

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The food and beverage industry are currently one of the industries that is highly popular among businesspeople in Indonesia. The various small- and large-scale food and beverage enterprises that are still operating today are evidence of this phenomena. Where Indonesian customers and business owners desire to look for something exciting, or what is in demand in this business period

Currently, the business that Indonesian citizens are most familiar with is one that thrives in the sector of a coffee shop. This fact may be observed from the environment around us, specifically in the neighborhood where we live or where we travel along the road. There are a significant amount of coffee shop businesses that have been operating continuously up to the moment, This does not necessarily mean that it is advantageous for coffee shop business practitioners, as these time practitioners must be more focused and determined when engaging in the relevant field of business. The owner of coffee shop business must be aware of the details of their strategy in order for the business to run efficiently and be more successful.

In Indonesia, coffee is a plantation product that is in high demand from both domestic and international markets. Indonesia is also regarded as the world's top producer of coffee, with an estimated 8.000 tons produced in 2022. Additionally,

it is claimed that starting in 2020, coffee production would always increase consistently ((BPS), 2023).

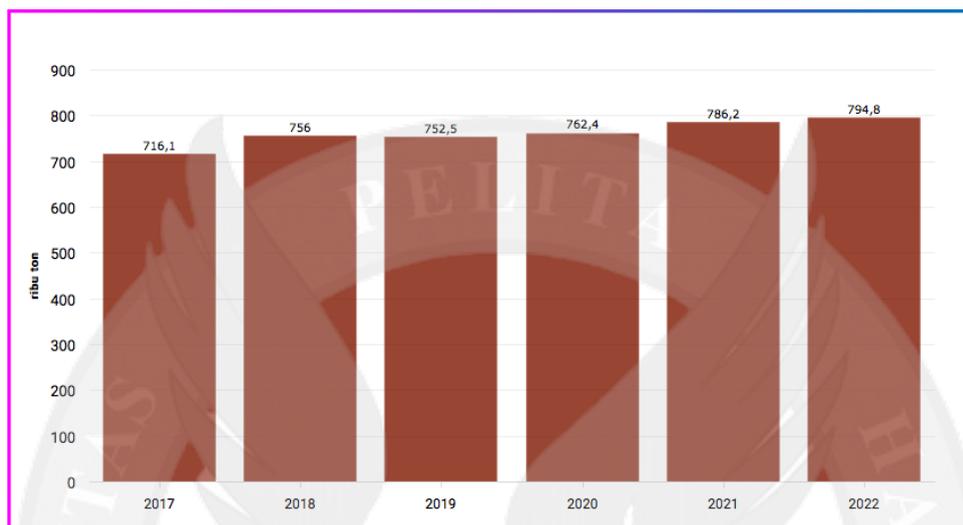


Figure 1 1 Coffee Production In Indonesia

Source (databoks, 2023)

Coffee was a common beverage that was frequently consumed at home or by workers. As time passes and lifestyles alter occasionally, coffee shops influence grows as more people congregate there for various reasons, such as to work, hang out with friends, participate in school or college activities, etc. It goes without saying that this is an opportunity for company owners to see the future potential of industry at coffee shops. As well as the development of an online motorcycle taxi application that facilitates product consumption and purchase for all consumers. Therefore, it is not surprising that the coffee business in Indonesia is increasing.

