

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Food is an essential element in every living creature's daily life, for it provides nutritional support for the body as one has to get the energy for activity, growth, and earn a healthy immune system. In the past, people, especially mothers would stay at home to cook and care for her family. However, nowadays as lifestyles are getting expensive, balancing the input and output of cost is not as easy as it used to be. Both parents must work to meet their daily necessities. Thus, as people are getting busier, eating outside is one solution to increase the effectiveness and efficiency to make their hectic schedule lighter, as they do not have to clean after eating, and can pick fast food options from restaurants. According to Enslie (2007), family meals have declined over the years, working parents eat more meals outside from home or provide foods for their family that has been prepared by others. With more people choosing to eat out, many businesses have taken this as an advantage, making the food and beverage industry thrive.

The food and beverage industry in Indonesia itself has reached a prominent position within the other industries. According to Indonesia Investments (2018) with an approximately 267 million populations, Indonesia has one of the largest food service industries in the ASEAN region. And are expected to show an annual growth rate of 7.06% from 2018 to 2023.

Many citizens start from youngest to oldest, open their own restaurants, cafes, *rumah makan*, some also cook their own signature dish at home to sell it to other consumers through pre-order system. In fact, if one travels from distance A to distance B around Indonesia, most businesses they will see are the food and beverage businesses. Starting from single stand food stalls to huge two stories high restaurants.

With the increasing amount of businesses offering food and beverage services every year, the food industry becomes highly competitive. Yet proven to be a profitable business. In addition to the change of social environment, better education, and the development of culinary culture, the expectation of Individuals kept increasing over the years. Culinary no longer means tasting varieties of food but also becoming the trends, lifestyle, and activity to do for social reasons. Demanding for a more and better product. Searching here and there to locate beautiful places where it is “Instagram-able” or “aesthetic”. A place that is beautifully comfortable yet has amazing food taste.

The growth of customer demand and new business in the food sector construct even greater challenge to the food industry. Restaurants have to improve themselves in order to achieve and maintain a competitive advantage and interests within the customers. To achieve this, many of the businesses try to strengthen their business by enhancing the store’s ambience, food quality and better service quality, thereby ensuring each customer is satisfied during their dining experience. Customer satisfaction is one of the main aims of a food industry. People do not come to a restaurant only to fulfill their needs. But also to feel satisfied.

All food industries, see it important to maintain a high satisfaction level of their customers. A satisfied customer may bring many advantages to a restaurant. When a customer is satisfied, there are chances that the customer will return again. However, a dissatisfied customer may speak ill of the restaurant. Which later become a saboteur and dissuading potential customers to visit the restaurant.

There are many determinants of customer satisfaction in a restaurant. Within those determinants, ambience, food quality and service quality has shown the greatest effects on customer satisfaction (Ha & Jang, 2010). The ambience can be stated as the character of an atmosphere that create indirect impression on the people who visit the place. Considering dining no longer merely defined for tasting variety of food, currently customers visit the restaurant mainly to fulfill their social needs. Which mean, activities in the surrounding are just as important as the food. This motivates restaurants to improve their physical appearances to create the perfect ambience for the customers which can make customers have the urge to stay longer. There are five elements that resemble ambience, namely light quality, noise level, space and scale of the building, touch, and smell (Hannah: Restobiz, 2014). Depending on the target market of the business, the five elements can influence customer's satisfaction towards the food and service offered. For instance, high school or university students generally prefer calmer music to accompany them while studying in a café.

Service quality also has a role in customer satisfaction. Service quality is the technique how businesses implement the service. It is evaluated by the gap between the expected service and perceived service (Parasuraman et al, 1985).

Whether the employees perform good or bad service, the service quality will influence the judgement of the customer. The service quality model (SERVQUAL) has five dimensions that are commonly used as an indicator for customer satisfaction. The dimensions include tangible, responsiveness, reliability, assurance, and empathy.

Having three of these factors (food quality, service quality, and ambience) will benefit the business to have a competitive advantage. However, if the business does not have one of these factors, it can be a minus point to win against the competitive market of the food industry. As customers might think, a restaurant with excellent food taste, but bad service is not as good as a restaurant with average food taste but good service. For these reasons, to stand out in the competitive industry, businesses have to elevate and maintain their physical appearance, food quality, and better service to create a perfect ambience for their customers.

According to Restomart (2019), the restaurant can be classified into 5 categories which include: fast food restaurant (e.g., McDonald's), fast-casual dining (e.g., RM. Garuda), cafes (e.g., Starbucks), casual style dining (e.g., Nelayan), and fine dining restaurants. Commonly, Café provides light meals like cakes, snacks, soups, coffee, and tea beverages. On the other hand, Restaurants provide heavier meals for brunch, lunch, or dinner. However, there are some cases where a café also implies a casual restaurant where sustenance is served (Choudhury, 2018). Both have a similar type of vision and mission toward their customers which is to provide customers an extraordinary experience.



