

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

Nowadays in a competitive market, a company should be able to change and adapt to the competitive market in order to survive and keep growing. One of the most important objects in doing business is customers. A company cannot survive without having a customer. Because of this, company should be aware and make a strategy in how to retain their existing customers. Customer's satisfaction is one of the most important things that the company needs to gain.

In retaining its customers, a company should be able to see and learn the customers' expectations in terms of product and services. Customers will be satisfied if the product and services that the company offers is beyond their expectation. So, customer's satisfaction defines how the customers feeling when they are using our goods or service, whether they are satisfied or dissatisfied.

These days, having a fellowship in a coffee shop or café has become a lifestyle in our society. Not just a fellowship, but they can also have a meeting or studying groups at the coffee shop. One of the reasons why they choose coffee shop is because it is cozy, relax and affordable. They just need to order a drink and they can sit there for a whole day.

Maxx Coffee as the research object is a coffee shop who has a significant growth in Indonesia. It can be seen from its establishment until now. Established in 2015, Maxx Coffee introduced a coffee shop that serving local coffee beans

from Indonesia and from foreign countries. Maxx Coffee also brings out the ‘cozy’ and ‘relax’ atmosphere to the coffee shop. They also train their bartenders well to give the best service to the customers and treat all customers as their best friends.

As one of the biggest local café franchises, Maxx Coffee faces some issues that might reflect in the declining retail sales growth.

**Table 1.1 Total Visitors of Maxx Coffee in Lippo Plaza Medan**

Month	Total Visitors
November	2873
December	2955
January	2717
February	2215
March	1548

**Source: Interview with Supervisor of Maxx Coffee**

As we can see from the table above, the average visitors of Maxx Coffee Lippo Plaza are fluctuating. It can be affected by several things like the quality of the product, promotion, service quality and many else. The total visitors of Maxx Coffee can affect the income of the company too. All of the things (quality of the product, promotion and service quality) are really important for the company to improve the satisfaction of customers that leads to the loyalty of the customers. The fluctuating of the total visitors can also be affected by the satisfaction of the customers. If the customers feel satisfied with the product, they will keep buying the product and become the loyal customer for the company. The satisfaction of the customers can determine whether the company is treating the customer good or not.

The satisfaction of the customer can be shown by the criticism and recommendation from the customer to the company.

**Table 1.2 Criticism from the customers**

No.	Criticism from the customers
1.	Maxx Coffee Lippo Plaza doesn't deliver product as accordingly
2.	Took a long time while purchasing process
3.	Lack of skillset of the employee
4.	There is employee who are not friendly
5.	Lack of promotion

**Source: Interview with the supervisor of Maxx Coffee**

Based on the table shown above, we can see some of the criticism from the customers. With the data above, Maxx Coffee should give its best services to the customers by improving its skill set and knowledge of the product. The company must change the strategy to improve its reputation in these competitive markets.

Maxx Coffee learns the market these days as an opportunity to gain the customers. Not just gaining, but also making a strategy to retain its customers by giving the best service to their customers. The company tries to fulfill what the customers want and what the customers expect from them.

Customer satisfaction leads to customer loyalty. A loyal customer will regularly purchase the product or services. They will also keep promoting the product to the others. That is what we called as 'word of mouth'. It will give a positive impact for the company and it is a free advertisement for the company.

Based on the explanation above, the writer is interested to conduct the research with title as follows: **“The Effect of Customer Satisfaction on Customer Loyalty at Maxx Coffee in Lippo Plaza Medan”**.

## 1.2 Problem Limitation

The object of this research covers a considerable number of customers at Maxx Coffee in Lippo Plaza Medan. The results of this research cannot be theorized to all products, location and customers due to the time limitation. The indicators of this research are as follows:

1. Customer Satisfaction Tjiptono (2014, p.369):
  - a. Overall Customer Satisfaction
  - b. Confirmation of Expectations
  - c. Intention to buy again
  - d. Willingness to recommend
2. Customer Loyalty (Pascal, 2016) :
  - a. Net Promoter Score (NPS)
  - b. Repurchase Ratio

## 1.3 Problem Formulation

Based on the background of study, the questions to be answered in this research are as follow:

1. How big is the contribution of customer satisfaction at Maxx Coffee in Lippo Plaza Medan?
2. How big is the contribution of customer loyalty at Maxx Coffee in Lippo Plaza Medan?
3. Does the customer satisfaction have an effect to customer loyalty at Maxx Coffee in Lippo Plaza Medan?

#### **1.4 Objective of The Research**

1. To identify how big is the contribution of customer satisfaction at Maxx Coffee in Lippo Plaza Medan.
2. To identify how big is the contribution of customer loyalty at Maxx Coffee in Lippo Plaza Medan.
3. To identify whether there is an effect of customer satisfaction on customer loyalty at Maxx Coffee in Lippo Plaza Medan

#### **1.5 Benefit of The Research**

##### **1.5.1 Theoretical Benefit**

Theoretically, this study is expected to broaden knowledge about management in terms of customer satisfaction and customer loyalty. Moreover, for both writers and readers, the research will be good to improve both parties' knowledge.

##### **1.5.2 Practical Benefit**

1. For the writer, this research can add knowledge about research variable theoretically. The writer can then implement the theory and research result in the future.
2. For the company, this research can be used as input material in conducting their business effectively and implementing entrepreneurship appropriately.

3. For future researcher, this research can be used as reference for similar topics.

This study is to identify and to proof that customer satisfaction have a big effect in increasing customer loyalty at Maxx Coffee in Lippo Plaza.

