

CHAPTER I

INTRODUCTION

1.1 Background of The Study

Food and drink can be categorized as the main needs of human life. All humans in this world need food and drink to support their lives (<https://www.kompas.com/>, retrieved in 2021, 25 Nov).

With the growing interest that has been shown in these past couple of years, the café industry is certainly getting even more competitive in terms of engaging and attracting customers. There are about 10.000 cafes all around Indonesia and it is predicted it will grow on a much bigger scale. Throughout the year 2013 to 2018, the overall revenue of cafe businesses grew from USD 3,4 million to USD 4,16 million. The tremendous growth is supported by the changing lifestyles and the growing trends. (<https://www.merdeka.com/uang/menjamurnya-bisnis-cafe-di-tanah-air.html> , retrieved in 2021, December 14).

In the age of millennials, cafes have become a favorite spot not only to solely have meals, but also to have some relaxation and leisure time. Millennials like to spend time with their friends in a good cafe, this is because the cafe itself has become a comfortable way to get rid of boredom and has certainly become a lifestyle. There is no wonder why many coffees shop or cafe businesses are growing rapidly in various areas and not just in the urban areas. (<https://lifestyle.kontan.co.id/> , retrieved in 2021, December 14).

Remembering that many people lead very stressful busy lifestyles, there is no doubt why customers are looking for places that live up to their expectations. For those who lead a very busy lifestyle, going to a cafe is not just to eat, but also to relax and unwind a bit. With the increasingly rapid development, the cafe comes with various choices for its customers (<https://www.liputan6.com/>, retrieved in 2021, 15 December).

Millennials are most likely to spend their money at cafe, and restaurants than older generations, with the percentage of 29% more than the older generation, as reported by CNBC back in 2017. <https://cnbc.com/2017/06/26/20-something-spend-more-than-other-americans-on-coffee-dining-out-and-bar-hoping.html>, retrieved in 2021, December 15).

The city of Medan is the third metropolitan city after the city of Surabaya, which makes the city of Medan and it is nearby the area that is attractive to many foods and beverages businesses (<http://www.jurnal.id/>, retrieved in 2021, 25 November). Once known as a small city, Binjai, a city near Medan, is a city that offers many tourist attractions, specifically culinary destinations such as; cafes and restaurants. (<https://www.andalastourism.com>, retrieved in 2021, 25 November).

One of the popular cafes in Binjai is KYIV Cafe, which is one of the recommended places to drink coffee because it offers various types of drinks of good quality and is a comfortable place (<https://idalamat.com/>, retrieved in 2021, 25 November)

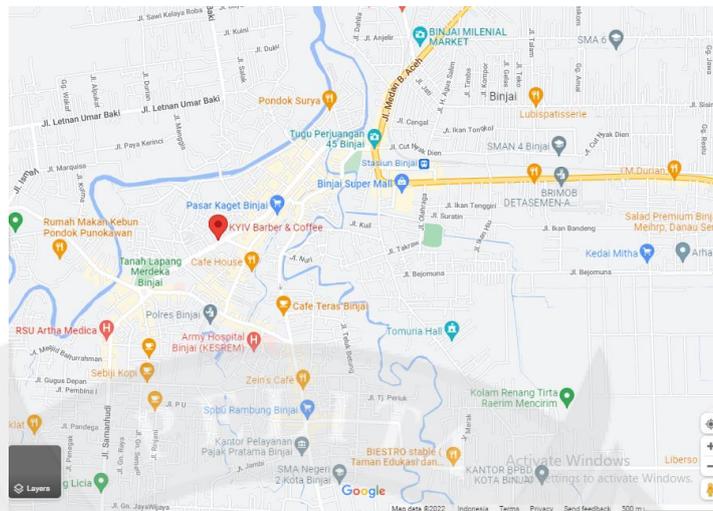


Figure 1.1 The location of KYIV Cafe Binjai via Google Maps

Source: <https://bit.ly/3L9qQky> , retrieved in 2021, December 14

KYIV Cafe Binjai as the object of this research is considered one of the trendiest places among youngsters in Binjai City. Opened in May 2018, under the management of Wilson, Ridgen, Jimmy, and Herman (KYIV Group).