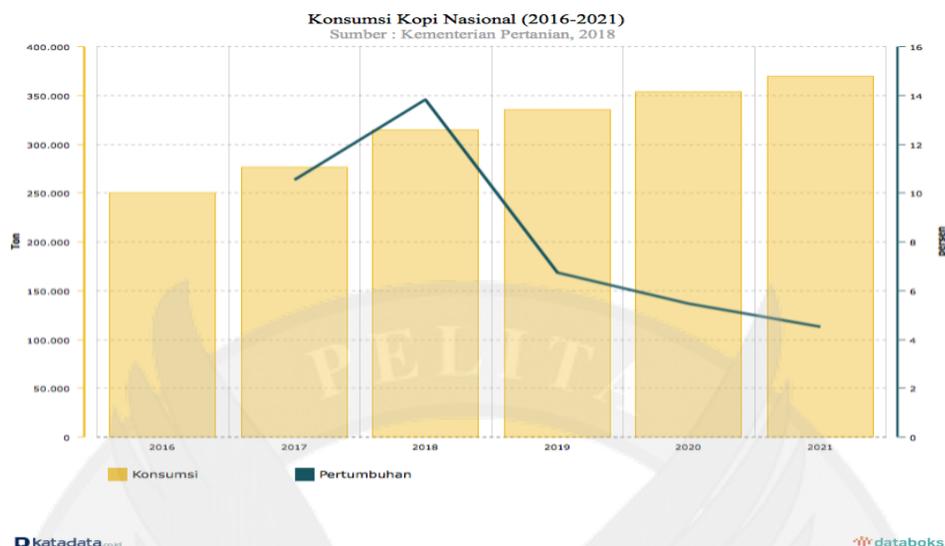


Figure 1 2 Coffee Consumption

Source: (databoks, 2018)

The competition for the coffee industry in Indonesia will inevitably get more stronger due to the increase in coffee production that takes place year after year. Competitors in the coffee industry must pay attention to both the quality of the services provided and the products that offered to the customers, as well as product, service quality and brand image that can achieve customer satisfaction. Every coffee shop picks a unique name so that it will be remembered and recognized by customers, as the huge amount of coffee shops in Indonesia can catch the attention of customers cannot be separated from the distinctive name or brand utilized. This calls on business owners to keep boosting the position of their brand in order to build a positive brand reputation and stick in customers' minds. Coffee shops must also maintain a strategy to attract the

attention of customers so that the products offered will always be remembered by customers.

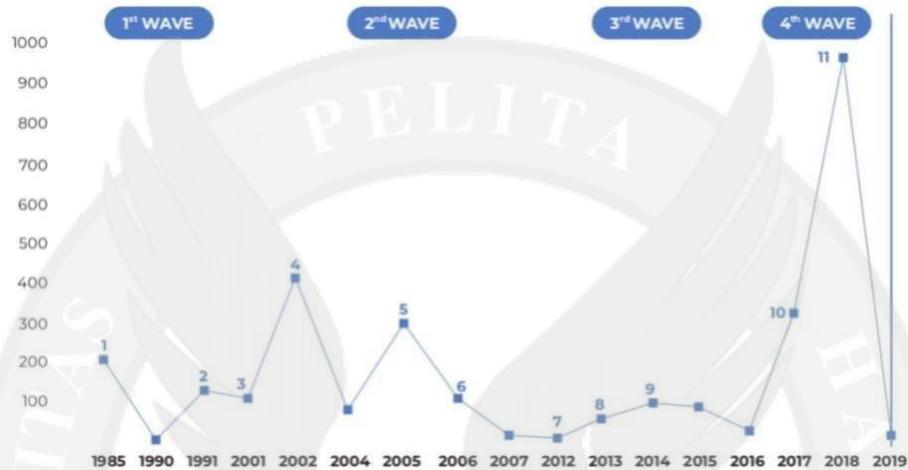


Figure 1 3 Indonesia Coffee Shop Industry

Source: (Toffin, 2020)

In this case, according to (Toffin, 2020) , this fourth wave means that coffee companies in Indonesia are getting bigger, lots of coffee brands are emerging that reach hundreds of branches in various regions due to the increase in RTD (Ready To Drink) coffee products or in other words Coffee to go at a more affordable price.

One of the strategies is to maintain and enhance the brand image of the shop, because brand image is not just what someone frequently refers to as a symbol or term for the brand, but rather a commitment from the company regarding consistency delivered to customers so that customers and the wider community recognize the brand

more than others, brand image is also crucial for businesses because pursuing in order will encourage customers to trust the products they are selling. Additionally, it aims that Indonesian coffee enterprises will create and distribute practical goods and high-quality coffee to satisfy market demand and encourage customers to consistently make purchases in the future. However, as coffee-related businesses have grown in popularity, many of these organizations often neglect their own product quality, service quality, and brand image which can be destructive for their business.

