

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Food and beverage industry is one of the business sectors that continue to experience growth. In today's growing economy, competition has increased in various aspects of life especially in the business world. Many companies are trying hard to come up with new ideas and capture a larger share of the market. The motivates make companies to keep improving the business so that can grow and expand quickly. Economy in Indonesia is still strong even though the global economy is slowing down. Food and beverage industry is running well and along with the increasing population growth in Indonesia, the volume of demand for food and beverage continues to increase. Food and beverage industry has been very competitive in recent years in offering customers a unique and attractive place to socialize, relax, and enjoy products such as food, drink, or quality service. Competition in the food and beverage industry is increasing along with developments in people's needs and lifestyle. One sector of the food and beverage industry that is currently developing is cafes. According to Andreas and Sari (2023), many people are interested in the culinary industry because of the enormous potential of the Indonesian market, as evidenced by the growth of the cafe, restaurant fast food and catering industries. With more cafes that appear, the competition conditions will become tighter, therefore every cafe must be able to compete.

Coffee Day Cafe Binjai as the research object is one of the well-known cafes in the city of Binjai which was founded in 2017. It is located on Jalan Sultan Hasanuddin No. 09/10, Binjai City, North Sumatera 20741, Indonesia. Coffee Day Cafe Binjai has been operating for 6 years and successfully attracted several loyal customers for a few years. Types of food that served by the cafe is Nusantara or Indonesian cuisine. Coffee Day Cafe is suitable as a place to hang out, eat, drink, relax, or work because it has quite comfortable outdoor and indoor rooms. Their opening hours are 08.00 AM – 12.00 AM for Monday to Friday and Sunday. On the other hand, 08.00 AM – 01.00 AM for Saturday. Coffee Day Cafe Binjai has 2 floors where there are indoor and outdoor rooms that customer can choose to sit. They also improve the quality of their cafe by providing Wi-Fi, live music, television, and toilet facilities. Therefore, customers will satisfy with the facilities and expand their customer satisfaction.



Figure 1. 1 Coffee Day Binjai's Logo and Location

Source: Coffee Day Cafe & Google (2023)

Coffee Day Cafe makes sure to provide high quality places, atmosphere, food, drinks, or service. Therefore, customers will be satisfied with what customer pay because it is commensurate with what they feel. With customer satisfaction, the customer will think about coming back and it is possible to become a loyal customer. It is important for the cafe to creating a positive and unforgettable customer experience which can influence to customer loyalty.

Table 1. 1 List of Cafe in Binjai

No.	Name of Cafe
1	Coffee Day Cafe Binjai
2	The Cafe House Binjai
3	Pulle Coffee & Eatery
4	KYIV Barber & Coffee

Source: Prepared by the Writer (2023)

Table 1.1 shows that list of cafes above is a cafe that is similar to Coffee Day Cafe Binjai because many customers visit it to relax, hangout, eat, or drink. The four cafes have the same menu of food or drink. These four cafes are in locations that are quite close to each other and strategic, so it's easy for customers to visit. Therefore, Coffee Day Cafe Binjai has many competitors that have a potential to reduce customer loyalty through brand trust, perceived value, and cafe atmosphere.

In recent years, several cafes have experienced a significant increase in popularity and compete for customer attention and loyalty. As competition gets tougher, owners or managers are faced with the challenge of attracting loyal and long-lasting customers. Customer Loyalty is one of the keys in a business and an important factor in maintaining the success and profitability of a cafe. Loyal

customers are customers who are satisfied with the performance carried out and the customer's expectations of the company can be fulfilled. According to Zahara (2020), customer loyalty can be identified as a repeat purchase, and this definition is expanded by Glinkskiene et al who say loyalty has a psychological basis. Loyal customers generate recurring revenue which positively influences the perception of the cafe and attracts new customers through word of mouth. According to Kotler and Keller (2020) define loyalty as a customer's commitment to repurchase certain products or services in the future even though circumstances and competitor's marketing efforts have the potential to make customers switch to other companies. Knowing the factors that contribute to customer loyalty is essential for designing effective marketing strategies and increasing customer retention. There are several factors that influence customer loyalty.