Figure 1.2 KYIV Cafe Binjai's Logo

Source: <https://images.app.goo.gl/N4LAvPutKhAYzSAcA> , retrieved in 2021, December 14

KYIV Cafe Binjai offers a much younger and fresher genre of hangout place in Binjai, taking a specific interest in their specialty and signature coffee menus that is a hit among youngsters in Binjai and it is why KYIV Café Binjai is chosen to the object of this research.



Figure 1.3 KYIV Cafe Binjai signature coffee

Source: <https://images.app.goo.gl/q8cgANcRGxn5piSr6> , retrieved in 2021, December 14

Located right around the heart of Binjai City, KYIV Cafe Binjai is a two-stories high Cafe sharing spaces with its barbershop with the same name KYIV Barber Shop. The cafe itself is complete with air conditioner, cozy eating space accompanied by good foods and drinks, and of course a free Wi-Fi connection. KYIV Cafe Binjai also offers delivery services where it could be done via third-party delivery services or via Whatsapp 082162150300, which is available until 11 p.m. After operating for almost four years since its opening, KYIV Cafe Binjai now is known by a lot of people and KYIV Cafe Binjai is believed to be a good place to go for a fun hang out with friends and family.

Competition between cafes in Binjai is quite fierce, this is because there are many popular cafes available in Binjai, each of which has its uniqueness (<https://www.pariwisatasumut.net/> , retrieved in 2021, 25 November). We can also see this in the table below which shows that the rating owned by each cafe in Binjai is fairly high. The awareness of the growing interest that has been shown in the past

couple of years makes the competition become fiercer and is becoming a crucial matter for KYIV Café Binjai in being able to increase the customers' loyalty.

Table 1.1 Lists of Cafe Ratings in Binjai

| No. | Cafe Name | Ratings | Year of Establishment | Main Product |
|-----|----------------------------|---------|-----------------------|------------------------------|
| 1 | Cafe House Binjai | 4.6 | 2013 | Western and Oriental Cuisine |
| 2 | Cia Cia Cafe Binjai | 4.2 | 2014 | Dessert and Local Cuisine |
| 3 | Lim's Cafe Kok Tong Binjai | 4.3 | 2015 | Coffee and Chinese Cuisine |
| 4 | Coffee Day Cafe Binjai | 4.4 | 2017 | Dessert and Local Cuisine |
| 5. | KYIV Cafe Binjai | 4.6 | 2018 | Coffee and Asian Cuisine |

Source: <https://bit.ly/3Ln7ed3>, <https://bit.ly/3LiOBqu>, <https://bit.ly/3LqH6Oc>, <https://bit.ly/3xXV0U9>

From the table above, we can see that the cafe has a rating that is not much different, namely in the range of 4. specifically, Cafe House Binjai with a rating of 4.6, Cia Cia Cafe Binjai with a rating of 4.2, Lim's Cafe Kok Tong Binjai with a rating of 4.3, Coffee Day Cafe Binjai with a rating of 4.4, and KYIV Cafe Binjai with a rating of 4.5.

Therefore, KYIV Cafe Binjai needs to be able to increase Customer Loyalty. According to (Kim et al, 2018), customer loyalty refers to the strong commitment to repurchase a preferred product or service. Referring to Figure 1.4 , a customer stated a five-star review to KYIV Cafe Binjai with the note 'will visit another time to try another menu' which claimed that KYIV Cafe Binjai does have customer loyalty

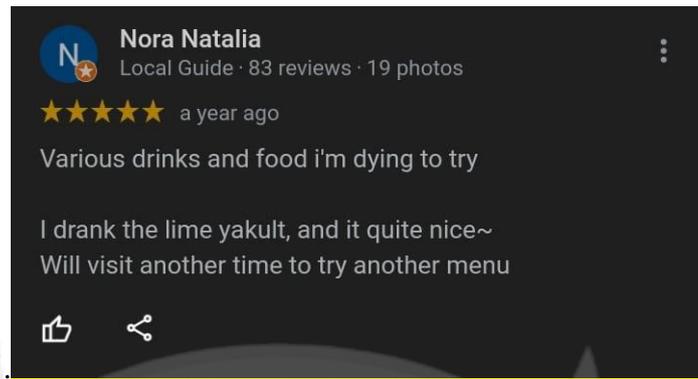


Figure 1.4 KYIV Cafe Binjai Customer's Review on Customers' Loyalty

Source: <https://www.google.com/search?q=kyiv+cafe+binjai&oq=kyiv+cafe+binjai&aqs=chrome..69i57j46i39i175i199j69i59j69i61.5351j0j7&sourceid=chrome&ie=UTF-8>

