

CHAPTER I

INTRODUCTION

1.1. Background of the Study

The development of the world of the culinary centers in Indonesia is no stranger to all circles of society, including the people of the city of Medan. With the rapid development of the culinary world and a rapidly growing population, competition between cafe businesses is increasing. With that the culinary center prepares with a modern concept following the growth of the times. The culinary center can be called the "cafe" section which describes a place where all groups from parents, teenagers, and children to enjoy the holidays and spend their weekends with friends, girlfriends, or parents' associations.

Especially for teenagers and children, they like to hang out in cafes because the existing culinary concepts (cafes) are mostly indoor so they feel bored, there is no view to see. While the cafe outside the mall, the concept is more beautiful, namely there are indoor and outdoor so that children and teenagers who visit the cafe can enjoy the atmosphere and where the atmosphere can be used as a concept for photos that will be posted on social media such as Instagram or social media. other. As we know, nowadays business competition is getting tighter and the same is happening in the culinary center in the city of Medan. Currently, there are more culinary centers built by culinary businesses to establish a large-scale dining/cafe in the city of Medan.

The emergence of cafes can be said to be increasingly popular in the midst of increasingly competitive culinary center business competition. Therefore, each culinary business must be aware of increased free market competition by promoting the right marketing relationships to attract customers in terms of attracting customers to increase visitor intensity. The more the era develops, the more places to eat / cafe located in the city of Medan will develop. The company in running its business must always observe changes in consumer behavior so that it can anticipate changes in consumer behavior, then be used as a study in order to improve its marketing strategy.

To attract customers, cafe businesses must think hard and determine the right strategy because there will be many choices of cafes that will be visited by customers. In essence, the purpose of marketing is to know and understand the nature of consumers well so that the products offered can be sold well. In the past, the cafe was only used by parents to enjoy a cup of black coffee while reading the newspaper. But nowadays, the cafe is mostly used by teenagers for group activities or organizations, meeting events, places for making assignments, gathering with friends, being used as hangout places, and more often used as photo spots by influencers who usually post on social media. Along with the development of cafes in the city of Medan.

Cafe businesses are encouraged to improve strategies to meet customer satisfaction. Competition in the business world that is engaged in the F&B field, consumer satisfaction describes the key factor to satisfy customers cannot be separated from consumer judgment. Consumer satisfaction is very important as a

customer assessment in the form of feelings of pleasure or disappointment that occur during the purchase period after comparing the perceived results with the expectations obtained for the product or service used. Satisfaction can be used as a function of perceived performance and expectations. If the performance is below expectations, the customer will feel dissatisfied and if the performance exceeds expectations, the customer will feel very satisfied or happy.

One of the factors that can increase customer satisfaction and purchase intention is the quality of service where the services provided to customers are all precise and fast. On the other hand, there is a low customer satisfaction factor, which is indicated by aspects of drinking variations, the balance of food temperature during the cooking process, adding a table and seating for customers. (Hidayat, et al 2020). To meet customer satisfaction, there are many things to influence the progress of the cafe business. One of the factors is how cafe entrepreneurs can attract customers, retain customers, satisfy customers, and meet customer needs by providing quality service.

The quality of service provided to customers, both internal customers and external customers based on standard service procedures. The service quality factor is one of the most important factors or aspects in attracting customer feelings so that customers feel satisfied and interested in coming back to the cafe. The cafe business or management is also encouraged to further improve the quality of service in order to obtain as many consumers as possible. On average, this strategy is mostly carried out by companies, including cafe entrepreneurs. Service quality is centered on meeting needs and desires as well as accuracy in

delivering information or matters relating to cafes to balance customer expectations. It can be concluded that if the truth exceeds what is desired, then the service can be called unqualified. When reality matches the desire, then the service is said to have fulfilled. Thus, the quality of service can be interpreted as the difference between the truth and the desire for good service to consumers.

In addition to service quality, promotion is also very important as the main factor to keep increasing customer satisfaction. The marketing mix implemented by the company will result in comparisons for consumers against the promotion of services either directly or indirectly. Basically, promotion is one of the terms that is very often used in marketing. Promotion is an activity carried out in order to increase the development of something, be it a brand, product, or the company itself with the intention of introducing products to consumers and influencing consumers to buy the products offered.

