

CHAPTER I

INTRODUCTION

1.1 Background of the Study

As Indonesia progresses into a more modern age, a variety of new business ventures have emerged and all sectors are expanding. One of the most quickly expanding business ventures today is in the hospitality industry, specifically restaurants or cafes. Which can be found a cafe in Indonesian cities in daily life is one of the things that can show that the cafe industry is expanding at the fastest pace in this more modern age.

There are several different types of cafe companies that have started appearing, and in order to succeed, the cafe must develop a policy that not only focuses on attracting or satisfying customers. Customer satisfaction is critical to a product's or service's long-term longevity. When a customer satisfaction with the service or product that they get, they will repeatedly use a particular product or service within a certain time.

According to Cristo et al. (2017), customer satisfaction is the degree to which an object satisfies the buyer's expectations. The purchasers would be unhappy if the item's execution falls short of their expectations. The purchasers are satisfied or enchanted whether execution meets or satisfies their wishes. However, according to Kotler (2009), as cited in Ofela & Agustine (2016), customer satisfaction is a feeling of pleasure or disappointment that arises from comparing a product's perceived performance or result to their expectations. If it fails to meet

expectations, the customer will not be satisfied. If performance matches expectations, consumers will feel satisfied.

Customer satisfaction can be influenced by service quality. According to Tjiptono & Chandra (2016), as cited in Suciati (2019), service quality is a dynamic condition related to products, services, human resources, processes, and the environment that meet or exceed expectations. In general, customers expect products in the form of goods or services that he consumes can be received or enjoyed with good or satisfactory service. So it can be said that customers want service quality that is in line with customer expectations. In this case, the cafe strives to provide good service or service (service quality) to customers. This is an attempt by the cafe to compete with other cafes and make its customers become loyal customers with the cafe.

Besides service quality customer satisfaction also can be influenced by the cafe atmosphere. According to Purnomo (2017), a Cafe atmosphere is an environment that is arranged attractively with the support of light, color, music, fragrances, and so on to cause a certain emotional response as an impetus to make a purchase. Every cafe has a distinct appearance, whether it is filthy, appealing, grand, or gloomy. A cafe must create a planned atmosphere that appeals to its target market and encourages customers to purchase there. Marissa et al. (2019), discovered that the atmosphere of a cafe has a positive influence on customer satisfaction when using a service.

However, Research by Isa (2018) as cited in Titania et al. (2021), found similar results, stating that a comfortable cafe atmosphere would create a positive

impression on customers, such that when the need for shopping arose, store brands that provided a comfortable atmosphere that had previously been felt would be the primary choice. From the above, it can be concluded that the Cafe Atmosphere is an important physical characteristic for every business; it creates a comfortable environment for customers, encourages them to stay longer in the cafe, and indirectly encourages them to purchase.

The research object of this thesis is OX Coffee, a cafe located at Jalan Gaharu No.2B, Gaharu, Kec. Medan Team, Medan City, North Sumatra 20236. OX Coffee starts its business in 2019 by selling beverages. Based on the preliminary interview with the owner of OX Coffee, Elisa Gunawan, it is found that the number of customers in OX Coffee is decreased starting from 2020 to 2021. Following is the data of the average number of OX Coffee customers from 2020 to 2021 each month acquired from OX Coffee.

Table 1.1 Number of Transactions at OX Coffee Customers from 2020 to 2021

Month	Monthly Number of Transactions (2020)	Monthly Number of Transactions (2021)
January	151	129
February	189	119
March	173	105
April	-	101
May	-	119
June	-	113
July	133	-
August	149	-
September	137	-
October	143	-
November	145	-
December	136	-

Source: OX Coffee (2021)

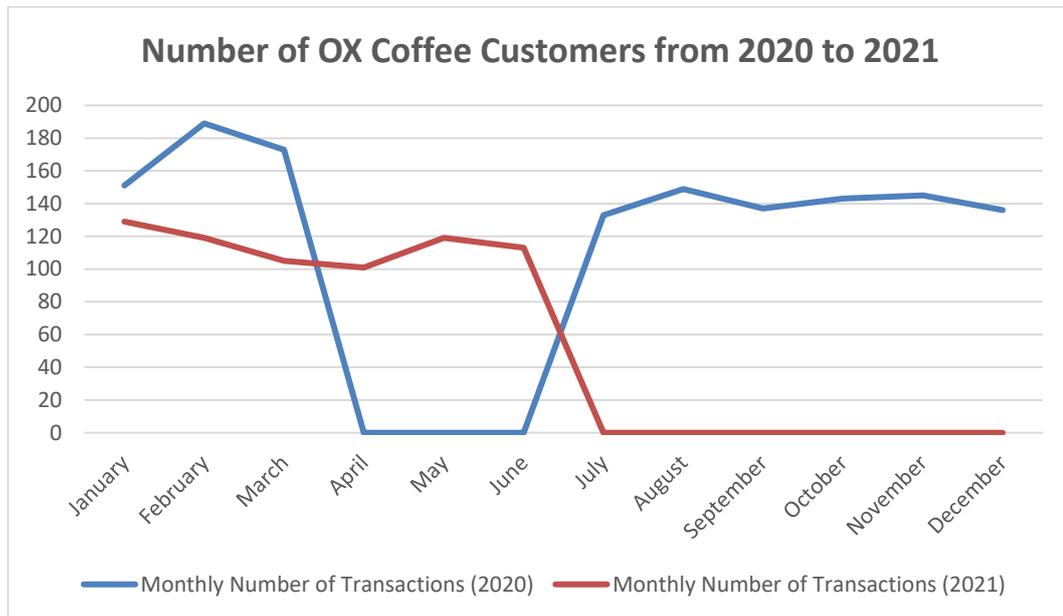


Figure 1.1 Graphic of Monthly Transaction Number of OX Coffee, Medan
Source: Prepared by the writer (2021)