The first factor is brand trust, the success of the food and beverage industry is not only focused on products or services but also on the ability to create a positive brand image and build trust among its customers. Companies need to form a strong brand image because without a strong brand image it is very difficult for a company to attract new customers and retain existing ones. If a brand can meet customer expectations and provide quality assurance at every opportunity of use, therefore customers will be more confident in choosing. Supported by the results of previous research from Wardani et al (2023) which states that brand trust has a significant positive influence on customer loyalty. Brand trust plays an important role in shaping customer perceptions, attitudes, and behavior towards cafes. According to Madeline and Sihombing (2019), brand trust has a definition as a customer's feeling

of confidence and security in making a choice of brand because have had a good experience with the brand. Building and maintaining brand trust is critical to growing customer loyalty. The trust that customers place in a brand through perception of the brand's credibility, quality, or consistency grow customer loyalty. On the other hand, can be through proving the cafe's ability to deliver on promises and provide a positive customer experience. By knowing what is involved in forming brand trust such as reputation, service quality, product quality, and customer perception can better understand how brand trust influences customer loyalty.

Apart from brand trust, the second factor that influences customer loyalty is perceived value. Perceived value is considered as other supporting factor in creating customer loyalty. Perceived value is seen from how satisfied the service is and customers who feel their desires are fulfilled are likely to be loyal. In marketing, perceived value is an important point where the value given to customers can be measure of the success of a cafe. According to Wahyuni and Ihsanuddin (2019) stated that companies that provide perceived value can gain a competitive advantage. According to Wahyuni and Ihsanuddin (2019) result which shows that perceived value has a positive and significant effect on customer loyalty. Perceived value is better than what competitors provide will make customers feel satisfied and want to be loyal to the cafe. In terms of perceived value, if the customer's perception of the value of the quality provided is relatively high compared to competitors, it will affect the level of customer loyalty. The higher perceived value perception from the customer, then more likely a long-term relationship will occur. The effort or

costs incurred by a cafe are much greater if they must attract new customers rather than retain. Perceived value is important in shaping customer perceptions, attitudes, and growing customer loyalty towards cafes. Customer loyalty can increase if customers feel receiving excellent value for the price paid. Therefore, perceived value, pricing strategy, product, and service influence towards customer loyalty.

Table 1. 2 Food and Beverages Price Difference at Coffee Day Cafe with Similar Cafes

Menu	Coffee Day Cafe	Cafe House	Pulle	KYIV
<i>Nasi Goreng Seafood</i>	Rp35.000	Rp34.000	Rp35.000	Rp30.000
<i>French Fries</i>	Rp16.000	Rp22.000	Rp15.000	Rp22.000
<i>Coffee Latte</i>	Rp24.000	Rp28.000	Rp23.000	Rp30.000

Source: Prepared by the Writer (2023)

The third factor that is no less important that affects customer loyalty is cafe atmosphere. Each cafe certainly has a different appearance and atmosphere, some are attractive and unattractive. According to Rahmawati et al. (2020), atmosphere is a planned atmosphere that suits the target market and attract customer to buy. Store atmosphere (in this research is cafe atmosphere) can be a factor in distinguishing one cafe from another. On the other hand, it can be a reason for customers to be interested and choose where customers will visit and make repeat purchases. However, to attract and increase customer, the cafe must have an atmosphere that suits the desires of the target market. The strategy of cafe atmosphere is to have a comfortable atmosphere in the cafe which can be created through appearance, kind of music, lighting, interior, position (indoor/ outdoor) of the cafe itself. Supported by the results of previous research from Wibawanto & Suryadi (2023) which said that cafe atmosphere has a significant influence on customer loyalty. On the other hand, cafe atmosphere has a huge influence on value,

trust, and loyalty of customers because significantly influences customer's emotional and experience. A pleasant atmosphere can grow a positive feeling, encourage social interaction, and create a sense of attachment to the cafe, thereby influencing customer loyalty.

