

CHAPTER I

INTRODUCTION

1.1. Background of Study

Everything will continue to expand and evolve in this fast-paced era. Similarly, the global tourism industry is expanding and growing. The tourism business is still one of the country's annual economic growths. Food and beverage are one of the most popular and in high demand sorts of businesses in the hospitality industry. Food and beverage are an area where anyone can start a business or a place to satisfy the daily needs of customers. The development of the food & beverage business has an impact on increasing new competitors who open restaurants, cafes, or coffee shops. Almost every competitor has a similar concept, but some competitors certainly have their own charm in creating customer satisfaction when having visited. Knowing and meeting customer needs is essential to enhancing customer satisfaction. Customers' convenience provides an opportunity for entrepreneurs to maintain customer relationships. As the number of competitors in the food and beverage industry grows each year, companies that can excel in improving service and quality products to customer satisfaction are one of the keys to success.

Food and beverage that is currently trend in society is a coffee shop. Coffee is a popular beverage among Indonesian, and a growing number of coffee shops offer a variety of coffee products. The prices vary greatly, ranging from tens of

thousands to hundreds of thousands of rupiah (Mu'tashim & Slamet, 2019). A coffee shop is one of the best places for customers to relax their mind from hectic life while enjoying the desired taste of coffee. People frequent coffee shops to meet up with friends, do homework, do office work online, or simply sit back and relax while enjoying food and beverage that their expect.

A coffee shop's owner must create a calm and cozy atmosphere with quality coffee that usually helps customers' moods boost, especially customers who are tired of the hustle and bustle of activities throughout the day or work that has piled up. Coffee shop is a suitable place for their healing that's why coffee shops are still popular for almost all ages. The widespread public interest in coffee shops, as well as the growing number of coffee shops everywhere. Coffee shop owners are expected to have innovative ideas from every point of view to compete with the constantly increasing number of competitors in the coffee industry.

In an era almost everyone uses social media platforms, it is easy enough to find a recommended coffee shop or attract customers through uploaded posts about the coffee shop's uniqueness. However, some visitors give negative feedback to coffee shops that are highly recommended or crowded. The reality is not the same as customer expectation, it gives a bad first impression to customers. The main source of customer dissatisfaction is commonly the services and products presented. Maximizing quality services and products is a big challenge for coffee shop owners through following the quality that customers desire. Therefore, providing excellent quality service and products helps establish a reputation and is important in affecting satisfying customers.

According to Gronroos in Islami (2018), service is an intangible activity that makes a correlation between employees and customers, or something provided by a service provider company that aims to solve customer problems. The other hand, the quality of service can be seen in the excellence of a company's employee service in meeting the needs of customers. According to Supranto in Apriyani & Sunarti (2017), service quality is an activity that service providers must perform appropriately. The quality of service comes from a comparison of the service offered by the provider company whose service are felt directly by the customer.

By satisfying expectations and impression of the service provider's performance. Customer loyalty is according to the optimality of service quality toward customers. High-quality services increase consumer trust in priorities who have given. Training employees to constantly be polite with customer, treat customer as well as possible, be nimble with the cleanliness of the facility, and be responsive to customers need or want something, will improve provide quality service. Fulfillment of customer satisfaction with great quality will affect the increase in company revenue. Customer confidence in service quality encourages customer to return and using the service again.

On the other hand, a company's success is measured not only by the quality services but also by the provision of quality product. Stated from Alma in Umami (2019), a product is a tangible or intangible component that includes price, color, the seller's shop brand, and distributors that the buyer uses to fulfill needs. According to Mariansyah & Syarif (2020), the perception of each consumer regarding the purchase of a product, especially coffee enthusiasts, determines

product quality. According to Kotler in Alvin & Syarif (2020), product quality is inherent in the attribute of products and services that are offered in the market with the aim of attracting customer's interest to use the product according to the need that the customer wants.

The quality of the product genuinely determines which product is suitable for customer satisfaction with the quality of the resulting product. Customers are very concerned about product quality such as product defects, product hygiene and product convenience and completeness. Because some customers spend some of their money to buy products high-quality, products with the ease of use and maintained quality generate consumer trust (Afnina & Hastuti, 2018).

The company's attention of the details product and market needs also affect product quality. Ensure product quality company must realize the factor that can provide satisfaction and attract customers to trust in purchasing products. The quality of a product is determined by customers feel the products is the right choice to continue to use and trusting to loyal with product. By improving great quality products, customers will be completely satisfied with companies that prioritize quality in serving customers. The quality that is reached, has a positive impression and impact on the company that created customer satisfied in the use of the product.

Enhancing service quality and product quality in a company is a critical and integral part of company performance. leaders to employees must understand to implement quality service and products within the company. Therefore, the two approaches become an inseparable part to gain of satisfaction felt by customers. Service and product quality are determined by efforts to approach to satisfy

customer desires or requests that are based on customer expectations. Not only focus on one of these components, but both methods must be in alignment. Therefore, service and product quality are important factors to consider gaining customer satisfaction.

According to Kotler & Keller at Ibrahim & Thawil (2019), satisfaction is a person's reaction of a performance that has been compared in accordance with the desired expectations. The emotions that occur can be pleasurable, disappointing, satisfying, or neutral. Prioritizing customer satisfaction is the most important aspect of business success. According to Tjiptono in Apriyani & Sunarti (2017), customer satisfaction is a state expressed by a customer once customer realized that needs and desires are properly met in accordance with customer expectations.

