

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

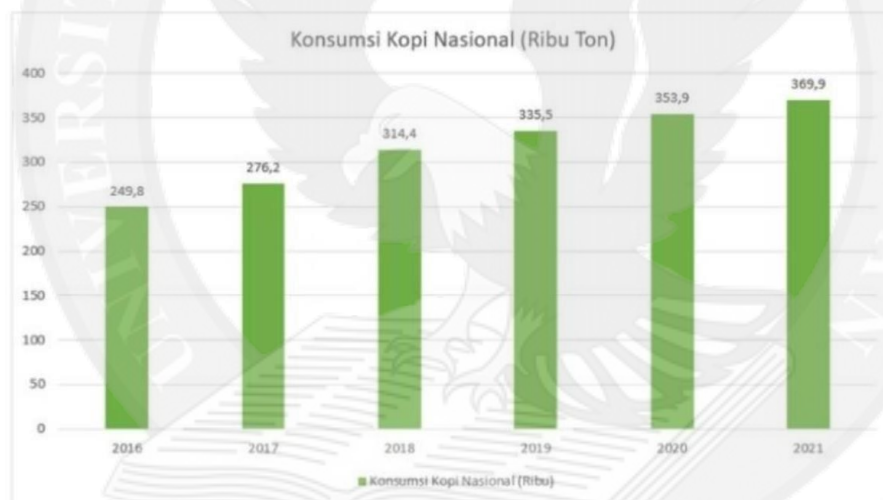
At current period of time, Food & Beverage is one of the trending industry which has significant growth and contribution in the economy. The industry include every company or store which provides consumable products towards customers, such as restaurants, cafes, fast-food store, etc. However, due to the Covid-19 pandemic in 2020, all sector of the economy including the F&B industry was disrupted by the turbulence situation.

When the economy had slowly recovered from the contraction, businesses had the chance to regain their sales due to the heightened demand of customers. The F&B industry could survive even during the pandemic and regain its growth after the economic recovery. As what had been stated by the Director General of Agro Industry, Ministry of Industry, Putu Juli Ardika, the F&B industry has played a crucial role in contributing to Indonesia's Gross Domestic Product (GDP).

In the first quarter of 2022, the industry is recorded to have contributed approximately 37.77% or a third part of the GDP from the non-oil processing industry in which is one of the most important sectors that support the economy. Moreover, Badan Pusat Statistik (BPS) also reported that in the year 2021, the F&B industry retained its performance due to the rising demand for the

customers and has contributed for 38.05% towards the non-oil processing industry or 6.61% of Indonesia's GDP.

Indonesia is also well known as one of the largest global coffee producers and exporters. With its abundant natural resources and suitable climate, Indonesia's coffee plantation covered approximately 1.24 million hectares width and the production which had amounted to 742,000 tons, Badan Pusat Statistik (2019). There are also a variety of unique coffee profile being produced from across Indonesia, starting from Luwak, Mandheling, Sidikalang, etc. Thus, it had been a common nature for the majority of Indonesian people to consume coffee in their daily activities and fit it as part of the culture.



**Figure 1.1 Indonesia National Coffee Consumption**

Source: theiconomics.com

The figure above indicates the national coffee consumption in Indonesia, where evidence reveals that there is a steady growth of roughly 13.9% coffee consumption throughout each year. Due to the trend and culture, many entrepreneurs have sought this opportunity as a way to establish their business, which

can be observed by the uprising number of coffee shops in the current social communities.

There are diverse range of coffee shops available for consumers in Medan as well, starting from brands such as Starbucks, and Excelso, to Kopi Janji Jiwa and other smaller brands. Each of them has their own characteristics, either in the strong developed brand reputation, product's quality, menu variation, or the pleasant environment. However, behind every purchase decision that customers had conducted, some factors drives them towards this behavior in selecting a specific coffee shop, such as the personal factors which involve their brand awareness, how they perceive the value of a brand or the atmosphere and facility which is being provided according to their liking.