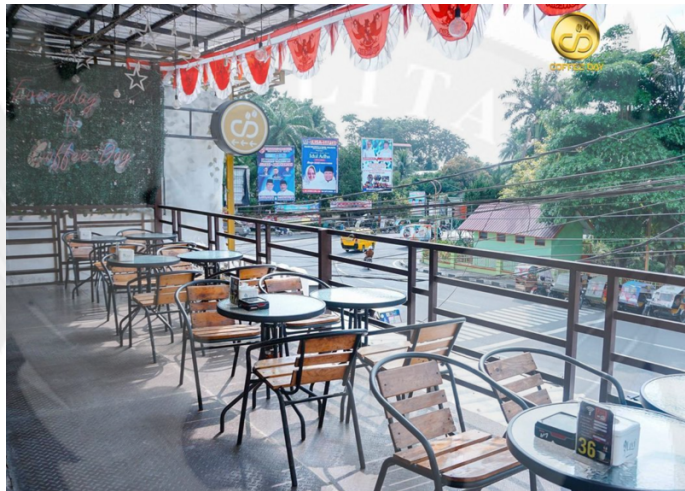


Figure 1. 2 Coffee Day Binjai's Upstairs Outdoor

Source: Prepared by the Writer (2023)



Figure 1. 3 Coffee Day Binjai's Indoor

Source: Prepared by the Writer (2023)



Figure 1. 4 Coffee Day Binjai's Downstair Outdoor
Source: Prepared by the Writer (2023)

Brand trust, perceived value, and cafe atmosphere are interrelated and important in driving customer loyalty in cafes. Positive brand trust results in positive perceived value, while the cafe atmosphere strengthens brand trust and perceived value. The three work together to create an emotionally satisfying experience for customers, thereby resulting in high customer loyalty and long-term success. In this increasingly competitive era, maintaining and enhancing customer loyalty become a top priority. In recent years, the food and beverages industry in Binjai has experienced rapid growth with the emergence of numerous cafes offering diverse new concepts and unique experiences to customers. This competition has encouraged Coffee Day Cafe Binjai to continue to increase brand trust, perceived value, and cafe atmosphere which are the main determinants of customer loyalty in the food and beverages industry.

Based on the writer's observation through google reviews, it is stated that Coffee Day Cafe Binjai regarding brand trust, perceived value, and cafe atmosphere has a good review too.