Since the year of the cafe's establishment back in 2018, KYIV Cafe Binjai has proven to have a customers loyalty, judging from the stars rating and placed number 18th as the top-rated cafe and number 13 as the most reviewed coffee shop in Binjai as shown below in Figure 1.5

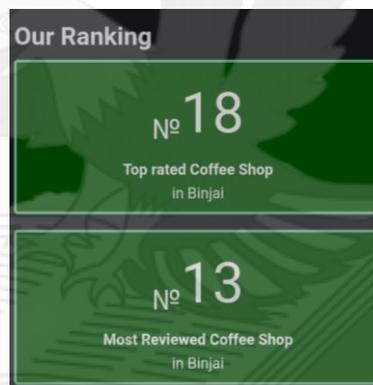


Figure 1.5 KYIV Cafe Binjai Customer's Ratings

Source: <https://top-rated.online/cities/Binjai/place/p/80430703/KYIV+Barber+%26+Coffee>.

According to Serra et al (2018), positive emotional experience could be defined as a service encounter that far exceeds the customer's experience. In addition, positive emotions also is an important antecedent of positive interaction behaviors. (Keininghan et al, 2018).

This brings to the fact that customers with higher levels of positive emotions are likely to become loyal customers and are more likely to recommend the business to others. In the Figure 1.7, shows a five stars customers review, stating ‘the artistic impressions ‘which is a form of positive emotions as shown in Figure 1.6 below.



Figure 1.6 KYIV Cafe Binjai Customer’s Review on Positive Emotions

Source:

<https://www.google.com/search?q=kyiv+cafe+binjai&oq=kyiv+cafe+binjai&aqs=chrome..69i57j46i39i175i199j69i59j69i61.5351j0j7&sourceid=chrome&ie=UTF-8>

The ratings of the cafe also reflect the positive emotions of the customer as shown in Figure 1.7 below. Supported by the study done by Guo et al (2020), the emotional content in reviews is also an important factor in influencing potential customers and the existence of online reviews with pleasant emotional content.



Figure 1.7 KYIV Cafe Binjai Customer’s Stars Ratings

Source:

<https://www.google.com/search?q=kyiv+cafe+binjai&oq=kyiv+cafe+binjai&aqs=chrome..69i57j46i39i175i199j69i59j69i61.5351j0j7&sourceid=chrome&ie=UTF-8>

The quality of the food is an inevitable part of the customer experience and is commonly addressed through perceptions of deliciousness and nutritional value, or through the aesthetics of the food. The food quality and service quality are the primary factors to consider in the establishment of restaurant. (Yrjola et al, 2019). Moreover, according to Winarjo (2017), providing good food quality or according to customer expectations, can have a positive influence on the company's relationship with customers. Food quality from KYIV, of course, has very good quality, this can be seen from the reviews of the KYIV cafe which has a rating above 4 which is quite good. Moreover, as reported by brisik.id, the coffee menu at KYIV is arguably the best because all the coffee menus are served with the best quality and taste and coffee is their mainstay menu (<https://brisik.id/> , retrieved in 2021, 25 Nov). In addition, the figure below shows a customer's five stars review stating 'Avocado Coffee Float is the best' which refers to the article above stating that KYIV Cafe is arguably the best because all the coffee menus are served with the best quality and taste.



Figure 1.8 KYIV Cafe Binjai Customer's Review of Food Quality

Source:<https://www.google.com/search?q=kyiv+cafe+binjai&oq=kyiv+cafe+binjai&aqs=chrome..69i57j46i39i175i199j69i59j69i61.5351j0j7&sourceid=chrome&ie=UTF-8>

According to (Fernandes, 2018), the consequences of the service quality approach have an important essence for the company's strategy to survive and achieve success in the competition. Service Quality is measured by how well the

service level delivered matches customer expectations. Each and every cafe has its characteristics and themes that the cafe focuses on, in other words, every cafe also has its standard of qualities in its services. This is done clearly because the cafe needs to cater to not only the customers but to the cafe itself (<https://idealssoftware.co.za/>,retrieved in 2021, 25 Nov). The indicators that measured service quality are none other than the staffs providing a thorough and satisfactory service, the staffs are reliable, and the staffs are professional which are shown in Figure 1.9 below.