Brand awareness is the condition where customers recognize the existence of a brand. In the purchase decision process, (Keller, 1993, as cited in Ansary et al., 2017) mention that brand awareness is one of the significant factors that has a major role in allowing consumers to be able to identify a brand in a certain category of product. Furthermore, (Jacoby et al., 1977, as cited in Ansary et al., 2017) mention that a substantial amount of consumers tend to purchase a product only from recognizing the brand as a well-established entity. (Ilyas et al., 2020, as cited in Priscillia, 2021), mentions several indicators of brand awareness that customers experience, such as top of mind, recall, recognition, and unawareness.

(Kotler, 1973, as cited in Tarigan et al., 2020), explain that ambiance or store atmosphere is a physical environment which the service industry usually puts efforts into to provide positive psychological or emotional effects

towards their customers and influence either their decision-making or increase the loyalty and satisfaction towards the store. According to (Nofiawaty, 2014, as cited in Sumartio et al., 2020), it is mentioned that there are several elements of a store ambience, which dimensions can be separated into: exterior design, interior display, general interiors such as lightning, music, color, and the store layout.

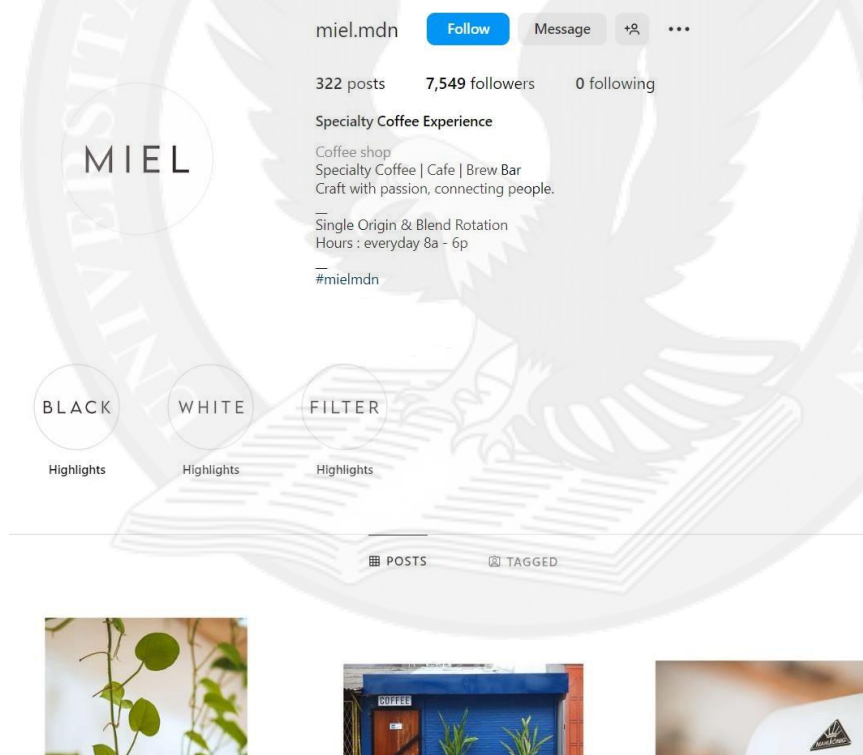
Damkuveine et al. (2012), mention that the value customer perceive is not the actual value that they receive, rather, it is their subjective perception towards the cost and benefit that they have gained. Due to the variety of coffee shops in the market, it will be difficult for some customers to differentiate between one product with another solely based on taste. Therefore, customers develop their sense of evaluation towards certain brands which can affect their purchase decision by involving another aspect such as emotional or social factors. Kim et al. (2020), stated that customer's perception of a coffee shop's value can be affected by the utilitarian value and hedonic values which they seek.



**Figure 1.2 Miel, Medan**

Source: Madhang.com

Miel is a coffee shop located at Jl. Dazam Raya No.4, Medan, which was established in March 2019 by the owner, Hendrik Tanoto. The shop itself specializes in serving specialty coffee, where customers are able to enjoy the high-quality single origin bean which comes with a unique taste profile and is brewed with professionalism. Miel has a minimalistic concept and offers a pleasant environment for customers to stay, accommodated by the natural plant decorations and building design which gives off aesthetic vibes that contribute to the uniqueness of the brand. Miel mainly conducts advertisements of their brand on Instagram and they also sell their beverages on online platforms such as Grab.