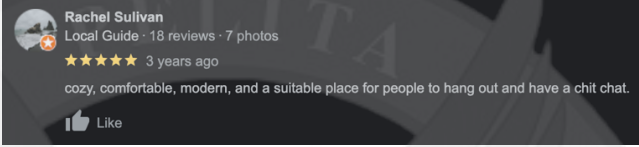

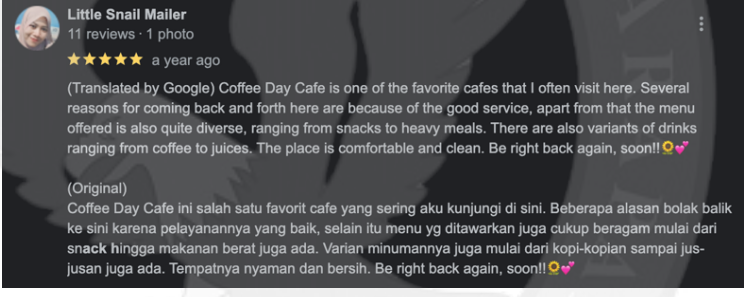
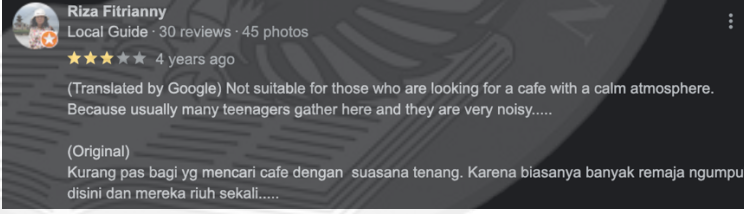
Coffee Day Cafe Binjai	Google Reviews
Brand Trust	 <p>Rachel Sullivan Local Guide · 18 reviews · 7 photos ★★★★★ 3 years ago cozy, comfortable, modern, and a suitable place for people to hang out and have a chit chat. Like</p>
	 <p>Airinnnn ★★★★★ 5.0 Nasi mya enak, cheff nya juga oke mengerti & memenuhi keinginan pembeli. Trims y cheff</p>
Perceived Value	 <p>Little Snail Mailer 11 reviews · 1 photo ★★★★★ a year ago (Translated by Google) Coffee Day Cafe is one of the favorite cafes that I often visit here. Several reasons for coming back and forth here are because of the good service, apart from that the menu offered is also quite diverse, ranging from snacks to heavy meals. There are also variants of drinks ranging from coffee to juices. The place is comfortable and clean. Be right back again, soon!! (Original) Coffee Day Cafe ini salah satu favorit cafe yang sering aku kunjungi di sini. Beberapa alasan bolak balik ke sini karena pelayanannya yang baik, selain itu menu yg ditawarkan juga cukup beragam mulai dari snack hingga makanan berat juga ada. Varian minumannya juga mulai dari kopi-kopian sampai jus-jusan juga ada. Tempatnya nyaman dan bersih. Be right back again, soon!!</p>
Cafe Atmosphere	 <p>Riza Fitrianny Local Guide · 30 reviews · 45 photos ★★★★★ 4 years ago (Translated by Google) Not suitable for those who are looking for a cafe with a calm atmosphere. Because usually many teenagers gather here and they are very noisy.... (Original) Kurang pas bagi yg mencari cafe dengan suasana tenang. Karena biasanya banyak remaja ngumpul disini dan mereka riuh sekali....</p>

Table 1. 3 Review of Google

Source: Prepared by the Writer (Google Review & Yummy Advisor)

Table 1.3 shows that from google review and yummy advisor there are customers who give a good review based on previous experiences that reflect a sense of confidence or trust in Coffee Day Cafe Binjai. It can be seen that the level of brand trust from Coffee Day Cafe Binjai will fulfill the promises and provide

consistent quality. For perceived value by customers in buying products or services from Coffee Day Cafe Binjai, the review of the benefits received from the cafe, some of which are commensurate with the costs they incur and some which are not. On the other hand, for the cafe atmosphere, there are many teenagers who gather. Coffee Day Cafe Binjai also has an indoor room which might have a calm atmosphere.

Table 1. 4 Occupany of Coffee Day Cafe Binjai

Year	Occupancy	New Customer	Repeat Customer
2017	95%	70%	25%
2018	90%	60%	30%
2019	75%	50%	25%
2020	30%	10%	20%
2021	45%	10%	35%
2022	60%	25%	35%
2023	85%	35%	50%

Source: Coffee Day Cafe Binjai's Owner (2023)

Table 1.4 the data shows the increase and decrease in the annual occupancy percentage, indicating the presence of new and repeat customers. The number of repeat customers is not consistent every year which affect the customer loyalty and implies concerns towards the brand trust, perceived value, and cafe atmosphere.

Above has the potential to decrease customer loyalty and make other cafes compete with Coffee Day Cafe Binjai because customers come from different backgrounds and has own needs or preferences. Ensuring customer loyalty is not always easy to achieve especially with repeat customers over many years. As a

result, Coffee Day Cafe Binjai experiences several dissatisfaction problems where there are customers who leave bad reviews and do not recommend the cafe because of the service, food, price, or atmosphere issues that greatly influence brand trust, perceived value, and cafe atmosphere of the cafe. If the problem is not immediately resolved, customer loyalty will keep continue decreasing and causing the cafe fail to maintain brand trust, perceived value, cafe atmosphere, and compete optimally. Therefore, the writer decided to find out whether brand trust, perceived value, and cafe atmosphere that contribute to the customer loyalty through conduct research with the title **“The Influence of Brand Trust, Perceived Value, and Cafe Atmosphere Towards Customer Loyalty at Coffee Day Cafe Binjai”**.

