings of this research will serve as a resource for researchers that require it and to contribute to updating relevant theories.

1.5.2 Practical Benefit

From this research, the practical benefits are as follows:

a. For the writer

The research is expected to add insight and knowledge in addition to contributing ideas about cafe atmosphere, menu variations, and customer repurchase intention.

b. For the company

The research is expected to be used as suggestions and thoughts on cafes to pay more attention to cafe atmosphere factors and menu variations to increase customer repurchase intention and be able to compete with other competitors.

c. For other researchers

The research is expected to be a reference as well as a basis for those who are related to the topic of cafe atmosphere, menu variation, and customer repurchase intention.