53 Steps Laurance Cafe is a cafe that was established in 2018 on Jalan Petula No 2A. Prior to the establishment of 53 Steps Laurance, the first cafe that was established was Laurance House which was opened in the same place, namely on Jalan Petula No. 2A with the name cafe Laurance House which was founded in 2016. The position of 53 Steps Laurance with Laurance House is adjacent, namely Laurance House is on the first floor and 53 Steps Laurance is on the third floor. While the second floor is used for boutique places. Previously, 53 Steps Laurance became one of the places favored by customers because of the complete western menu. The crowd of customers at 53 Steps Laurance does not differentiate whether it is a weekday or a holiday. But the crowds are mostly

dominated by customers at night, both after finishing work and after hanging out from the mall. The number of transactions during can be looked at Table 1.1

Table 1.1 Number of transactions during 2020 and 2021 at 53 Steps Laurence Cafe, Medan

No.	Month	2020	2021
1.	January	1867	738
2.	February	1783	885
3.	March	1701	972
4.	April	1578	940
5.	May	1450	929
6.	June	1425	981
7.	July	1206	873
8.	August	1089	862
9.	September	981	857
10.	October	880	838
11.	November	788	819
12.	December	700	795

Source: Prepared by the Writer (2022)

Based on the table above, we can see that the number of transactions was decreasing during 2020. The highest number of transactions is 1867 at January. The significant reduction in the number of transactions occurs on April 2020 since Medan has been announced as a red zone of spreading and there is an increase in COVID-19 case. The government has published the new regulation to limit the outdoor activities. Customers had to work from home and avoid the crowds. In 2021, the number of transactions will increase and decrease. The largest number of transactions in 2021 occurred in June, while the smallest number of transactions occurred in January as showed in Figure 1.1

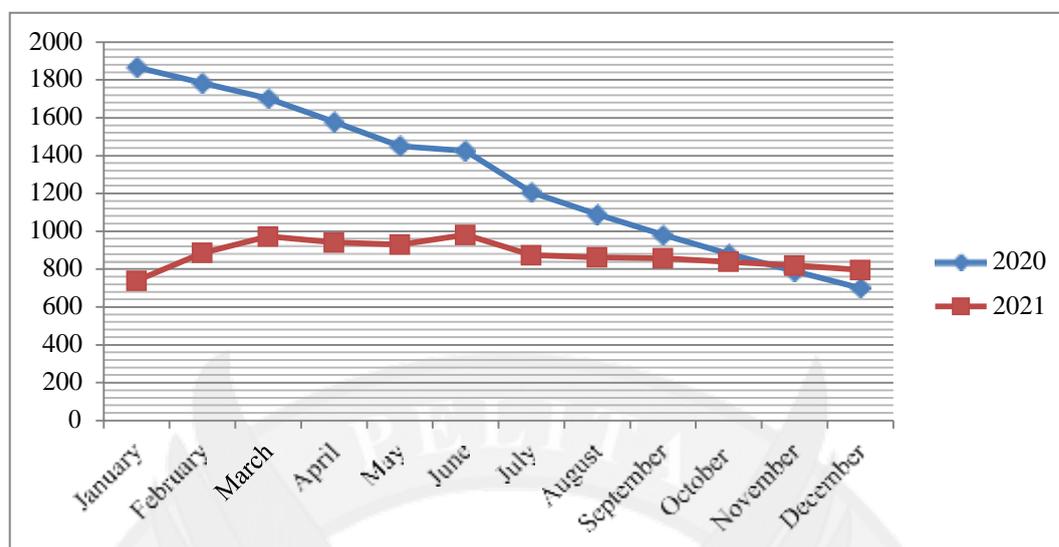


Figure 1.1 Number of transactions during 2020 and 2021 at 53 Steps LaurenceCafe, Medan
Source: Prepared by the Writer (2022)

On the Google Review, there are 1145 reviews about 53 Steps Laurence Cafe, Medan. The visitors give positive and negative comments with 4.4 of 5 as the average rating. Mostly the customers give 5 stars to the cafe because of their great view and picture spot. But some customers are not satisfied with the taste of the food, narrow parking area, uncomfortable sits and many more. The customer's comments that show their satisfaction can be seen in Table 1.2.

Table 1.2 Customer comments on Google Review

No.	Comments
1.	Service is quite slow. I ordered a hot latte but the latte was delivered cold.
2.	I've been served stale food and what's worse, I also have to pay for the stale food at the cashier!
3.	The parking lot is narrow and it is recommended to book in advance before coming.
4.	I don't like the waiters; they don't seem friendly and they stare at customers with unpleasant looks.
5.	Slow service, bad food, and waiters never smile. disappointing!
6.	It's a good environment there, the food is okay. It is only that the chair is not comfortable to sit when you go straightly to the indoor.
7.	I bought a promotional voucher and wanted to make a reservation. However, the phone number listed is inactive and difficult to contact.
8.	What a bad management system! My phone lost in the cafe and the cafes do not even help search and tracking from CCTV

Source: Prepared by the Writer (Google Review, 2022)

Besides it, the writer has done personal observation about service quality and promotion that provided by 53 Steps Laurence Cafe, Medan. The observation can be seen in Table 1.3