**Figure 1.3 Profile of Miel, Medan**

Source: Miel Instagram Page

The price list of Miel's menu will be shown in the table below:

**Table 1.1 Pricelist of Miel Medan Beverages**

Item	Price	
	Hot	Cold
<b>Black</b>		
Espresso	Rp 30,000	-
Long Black	Rp 30,000	Rp 35,000
<b>White</b>		
Cappucino	Rp 36,000	Rp 40,000
Latte	Rp 36,000	Rp 40,000
Magic	Rp 36,000	-
Flat White	Rp 36,000	-
Piccolo	Rp 36,000	-
<b>Filter</b>		
Single Origin Selection	Rp 40,000	Rp 45,000
<b>Others</b>		
Chocolate	Rp 38,000	Rp 43,000
Mocha	Rp 38,000	Rp 43,000
Matcha	Rp 38,000	Rp 43,000

Source: Miel, Medan

From the table above, the pricing of Miel's beverages ranges between Rp. 30,000 – Rp. 45,000, where the coffee beverages are divided into black, white, filtered coffee, and non-coffee drinks such as chocolate or matcha. The cost of the coffee might be slightly more expensive than other competitors due to the selection of exclusive single-origin coffee beans which originated from Siborong-borong, North Tapanuli regency, as Miel's specialty ingredients.

**Table 1.2 Sales Revenue at Miel Medan, 2022**

<b>Month</b>	<b>Revenue</b>	<b>%</b>
January	Rp 447,923,500	-
February	Rp 625,000,000	39.53%
March	Rp 612,650,000	-1.98%
April	Rp 578,000,000	-5.66%
May	Rp 721,470,000	24.82%
June	Rp 656,000,000	-9.07%
July	Rp 683,000,000	4.12%
August	Rp 630,200,000	-7.73%
September	Rp 685,000,000	8.70%
October	Rp 711,050,000	3.80%
November	Rp 645,000,000	-9.29%
December	Rp 873,170,000	35.38%

Source: Miel, Medan (2023)

Based on table 1.5 above, the data indicates that Miel had a significant fluctuation of sales in the early year, where the revenue increased by 39.53% from the first month. However, contractions happen in the following months, where the revenue dropped by 1.98% and 5.66% % before having a great recovery again of over 24% in May. There was also quite a loss of revenue in June compared to the previous month, which amounts to a 9.07% reduction. Afterward, the sales have an up and down trend throughout the months which then having the highest revenue of the year in December.

**Table 1.3 List of Google Reviews towards Miel, Medan (2021 – August 2023)**

No	Description	Rating
1	Only have beverages and cake. The place is quite nice but small, cannot say feel comfortable sitting too long chatting with friends or colleagues.	4
2	The place is cramped, the seats are not relaxing, and the coffee & cake are delicious, it's just that the price is a bit expensive, and it doesn't match the portion.	3
3	The coffee shop is hidden in the middle of the city, from the front it doesn't look like this is a coffee shop, because the clues aren't that big and there's only a brown entrance with blue walls.	4
4	Hidden gem in my opinion. When looking for the place, it's rather difficult, especially since there's no sign of Miel's name. But fortunately, everything is delicious, the ambiance is good for chatting, and the service is as friendly as the staff. The coffee doesn't fail. The pastries are also delicious even though they don't provide heavy food yet.	5
5	Delicious coffee, yummy pastries, and cheesecake, and the most delightful staff who greet you with vigor! Love it. Visited twice in two days during my Medan visit. Highly recommended.	5
6	Lovely place and has very friendly staff, unfortunately I don't know if it is the local taste, or just a bad batch of coffee, the beans used in our brew (Gayo+Kintamani) is way too dark of a roast with bitterness showing through even in drinks with milk.	3




Source: Google Review

From Google reviews, most of the comments highlight the wonderful service quality of Miel and its ability to deliver high-quality coffee and delicious side dishes. Nevertheless, there are still several reasons why Miel has difficulties in attracting new customers. Some of the factors involved in the coffee shop atmosphere, which is also being mentioned in the review, where the small space limits the number of customers who desire to enjoy their time at Miel. In addition, the brand awareness of customers in Medan towards Miel can be considered low, due to the small shop and brand name plate which might not be

engaging enough to attract people who passed through the area.