Figure 1.9 KYIV Cafe Binjai Service Quality Performance

Source:https://www.instagram.com/p/B-qRhKOHN3c/?utm_source=ig_web_copy_link.

Since the cafe industry is a part of hospitality it is very clear why relying on the relationship that is built by an interaction with the customers plays a huge role. The existence of a service quality that is established by the cafe working in accordance with the expectations. In Figure 1.10 below, a five stars customer's reviews shows that KYIV Cafe Binjai has a good service quality, stating 'Good service' in the review.



Figure 1.10 KYIV Cafe Binjai Customer's Review on Service Quality

Source: <https://www.google.com/search?q=kyiv+cafe+binjai&oq=kyiv+cafe+binjai&aqs=chrome..69i57j46i39i175i199j69i59j69i61.5351j0j7&sourceid=chrome&ie=UTF-8>

According to (Munshi, 2018), atmospherics could be used to differentiate the image of the stores from competitors, whereby consumers will spend more time and money and further patronize a particular retail store. The important ambience and atmosphere of a cafe also play a big role. Including what kind of lighting and the seating layout that the cafe sets, the music that they played, the color of the interiors inside the cafe, and even what kind of air freshener the cafe is using could affect the overall qualities that the customers are going to be receiving (<https://www.sulekha.com/>. retrieved in 2021, 25 Nov). KYIV cafe itself has a comfortable atmosphere where we can see that right from the customer review in Figure 1.11 below stating 'cozy place to hang out which simply determined the statement.



Figure 1.11 KYIV Cafe Binjai Customer's Review on Atmospherics

Source: <https://www.google.com/search?q=kyiv+cafe+binjai&oq=kyiv+cafe+binjai&aqs=chrome..69i57j46i39i175i199j69i59j69i61.5351j0j7&sourceid=chrome&ie=UTF-8>

According to Ali et al (2018), the influence of other customers in a service environment appraised the behavior and appearance of the customer. The other customers of KYIV Cafe Binjai do have a big role in attracting customers to stay. An investigation of the role of other customers in the service experience is important because sharing the service environment with other customers is often an inherent part of a guest's stay (Grove & Fisk 1997).

With the restaurants and cafe re-opening in the era of pandemics, customers are now more concerned about feeling safe and dining out with their friends and family, a survey shows that 20% majority of the customers want all diners to wear a mask and social distancing between tables.

(<https://www.qsrmagazine.com/consumer-trends/customer-concerns-restaurants-reopen-where-start>, retrieved in 2021, December 15).

KYIV Cafe itself mandates safety protocols, mandates wearing a mask to staff and customers, and practicing hygienic standards, as seen in Figure 1.12 and Figure 1.13 below



Figure 1.12 KYIV Cafe Binjai Social Media Post

Source: https://www.instagram.com/p/B-qRhKOHN3c/?utm_source=ig_web_copy_link.

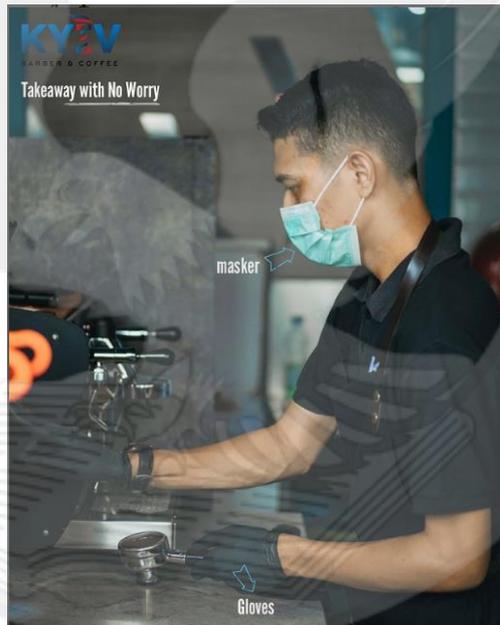


Figure 1.13 KYIV Cafe Binjai Social Media Post

Source: https://www.instagram.com/p/BqRhKOHN3c/?utm_source=ig_web_copy_link.