Figure 1.1 Logo of Kito Café & Resto
Source: Prepared by the writer (2021)

Kito Café and Resto started their business in the year 2016 on Wahid Hasyim Street in Medan City. It is a family-owned business founded by Wali and Mei Sien. At the time, Wali and Meisien saw the opportunity to open up a café and resto as there are still not much food business opened in the area of Medan city. They wanted to combine the concept of creativity and dining together. Kito Café and Resto target market is seniors, families, white collar workers of all ages and young adults. Kito café and resto equally target both male and female but in relation to females, they seem to be the gender who enjoys hanging out more. The opening of Kito first café and resto is not extravagant. No flyers were distributed nor any announcement of the opening on social media. People just randomly enter because of their curiosity towards the design of the café and decided to enter.

Many of the customers are amazed by the interior design as it is believed to be the first ever “art” themed café and resto in Medan. Every corner of the room is filled with vintage artistic decorations. Additionally, they provide A2 size paper and crayons for customers to draw while waiting for their meals, making it suitable for families and teenagers to hang out. The finished drawings can be brought back home or pasted to the wall at the cafe. Until now, most masterpieces of their customers are still on the walls.

After the first café, the owners continued to expand the branch into other two locations: Gatot Subroto street (Kito Floral Café) and Krakatau Street (Kito Garden Café) in Medan City. This time, the themes are based on flowers and garden. According to the manager of Kito Art Café, Dani Handrian, the best thing about Kito Cafe is the price, which is relatively cheap compared to others businesses in the café and resto sector. He also stated that Kito Café Medan serves a wide variety of food, starting from soup, fried rice, Chinese cuisine, western cuisine, until nusantara food (Tribun Medan, 2019). Among the review websites, many of them provide information about the café: the complete address, opening and closing hours, contact number, price range, photos, until review from customers who visited the place. Here are some reviews that are taken from google map reviews:



Figure 1.2 Customer Review of Kito Café in Google
Source: Prepared by the writer (2021)



Figure 1.3 Customer Review of Kito Café in Google

Source: Prepared by the writer (2021)

Taken from the statement given by the manager of Kito Café regarding the cheapness of food and wide variety of food, the researcher also notices other factors that may affect the satisfaction of a customer and the intention of customers to come back in the future. Supported with the feedback in **figure 1.2** from customers in google review, there are still absence in term of food quality and service quality delivered to the customers. Therefore, through this research paper, it is necessary for the researcher to identify **“The Influence of Café Ambience, Food Quality, and Service Quality towards Customer Satisfaction in Kito Café Medan”**

1.2 Problem Limitation

The study presents some limitations. First, the data is collected only in one specific café and resto which is Kito Café Medan. Accordingly, the discoveries cannot be generalized to all food and beverage industry. Secondly, there are many aspects that can affect the performance of a business. Within those aspects the study only focusses on analyzing customer satisfaction through three variables, which are ambience, food quality and service quality.

1.3 Problem Formulation

According to the research background of the study on top, we can conclude that the problem formulations are:

1. To what degree does Ambience influence customer satisfaction of Kito Café Medan?
2. To what degree does Food Quality influence customer satisfaction of Kito Café Medan?
3. To what degree does Service Quality influence customer satisfaction on Kito Café Medan?
4. How does Ambience, Food Quality and Service Quality affect the satisfaction of customer in Kito Café Medan simultaneously?

1.4 Objective of the Research

The main purpose of this research is to determine and analyze the relationship between Ambience, Food Quality and Service Quality towards customer satisfaction. The objectives will be stated below:

1. To find out and analyze the influence of Ambience towards customer satisfaction in Kito Cafe Medan.
2. To find out and analyze the influence of Food Quality towards customer satisfaction in Kito Café Medan.
3. To find out and analyze the influence of Service Quality towards customer satisfaction in Kito Café Medan.
4. To find out whether Ambience, Food Quality and Service Quality simultaneously influence Customer Satisfaction in Kito Café Medan.

1.5 Benefit of the Research

Results from this research is expected to give deeper understanding connected to the topic of this observation. Thus, from this study, company or other researchers can know and use as a technique to maximize customer satisfaction through ambience, food quality and service quality.

1.5.1 Theoretical Benefit

Hopefully, the research gives further understanding regarding ambience, food quality and service quality towards customer satisfaction in the food industry and used as reference for future researchers who are interested in this topic as well as studies of relationship between the variables. The observation will also give

insights to the management and staff of the cafe on their operational activities through the eyes of their customer on Ambience, Food Quality and Service Quality.

1.5.2 Practical Benefit

The writer hopes that this research can give better understanding on the impact of ambience, food quality and service quality towards customer satisfaction. And thus, Kito Café Medan may use the study as a reference for future improvements in implementing the right strategy to ensure high customer satisfaction especially for competing with other food industry market. Whether it is for long term strategy or for short term strategy.