Customer satisfaction defines a consumer's reaction or recognition of the results service and product. The performance is able to fulfill a customer's desires, resulting in a feeling of pleasure or satisfaction. According to Schanaars in Mariansyah (2020), the main goal of running a business is to delight customer satisfaction through performance.

Me& Coffee Works already has 2 branches in North Sumatra, which is in Me& Wahid and Me& Kalingga. Me& Coffeeshop Works is one of the famous coffee shop places in Medan. The warm and cosy feels of the place makes customers come often and is also the right place to complete assignment or work. Me& Coffeeshop Works not only have a great vibe and tasty coffee, but they also provide quality service to customers.

Some of the people who came to Me& Coffee Works to enjoy the coffee and the atmosphere it offered, but some felt they were unsatisfied with the quality service and quality product. Even though Me& Coffee Works keep striving to provide excellent performance, it cannot avoid customer dissatisfaction. Therefore, the writer decided to interview the barista and observe directly to the location. This is done to obtain information on customer dissatisfaction with the services and products offered.

In making observations related to the research, the authors conducted interviews with 30 consumers randomly who came to Me & Coffee Works on 5 December 2022 to 9 December 2022. The interview was conducted at Me & Coffee Works on Jalan Wahid. Based on the results of the interview, the writer found several problems that were made consumer complaints as follows.

Table 1.1 Me & Coffee Works Complaint Data

No	Me& Coffee Works received some complements about the performance of service & product
1	Customers feel that waiters are less agile in serving
2	Service performance didn't optimal in doing cleaning
3	The product offered such as cake still not inappropriate with the tastes expected by customers

Source: Me& Coffee Works (2022)

In addition, the writer found some reviews from google reviews. Below are some online reviews posted by some consumers who had received services and tasted the products offered by Me& Coffee Works Wahid Hasyim, Medan.



Figure 1.1 Me & Coffee Works Wahid Hasyim Medan Reviews
Source: Google Review



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Source: Google Review

As can be seen from the table and picture above, that Me& Coffee Works services and products need to enhance to gain the standard desires by customers. From the problem obtained, some customers suggest that the barista demonstrate maximum cleanliness performance, and the products offered are not in accordance with the tastes of customers who visit Me& Coffee Works. To maximize employee

performance in service and increase the quality of the food products provide, Me& Coffee Works must implement employee training.

Tight business competition is also a problem for Me & Coffee Works. This happens because there are similar competitors located on Jalan Wahid Hasyim and selling the same product so that it will be very competitive in prioritizing customer satisfaction. The following are some competitors with similar businesses on Jalan Wahid.

Table 1.2 Me & Coffee Works Competitors

No	Name
1	Kito Art Cafe & Resto
2	Jumpa Kawan Café
3	Boyan Coffee
4	Artistic Coffee
5	Diujung Senja Coffee

Source: Prepared by writer (2022)

With many similar competitors in the Jalan Wahid Hasyim area, it shows that it is very important to increase customer satisfaction through service quality and provide good product quality. Customer satisfaction is the main thing in maintaining business development in the long term.

According on the problem above, the writer is interested in conducting the final paper research with the title of **“THE INFLUENCE OF SERVICE QUALITY AND PRODUCT QUALITY TOWARDS CUSTOMER SATISFACTION AT ME& COFFEE WORKS MEDAN”**

1.2. Problem Limitation

The object of this research is Me& Coffee Works employees, the author focusing on service quality and product quality that influence customer satisfaction at Me& Coffee Works. Due to time constraints and avoiding excessive discussion, variables independent of this research as service quality and product quality, and variable dependent as customer satisfaction. The sample that will be used for this study is customers who had visited Me& Coffee Works.

1.3. Problem Formulation

According to the background that has been described, the problem formulation of the research will be discussed such as:

1. Does the service quality have an influence towards the customer satisfaction at Me& Coffee Works Wahid Hasyim Medan?
2. Does the product quality have an influence towards the customer satisfaction at Me& Coffee Works Wahid Hasyim Medan?
3. Does service quality and product quality have an influence towards customer satisfaction at Me& Coffee Works Wahid Hasyim Medan?

1.4. Objective of the Research

The purpose of the research to solve existing problems, which is:

1. To analyze the influence of service quality at Me& Coffee Works Wahid Hasyim Medan
2. To analyze the influence of quality of products at Me& Coffee Works Wahid Hasyim Medan

3. To analyze the influence of service quality and product quality towards customer satisfaction at Me& Coffee Works Wahid Hasyim Medan.

1.5. Benefit of the Research

The following are some of the research benefits:

1.5.1 Theoretical Benefit

The results of this research, the writer expect to increase new ideas and evaluation as consideration for improving service and product quality to create satisfaction for customer. Furthermore, this research provides new insight for author on the hospitality industry, and it may be useful as reference material future researcher.

1.5.2 Practical Benefit

The Practical benefit of the research makes researcher increases knowledge about implementing the method of service quality and how to provide well a product that satisfies customer needs. This research is anticipated to be beneficial as a reference source related to the service quality and product quality toward customer satisfaction at a coffee shop and that can be used as a comparison material in conducting research for future researchers.