Thus, the writer has decided to compare Miel with other coffee shop competitors in Medan in terms of the variable being studied in this research. The comparison of brand awareness will be shown in Table 1.2 below.

**Table 1.4 Brand Awareness Comparison**

<b>Miel</b>	 <p>miel.mdn <a href="#">Follow</a> <a href="#">Message</a> <a href="#">+</a></p> <p>322 posts    7,549 followers    0 following</p> <p><b>Specialty Coffee Experience</b> Coffee shop Specialty Coffee   Cafe   Brew Bar Craft with passion, connecting people. — Single Origin &amp; Blend Rotation Hours : everyday 8a - 6p — #mielmdn</p>
<b>38 Coffee Lab</b>	 <p>38coffeelab <a href="#">Follow</a> <a href="#">Message</a> <a href="#">+</a></p> <p>204 posts    8,688 followers    1,053 following</p> <p><b>38 Coffee Lab</b> Entrepreneur Coffee and Comfort Food 📍 38 Coffee Lab at Dagan 📍 Private Coffee Experience @ke.meja38 • Business Hours: Monday - Saturday 10AM - 6PM Sunday Closed</p>
<b>The Coffee Natics</b>	 <p>thecoffeenatics <a href="#">Follow</a> <a href="#">Message</a> <a href="#">+</a> ...</p> <p>4,107 posts    39.8K followers    1,048 following</p> <p><b>Coffeenatics</b> Specialty Coffee Roaster, Wholesaler, Academy, Cafe based in Medan and operating throughout Indonesia - Mooncakes is Now Available 🍵🍵 📍 campsite.bio/TheCoffeenatics + 3</p>

Source: Instagram Page

To measure the brand awareness of customers towards the coffee shops in Medan, the writer has decided to use the Instagram platform as one of the methods to determine their popularity in the market through their social media

profile. Based on the table above, the presence of Miel is relatively small compared to its competitors, as can be seen from the numbers of people following each of their accounts, where a larger number indicates more people recognizing the brand. Another factor is through the advertisements that they had conducted, as Miel focuses on posting their decorations and coffee presentation. However, they had stopped promoting on their account since 2 May 2022, which mitigates their exposure to new customers.

**Table 1.5 Ambience & Perceived Value Comparison**

No	Miel	38 CoffeeLab	The Coffenatics
1	The taste of coffee here is unique, so it's a new experience for drinking coffee. It's worth a try.	Nice atmosphere, staff friendly, food and drink okay. Pls, visit if u looking for a small cafe that has a calm atmosphere and serves you very nice.	This place's atmosphere is unique. Different from others. The coffee is great, food is okay. Many variety menus. But it's an overprice for all dishes.
2	Very good ambience, good price, good coffee. The only weakness is the narrow space.	Lovely food, great coffee, amazing staff, and an outstanding atmosphere! What more do you need? Greatly recommend this little gem and I will definitely come back!	Lot to compliment but first the atmosphere is so amazing. If you are looking for a good African coffee and Sumatran coffee, this is THE place to visit. As a coffee lover myself, loved to see the passion and quite skillful brewing from baristas.
3	The coffee shop is hidden in the middle of the city, from the front it doesn't look like this is a coffee shop, because the clues aren't that big and there's only a	38 Coffee Lab is a great place to enjoy a sip of coffee or tea or even a plate of the main course. Their coffee tasted good and even the tea. Their crew members also provide warm service. They	Chanced upon the place while exploring Google Maps, and went for a cup of afternoon coffee. The ambience is great - comfortable yet still lively. The manager was so patient and kind explaining all the different beans they have.