Table 1.1 above shows the average number of OX Coffee customers from 2020 to 2021 each month. In July 2020, OX Coffee began to lose the average monthly customer compared to March 2020. Meanwhile, in January 2021, OX Coffee again lost the average monthly customer compared to July 2020. This data shows that the average number of OX Coffee customers is very volatile. Based on the data obtained and the theories which state that customer satisfaction is essential in the continuity of a cafe business, the authors decided to conduct this research which focuses on customer satisfaction at OX Coffee. As mentioned above, indicators of customer satisfaction are service quality and cafe atmosphere. If customers are satisfied with the service they get and like the cafe's atmosphere, customers will revisit the cafe and buy again. If a cafe loses a customer, it means that the lost customer is dissatisfied with the service provided and does not match the cafe atmosphere, so the customer has no intention of revisiting the restaurant and making purchases again. So it can be concluded that customer satisfaction at

OX Coffee is not good because OX Coffee cannot maintain a stable number of customers.

The lightning inside OX Coffee is quite dark, so make their customer not feel too comfortable spending longer in the café. However, the arrangement of the table inside OX Coffee is quite close so make their customer feel hard to move around. Moreover, the temperature inside OX Coffee is sometimes cool hot, so make OX Coffee customers not feel too comfortable spending longer in the café.

Sometimes OX Coffee waiters do not always serve the food within the expected time, so make the customer sometimes feels annoyed with it. However, according to the bill OX Coffee waiters sometimes do not provide an accurate bill for their customers, because of that make the customer needs to carefully check the bill before they pay.

According to the owner, in 2020, OX Coffee Medan has just renovated the atmosphere and recruited new employees. As a result, the owner wants to know whether the new atmosphere and the service quality of the new employee can affect customer satisfaction. If the quality of customer satisfaction decreases, it will also affect the number of customers. In addition, according to Fatimah (2018), improving the café atmosphere and service quality can increase customer satisfaction. Moreover, there are also bad ratings from customers about OX Coffee on Google Reviews. From this rating, it can be concluded that there are problems in OX Coffee.



Figure 1.2 Customer Ratings

Source: Google Review (2021)

Based on the existing phenomena, the writer decided to determine whether the cafe's atmosphere and service quality would affect customer satisfaction. The writer will write research in the form of a final paper entitled "**The Influence of Cafe Atmosphere and Service Quality on Customer Satisfaction at OX Coffee, Medan.**" This research is expected to provide benefits, which is positive in increasing customer satisfaction to achieve its goals.

1.2 Problem Limitation

In order to be more focused on this research and easy to collect and process the data, the writer determines to limit the scope of the research, which will take place at OX Coffee, Medan, which is located at Jalan Gaharu No.2B. Moreover, the writer will use two independent variables and one dependent variable in this research; the first independent variable is Café atmosphere (X1) which according to Berman and Evan (2010) as cited in Nisa (2016), the indicators are Exterior, General Interior, Store Layout, and Interior (Point Of Purchase) Display. The second independent variable is Service Quality (X2) which according to Parasuraman et al Alaan (2016), the indicators are Tangibles, Reliability, Responsiveness, Assurance, and Empathy. However, the dependent variable is

Customer Satisfaction (Y) which according to Tjiptono (2015) as cited in Suwito (2018), the indicators are Conformity of expectation, Interested to come back, and Willingness to recommend.

1.3 Problem Formulation

Based on the background of the study above, the writer can formulate the following research questions:

- a. How is the atmosphere at OX Coffee, Medan?
- b. How is the service quality provided at OX Coffee, Medan?
- c. How is the customer satisfaction at OX Coffee, Medan?
- d. Does cafe atmosphere have a partial influence on customer satisfaction at OX Coffee, Medan?
- e. Does service quality have a partial influence on customer satisfaction at OX Coffee, Medan?
- f. Do cafe atmosphere and service quality have a simultaneous influence on customer satisfaction at OX Coffee, Medan?

1.4 Objective of Research

Conforming to the problem formulation stated above, the objective of the paper is as the following:

- a. To explain the cafe atmosphere at OX Coffee, Medan.
- b. To describe the service quality provided at OX Coffee, Medan.
- c. To assess the customer satisfaction at OX Coffee, Medan?

- d. To investigate whether cafe atmosphere has a partial influence on customer satisfaction at OX Coffee, Medan.
- e. To examine whether service quality has a partial influence on customer satisfaction at OX Coffee, Medan.
- f. To analyze whether cafe atmosphere and service quality have a simultaneous influence on customer satisfaction at OX Coffee, Medan.

1.5 The benefit of the Research

The benefit of this research will be divided into two which are:

1.5.1 Theoretical Benefit

The completion of this study is expected to provide a better understanding of how the cafe atmosphere and service quality will influence customer satisfaction. Thus, this research is expected to become additional knowledge for future researchers or readers who will raise similar topics.

1.5.2 Practical Benefits

The following are the practical benefits expected from this research:

a. For the writer

For the writer, this research is to increase knowledge about the effect of cafe atmosphere and service quality on customer satisfaction.

b. For OX Coffee

For OX Coffee cafe, this research is expected to be a platform to give information about cafe atmosphere and service quality influence on

customer satisfaction so that it can be the concern for the leaders as a reference or input for a better future.

c. **For future researchers**

For future researchers, this research is expected to provide additional references in studying the cafe atmosphere and service quality its effect on customer satisfaction.