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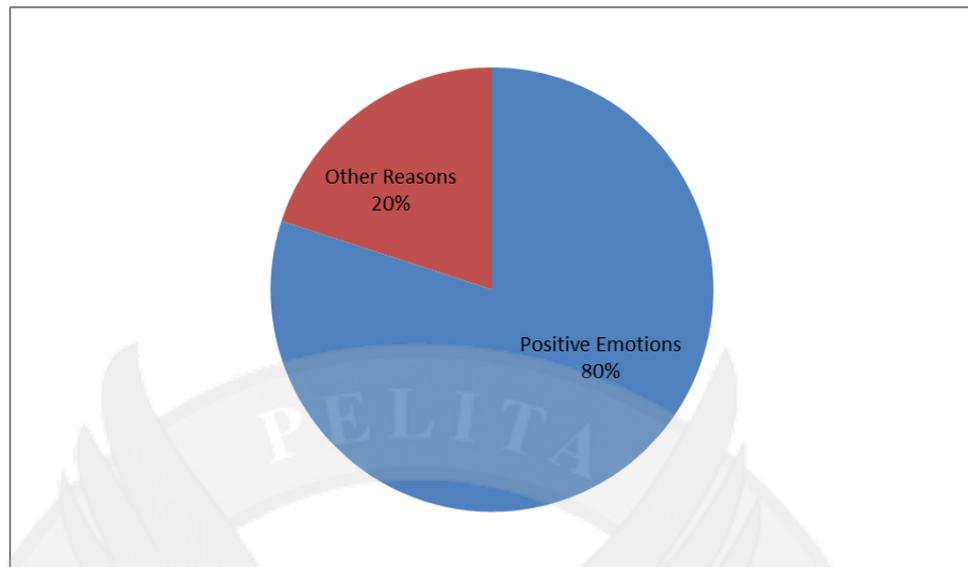


Figure 1.14. Pre-Test Respondents Data

Source: Data Analyzed (2022)

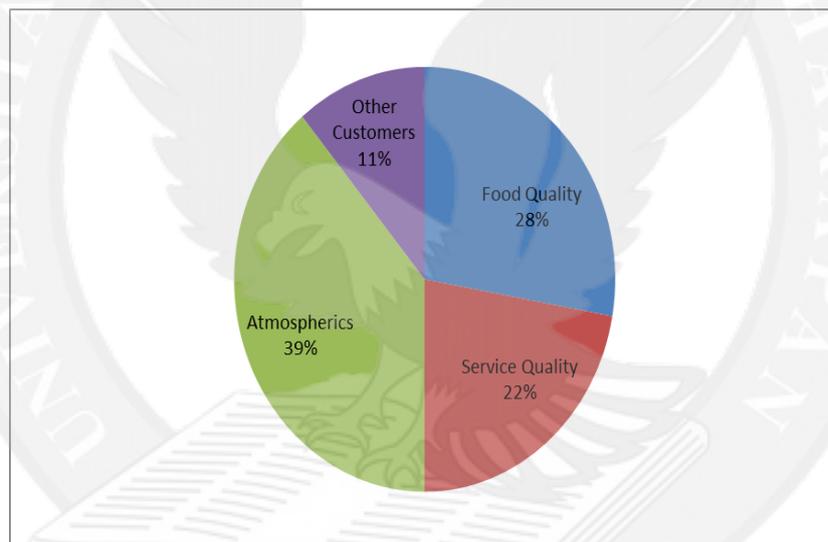


Figure 1.15 Reasons for Customers' Positive Emotions in Pre-Test

Source: Data Analyzed (2022)

Therefore, to support why Food Quality, Service Quality, Atmospheric, and Other Customers, are going to be focused on this research is supported by the pre-test conducted among 10 respondents which the detail is attached in appendices section at the end of the report. During the pre-test research, respondents averagely have been visiting KYIV Cafe Binjai at least twice. Those 10 respondents were

asked the reasons why they are choosing KYIV Cafe Binjai 8 out of 10 respondents are using it due to the Customers' Positive Emotions toward KYIV Cafe Binjai. Those 10 respondents are then asked the reason for their satisfaction towards KYIV Cafe Binjai and the results are dominated by Food Quality (5), Service Quality (4), Atmospherics (7), and Other Customers (2). The total reasons are 25 due to some respondents giving more than one reason to support this reason, which highlights the situation that is currently happening where the competition in the cafe industry is getting fiercer. Bringing in loyalty as the main question in the pre-test, results in several answers which are dominated by those mentioned variables. The result is aligned with several previous researches that become references. Thus, the influences of food quality, service quality, atmospherics, other customers, customer positive emotions toward customer loyalty to KYIV Cafe Binjai are going to be analyzed and studied in order to come up with particular insights to keep KYIV Cafe Binjai leading the industry.