Table 1.3 Observation about Service Quality and Promotion

No.	Aspects	Indicators	Observation
1.	Service quality	Reliability	The service is slow enough because the customers have to wait for 30-45 minutes for food coming
		Responsiveness	The waiters are unresponsive, unfriendly and impolite to customer, especially when cafe is in the busy time
		Tangibles	There are inadequate WIFI and parking place to service many customers
		Assurance	The cafe once served stale food and even worse, customers were also asked to pay for the stale food.
		Empathy	The cafe waiter does not serve customers in a friendly manner, looks unpleasant and the management does not want to help solve problems faced by customers, such as theft problems.
2.	Promotion	Advertising	The cafe has done promotion by social media such as Instagram and Facebook. They are updating pictures about cafe and the food daily. However, the social media is not well known and not so easy to understand.
		Sales Promotion	Although updated daily, the promotional content is not very interesting.
		Public Relations	Customers can do reservation by calling the phone number. But the phone number is sometimes unreachable, especially during peak hours.
		Direct Marketing	The cafe does not carry out interactive promotions so not many people know about 53 Steps Laurence Cafe.
		Personal Selling	The Cafe is also available in Go Food and Grab Food so customers can order food by application online. The discount you get when ordering through Grab and Gojek is too little and customers can't enjoy the feel of the cafe directly. The cafe also attracts the customer's attention by providing promotion voucher on Deal Java. Sometimes promotional vouchers that have been purchased cannot be used and are not served directly.

Source: Prepared by the Writer (2022).

But now customers are not satisfied to visit 53 Steps Laurance because the quality of service provided does not meet customer needs. The purpose of customer needs is for old food equipment to be delivered at the time requested by the customer, the long order menu is served in the customer, the old bill issuance. It's a shame that customers feel disappointed with the services provided even though the views at 53 Steps Laurance are quite supportive as a background for women who really like to post photos of togetherness on social media. In addition to service, the promotions given to customers are also not varied, the promoted menus are only the same menu so that customers feel bored with the menus on the promotional list.

Based on the above background, the writer conducted a study entitled **"The Effect of Service Quality and Promotion on Customer Satisfaction at 53 Steps Laurance Medan"**.

1.2. Problem Limitation

In this paper, due to over discussion and writer ability to do the research, the author will focus on the problem of service quality, promotion, and customer satisfaction. The limitations of the problems that will be discussed by the researchers in this study are as follows:

- a. This research will be conducted at 53 Steps Laurence on Jalan Petula No. 2A, Medan to assess the relationship between service quality, promotion, and customer satisfaction.

- b. The discussion in this study is limited to three variables, namely service quality and promotion as independent variables and consumer satisfaction as the dependent variable. For service quality, the indicators are reliability, responsiveness, assurance, empathy, and tangibles (Tjiptono and Chandra, 2016). For promotion, the indicators are advertising, sales promotion, public relations, personal selling, and direct marketing (Firmansyah, 2020). For customer satisfaction, the indicators are overall customer satisfaction, confirm expectations, repurchase intention, and willingness to recommend (Tjiptono and Diana, 2019).
- c. Research is limited to customers who have visited 53 Steps Laurance Cafe Medan and will be distributed using a questionnaire which will be filled out by customers.

1.3. Problem Formulation

Based on the background of the object that has been described, the identification of problems in this study are:

- a. Does service quality have partial effect on customer satisfaction at 53 Steps Laurance Cafe, Medan?
- b. Does promotion have partial effect on customer satisfaction at 53 Steps Laurence Cafe, Medan?
- c. Do service quality and promotion have simultaneous effect on customer satisfaction at 53 Steps Laurence Cafe, Medan?

1.4. Objective of the Research

According to the background of the study and the problem formulation, the purpose of this research is:

- a. To assess whether service quality has partial effect on customer satisfaction at 53 Steps Laurance Cafe, Medan.
- b. To observe whether promotion has partial effect on customer satisfaction at 53 Steps Laurance Cafe, Medan.
- c. To investigate whether service quality and promotion have simultaneous effect on customer satisfaction at 53 Steps Laurance Cafe, Medan.

1.5. Benefit of the Research

1.5.1. Theoretical Benefit

Based on the theoretical benefits, the results of this study are expected to increase understanding and theory about service quality, promotion, and customer satisfaction. In addition, this research is also expected to contribute on the development of relevant theories.

1.5.2 Practical Benefit

Other than gaining benefits on the theoretical side, this research will also provide benefit to practical side. This research will be able to serve as a help for many stakeholders, such as the writer, the 53 Steps Laurence Cafe and other researchers as well.

a. For the writer

To gain knowledge on service quality, promotion and customer satisfaction as well as how they are being affected by each other. This is to boost and add to overall information on marketing study program.

b. For 53 Steps Laurence Cafe

To give insight about the importance of service quality and promotion, also how to put them to the highest potentials using possible tools of marketing. To give more depth of understanding their customers' satisfaction that will lead to greater performance of business and sales in the future.

c. For other researchers

To be able to act as reference, basis, or source of information for other researchers that are interested in doing relevant research.