	brown entrance with blue walls.	have indoor and outdoor dining spaces. Pricing is standard	
4	Nice place, but a little hot, especially when it's getting crowded. Nothing special about the coffee...	True to its name, a wonderful coffee lab with humble yet detailed baristas. Coffee lovers, you definitely should try this café when you're in town!	Incredible rice bowls and coffee creations. Best food in Medan. Very cozy atmosphere and a very attentive and friendly staff.
5	The place is cramped, the seats are not relaxing, and the coffee & cake are delicious, it's just that the price is a bit expensive, and it doesn't match the portion.	Clean and cozy place in medan . Checked their Beautiful Victoria Arduino machine , tried the strong piccolo and their Japanese manual brew coffee	It's a great experience, the ambiance is very welcoming and charming. The coffee never Failed I'd like to drink a coffee latte and an ice latte, All cake was delicious as expected. Can't wait to comeback
6	The place is cool, but for coffee lovers, it's a little lacking, maybe just the 1st experience.	A comfortable coffee place, there is an air-conditioned place and a smoking area. It can be used to hang out casually or can also be used for small meetings or meetings with co-workers, it's still comfortable.	Been here few months ago and still remember the good ambience. A cozy place to have a cup of coffee. Love the natural lighting in this cafe. Best place to contemplate, I think. They have beautiful latte art too.

Source: Google Review

From the table above, the writer has compiled several reviews of Miel and its competitors to represent customers' judgment towards the stores' atmosphere. Perceived value is included in the table above as it can be measured through customer reviews as well. It shows the value that customers seek when choosing a certain coffee shop, whether it is to enjoy the aesthetical aspect of the

ambiance, the product which worth the cost, the unique taste of the beverage, the friendliness of the service, or any other experiences.

Therefore, based on the background study, the writer intends to analyse Miel customer's purchase decision by formulating the title **“Influence of Brand Awareness, Ambience, and Perceived Value towards Customers’ Purchase Decision at Miel, Medan”**.

## **1.2 Problem Limitation**

The problem limitation in these research, consists of the:

1. The variables being studied are focused on brand awareness, ambience, perceived value, as the independent variable, and purchase decision as the dependent variable. The indicators for purchase decision involve problem recognition, information search, alternative evaluation, purchase decision, and post-purchase decision (Kotler & Armstrong, 2016, as cited in Budiman et al., 2021). Meanwhile, brand awareness indicators consist of unawareness of the brand, brand recognition, brand recall, and top of mind (Aaker, 1991, as cited in Priscilla, 2021). Furthermore, the indicators implemented for ambience are interior display, general interior, and store layout (Nofiawaty, 2014, as cited in Sumartio et al., 2020). lastly, 2 out of 5 indicators of perceived value based on (Sheth et al., 1991, as cited in Fernando, 2021) will be used in this research, namely functional value and emotional value.
2. The respondents’ population is limited to those who had ever purchased Miel’s product or visited the shop. The characteristics of the respondents consist of both males and females with an age range between 18 until 40.

3. The survey is conducted through an online questionnaire and by taking into consideration the time limitation, the duration of the data collection will be carried out for only 2 weeks, which is from 15<sup>th</sup> October until 29<sup>th</sup> October.
4. Due to the implementation of the snowball sampling technique in gathering the data, there is a possibility that sampling bias may occur in the process, or the deviation of the sample's result from the actual population.

### **1.3 Problem Formulation**

The questions which will be used in these research, involve:

1. Does brand awareness have a partial effect on customer purchase decisions at Miel, Medan?
2. Does ambience have partial effect on customer purchase decisions at Miel, Medan?
3. Does perceived value have partial effect on customer purchase decisions at Miel, Medan?
4. Do brand awareness, ambience, and perceived value have a simultaneous effect on customer purchase decisions at Miel, Medan?

### **1.4 Objective of the Research**

The objectives of conducting the research are as follows:

1. To examine the partial effect of brand awareness towards customer purchase decisions at Miel, Medan.
2. To examine the partial effect of ambience towards customer purchase decisions at Miel, Medan.

3. To examine the partial effect of perceived value towards customer purchase decisions at Miel, Medan.
4. To analyze the simultaneous effect of brand awareness, ambience, and perceived value towards customer purchase decisions at Miel, Medan.

### **1.5 Benefit of the Research**

By conducting the research, it is hoped that it can contribute towards providing benefits either in theoretical or practical aspects.

#### **1.5.1 Theoretical Benefit**

This research is expected to be able to provide knowledge regarding how the influence of brand awareness, ambience, and perceived value can affect customer's purchase decisions towards a certain brand and can contribute as a reference for future studies.

#### **1.5.2 Practical Benefit**

The research's result can assist Miel's development in identifying some of the factors that customers take into consideration when selecting a brand through the survey. Moreover, other parties may use these studies as a reference or conduct an improvement of the theories.