1.2 Problem Limitation

There are some limitations to this research due to the limitation of time and budget. For this research, there will be three independent variables and one dependent variable in conjunction with the indicators. The writer will focus on brand trust, perceived value, and cafe atmosphere of Coffee Day Cafe Binjai as an independent variable and customer loyalty as a dependent variable. As this research is conducted based on Coffee Day Cafe Binjai customers, results will be limited to the customers of Coffee Day Cafe Binjai based on their perception.

According to Chaudhuri and Holbrook in Rizan (2012) as stated in Aisyah et al. (2020), the indicators of brand trust is trust, rely, honest, and safe. On the other hand, according to Sweeney (2017) as stated in Budiyono (2021), the indicator of perceived value is emotional value, social value, quality/ performance value, and

price/ value for money. Moreover, according to Banat and Wandebori (2012) as stated in Riskawati et al. (2021), the indicator of cafe atmosphere is cleanliness, music, scent, temperature, lightning, color, and display/ layout. Furthermore, according to Putra (2022), the indicator of customer loyalty is saying positive thing, recommend friends, and continue purchasing.

1.3 Problem Formulation

Based on observations made by the writer during preliminary research in the cafe, the writer has formulated the problem from this research as follows:

1. Does brand trust have partial influence towards customer loyalty at Coffee Day Cafe Binjai?
2. Does perceived value have partial influence towards customer loyalty at Coffee Day Cafe Binjai?
3. Does cafe atmosphere have partial influence towards customer loyalty at Coffee Day Cafe Binjai?
4. Do brand trust, perceived value, and cafe atmosphere have simultaneously influence towards customer loyalty?

1.4 Objective of the Research

This research aims to:

1. To explain whether brand trust has partial influence towards customer loyalty at Coffee Day Cafe Binjai.

2. To examine whether perceived value has partial influence towards customer loyalty at Coffee Day Cafe Binjai.
3. To determine whether cafe atmosphere has partial influence towards customer loyalty at Coffee Day Cafe Binjai.
4. To discover whether brand trust, perceived value, and cafe atmosphere have simultaneous influence towards customer loyalty at Coffee Day Cafe Binjai.

1.5 Benefit of the Research

The research of brand trust, perceived value, and cafe atmosphere can influence towards customer loyalty at Coffee Day Cafe Binjai divided into two benefits such as:

1.5.1 Theoretical Benefit

The benefits obtained from this research can be benefit to researcher and readers. The benefit for researchers can implement the knowledge that researcher has learned in lectures at the university to analyze more about companies and actual problems compared to studying in theory. Therefore, gives researchers more insight into how customer loyalty, brand trust, perceived value, and atmosphere relate to the food and beverages industry. For readers, readers can learn a lot from researchers on this subject and can even be used as a reference for ways to retain customers and beverage industry. On the other hand, when readers are running a business and need an idea about the influence brand trust, perceived value, and cafe atmosphere have on customers remaining loyal to a service hand how it will result in better sales of product or service.

1.5.2 Practical Benefit

This research can add insight and deepen knowledge about brand trust, perceived value, and cafe atmosphere towards customer loyalty at Coffee Day Cafe Binjai. On the other hand, for cafes it is hoped that the results of the research can be a guide to finding out more about how brand trust, perceived value, and cafe atmosphere can influence customer loyalty and overcome the future problems. For other researchers, can be a reference for other academic work that is related to the topic of brand trust, perceived value, cafe atmosphere, and customer loyalty.