The first factor that influences customer satisfaction is Product quality. According to (Kuswibowo et al., n.d.2020), Customer Satisfaction is positively and significantly impacted by product quality. This demonstrates that customers satisfaction will increase in direct proportion to product quality. On the other hand, customer satisfaction will decrease depending on the product quality. So from the definition that has been said before, it can be concluded that if a coffee business can provide good quality products to customers, customers will automatically be more satisfied with the products offered by the coffee shop business, therefore every coffeeshop is obliged to maintain standardization of the products it sells. has been offered sothat the quality of the product remains unchanged and does not change from that quality, this can have an impact on customers to have a tendency and attract the attention of customers to continue making purchases at the coffee shop.

The second factor that influences customer satisfaction is service quality. According to (Ria Setyawati, 2023) In order to meet the expectations of customers satisfaction, service quality must have to satisfy customers desires with products

accurately. This is known as offering perfect service. A crucial factor that must be taken into account and enhanced if service quality is to remain relevant and be used as a consumer satisfaction. From the conclusions above, we can see that the quality of service in business is needed, because if the quality of service at a coffee shop does not meet consumer standards, then consumers will never buy or visit the coffee shop. And if the quality of service provided by a coffee shop is good, then customers out there will continue to tend to visit the coffee shop. Therefore, coffee shops are also required to have good Standard Operating Procedures (SOP), this can help coffee shops out there to maintain the quality of their services and to create more services for customers and also to achieve customer satisfaction.

The third factor that can influence customer satisfaction is Brand Image, according to (DWI SUSIANTI, 2021) in order to meet the expectation of customer satisfaction, the company's products need to have a loyal following and a positive reputation of brand image. A strong brand image is one of the business's assets because it affects every consumer thought and helps the public form favorable opinions of the goods offered by the business.

One of the coffee shops that is quite popular among us, especially in Indonesia, is Kopi Kenangan Coffee Shop. Kopi kenangan was founded by Edward Tirtanata in 2017. Kopi Kenangan provide various types of coffee drinks and non-coffee drinks. And it has been mentioned that Through the use of low-cost, high-quality ingredients, technology, prompt and courteous service, quality control, and innovative R&D, Kopi Kenangan aims to become the largest coffee retailer in Indonesia and globally. In

addition, they have the goal of establishing their selves as the top coffee retailer in both Indonesia and the whole world by utilizing a brand-new retail setting in which there are no distinctions between offline and online dealing because we put a high value on attending to the unique requirements of each consumer.

As expected by Edward Tirtanata, Kopi Kenangan has won a coffee shop which is one of the most well-known brands in 2021, As well as in the year of 2021–2022 coffee cafe Chain category of the World Branding Awards International Forum, Kopi Kenangan was yet again named Brand of the Year. However, based on what Kopi Kenangan has achieved, there are many reviews from customers who give unfavorable comments or negative comments on the Kenangan coffee shop in Medan, especially in terms of product quality and service quality. For example, there are some consumers who say that the taste of the order purchased is not as usual, and there are also those who comment that what is ordered is different from what is provided by the Kopi Kenangan employees, and there are also those who comment that the boba is given from the kopi Kenangan coffee shop is now chewy and tasty and the taste of the coffee is different in every outlet.

Here is the review regarding the product quality of Kopi Kenangan.



Figure 1 4 Online Review of Product Quality of Kopi Kenangan Medan
Source: GrabFood

Here is the review regarding the service quality of Kopi kenangan,



Figure 1 5 Online review of Service Quality in Kopi Kenangan Medan

Source: GrabFood

and the last one is there is a customer who complain about their employee service who doesn't pay attention regarding giving the straw for customers drink, that ordered in the online taxis.

Other problems are also found in the ratings on Google regarding Kopi Kenangan ratings in Medan, there are several Kopi Kenangan shops that get ratings below 4, this can cause problems in aspects of customer satisfaction and the Kopi Kenangan business. Because due to the rating below "4 (four)" of course there are problems at the store in terms of Service Quality, Product Quality, and even impact on the company's Brand Image will also be affected.