Based on the description above, this problem is the main attraction for the author to be researched and analyzed. The final result of this research will be compiled in the form of a thesis with the title: “The Influence of Food Quality, Service Quality, Atmospherics, and Other Customers Towards Customers Positive Emotions and Customer Loyalty at KYIV Cafe in Binjai”.

1.2 Problem Limitation

Based on the background described above, the author needs to limit the problem with the aim that the discussion of the problem is not too broad.

This research will focus on:

1. This research will study several variables, including Food Quality, Service Quality, Atmospheric, Other Customers, Customer Positive Emotions, and Customers Loyalty. Customers. Specifically on the research object, KYIV Cafe Binjai
2. The data that is going to be used in examining research model is going to be collected in form of questionnaires that are designed based on the research object.
3. The samples that are going to be analyzed are limited to certain criteria; both male and female, 18 to 60 years old, living in Binjai-Medan area, and have visited KYIV Cafe Binjai at least 2 in the last 6 months.

1.3 Problem Formulation

Based on the description above, the problems in the research can be formulated as follows:

1. Does Food Quality have a significant effect on Customers' Positive Emotions at KYIV Cafe Binjai?
2. Does Service Quality have a significant effect on Customers' Positive Emotions at KYIV Cafe Binjai?
3. Does Atmospheric have a significant effect on Customer Positive Emotions at KYIV Cafe Binjai?
4. Do Other Customers have a significant effect on Customer Positive Emotions at KYIV Cafe Binjai?

5. Do Customer Positive Emotions have a significant effect on Customer Loyalty at KYIV Cafe Binjai?
6. Do Customer Positive Emotions mediate the Food Quality on Customers Loyalty at KYIV Cafe Binjai?
7. Do Customer Positive Emotions mediate the Service on Customers' Loyalty at KYIV Cafe Binjai?
8. Do Customer Positive Emotions mediate the Atmospheric on Customers Loyalty at KYIV Cafe Binjai?
9. Do Customer Positive Emotions mediate the Other Customers on Customers Loyalty at KYIV Cafe Binjai?

1.4 Objective of the Research

Based on the formulation of the problem above, the objectives of this study are:

1. To determine the effect of Food Quality on Customers' Positive Emotions at KYIV Cafe Binjai.
2. To determine the effect of Service Quality on Customers' Positive Emotions at KYIV Cafe Binjai.
3. To determine the effect of Atmospherics on Customer Positive Emotions at KYIV Cafe Binjai.
4. To determine the effect of Other Customers on Customer Positive Emotions at KYIV Cafe Binjai.

5. To determine the effect of Customers' Positive Emotions on Customer Loyalty at KYIV Cafe Binjai
6. To determine whether Customers' Positive Emotions mediate the effects of Food Quality at KYIV Cafe Binjai
7. To determine whether Customers' Positive Emotions mediate the effects of Service Quality at KYIV Cafe Binjai
8. To determine whether Customers' Positive Emotions mediate the effect of Atmospherics at KYIV Cafe Binjai
9. To determine whether Customers' Positive Emotions mediate the effects of Other Customers at KYIV Cafe Binjai

1.5 Benefit of the Research

The researcher hopes that this report could provide advantages for any stakeholders under this specific topic not only theoretically but also practically, as follows:

1.5.1 Theoretical Benefit

The theoretical benefit from the results of this study can be used as additional information and as a reference to carry out further research related to food quality, service quality, atmospherics, and other customers towards customers' positive emotions and customer loyalty.

1.5.2 Practical Benefit

The results of this study are expected to be useful for:

1. KYIV Cafe Binjai is expected to provide additional information and as a material for consideration in making decision related to human resources and performance appraisal of customers' positive emotions and customers loyalty, so that in the future this research could help KYIV Cafe Binjai to become a place with high levels of customers positive emotions and customers loyalty.
2. The author is expected to be able to increase the knowledge about management with the aim that it will be useful when entering the career world later, by applying the knowledge given that also has been obtained as a university student.
3. For the Faculty of Management, Pelita Harapan University, Medan, the results of this study can be used as a library material and additional reference for students and younger generations of Hospitality Management students, Pelita Harapan University.
4. For other parties, the results of this study are expected to be a source of knowledge for the readers and could be seen as a consideration for other companies that are facing the same circumstances.