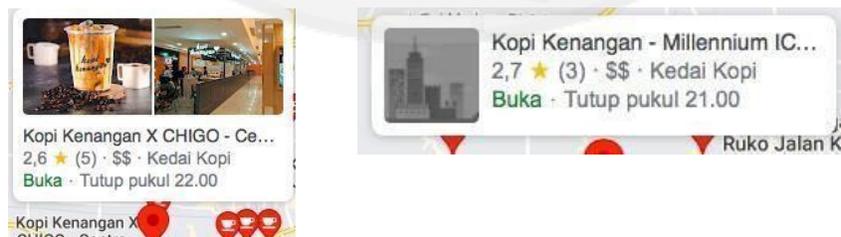


Figure 1 6 Online review in google of Kopi Kenangan Medan

Source: (Google.com)

From the comments and analysis given by Kopi Kenangan customers, it can be concluded that the Kopi Kenangan shop still has problems in the quality aspects of their product, services, and as-well as their brand image which have an impact on customer satisfaction that is still not met. And also writer also want to find out regarding kopi kenangan Brand Image, because the author wants to analyze whether the brand image of the Kopi Kenangan affects customer satisfaction, due to the brand image also has a bearing on the quality of the product and service offered and according to existing data that the quality of the product and service provided by Kopi Kenangan still has a difference.

However, from the various ratings given by Kopi Kenangan customers regarding the quality of their products and services, there are still many ratings that say that they are satisfied with the quality of the products and quality of service at Kopi Kenangan.



Figure 1 7 Positive Online Review in Kopi Kenangan Medan

Source: GrabFood

Therefore, Kopi Kenangan Coffee Shop must be more careful with product quality and service quality as well as their brand image at the shop, because due to the problems and negative comments about Kopi Kenangan continue to occur, it will have

an impact on the brand image of Kopi Kenangan and it can impact on the satisfaction for customers who buy products from Kopi Kenangan.

Based on what has been explained previously, therefore the writer is interested in analyzing the factors that influence customer satisfaction, namely product quality, service quality and brand image. Therefore the authors conducted a study of Kopi kenangan coffee shop with the title **“The Influence of Service Quality, Product Quality, and Brand Image on Customer Satisfaction at Kopi Kenangan Coffee Shop in Medan”**.

1.2 Problem Limitation

The following issues will be examined in this study based on the background information and recognition of issues that has been provided:

1. This study only uses 4 variables consisting of 3 independent variables and 1 dependent variable. Which consists of service quality, product quality, brand image and customer satisfaction.
2. This research on coffee memories is only researched in the city of Medan.
3. This research is limited to specific characteristics of respondent, female and male, those who have consumed or purchased Kopi Kenangan for more than once.

1.3 Problem Formulation

Based on the background that has been described above, the formulation of the problem in this research are:

1. Does the service quality of Kopi Kenangan significantly influence on customers satisfaction at kopi kenagan coffee shop in Medan?
2. Does the product quality of Kopi Kenangan significantly influence on customers satisfaction at Kopi Kenangan coffee shop in Medan?
3. Does the Brand Image at Kopi Kenangan significantly influence on customers satisfaction at Kopi Kenangan coffee shop in Medan?
4. Does the service quality, product quality, and brand image of Kopi Kenangan influence on customers satisfaction at kopi kenagan coffee shop in Medan?

1.4 Objective of the Research

Based on the background that has been described above, the objective of the research are as follow:

1. To identify whether service quality has significant influence on customers satisfaction at Kopi Kenangan coffee shop in Medan.
2. To identify whether product quality has significant influence on customers satisfaction at Kopi Kenangan coffee shop in Medan.
3. To identify whether brand image has significant influence on customers satisfaction at Kopi Kenangan coffee shop in Medan.
4. To identify whether service quality, product quality, and brand image of Kopi Kenangan has simultaneously influence on customers satisfaction at kopi kenangan coffee shop in Medan

1.5 Benefit of the research

1.5.1. Theoretical Benefit

The theoretical benefit in this research are as follow:

1. This research was conducted so that other research can contribute to conducting research in the field of management to enrich scientific research at the Universitas Pelita Harapan campus in Medan, especially in the field of marketing management related to customer satisfaction.
2. This research is expected to be able to help researchers to add insight and information about service quality, product quality, brand image and customer satisfaction, so that they have more references.

1.5.2. Practical Benefit

Benefits from this research are intended for a variety of participants, including:

1. For Company

This research is also expected to be able to help companies make input and opinions to continuously improve the quality of the services and products and brand image offered by the company.

2. For Writer

This research was conducted so that the writer could also gain insight and better understanding regarding service quality, product quality, brand image and also customer satisfaction in kopi kenangan coffee shop in Medan.