

# CHAPTER I

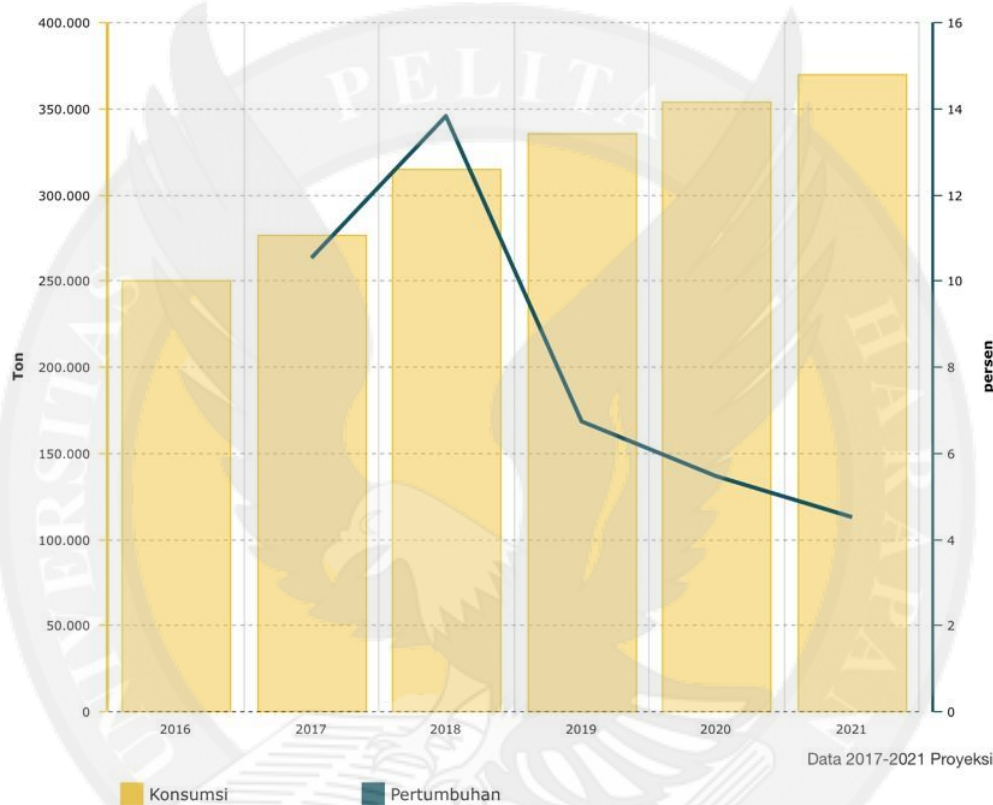
## INTRODUCTION

### 1.1 Background of the Study

According to the Food and Agriculture Organization of the United Nations (FAO) (2019), Indonesia is the world's third-largest coffee producer, behind Brazil and Vietnam. The changes in Indonesian lifestyle and culture that will come along with progress and development will affect the fulfillment of refreshment needs, including visits to coffee shops (Kusumasasti, 2017). The coffee shop is a fast-expanding business in the town with a variety of menu options that might attract customers' attention (Rafiah, 2020). Coffee shop owners compete against one another in terms of their respective innovation of generating high-quality beverage goods for the coffee shops with affordable prices and competitive quality.

As a metropolitan city with a diverse range of community activities, Medan's urban culture is hedonistic. According to Erlina, E., & Hermawan, D. (2021), for metropolitan areas, consuming coffee has evolved from a need to a habit. This way of life encourages individuals to frequent cafes to socialize, work, enjoy coffee, and do other things. The city of Medan has a lot of competition for coffee shops. There are hundreds of coffee shops in Medan that offer affordable price with competitive quality. Having a good internet connection is another reason why today's modern way of life needs to have a good connection. Some coffee shops have wi-fi in them to make customers feel more at ease. (Hudaya, 2020).

Coffee is safe for healthy individuals, based on FDA (2018), as long as does not exceed the recommended daily intake. Caffeine intake of up to 400 mg per day which is equal to four cups is permissible daily. Ministry of Agriculture's Center for Agricultural Data and Information Systems (Databoks, 2018), Indonesian coffee consumers are expected to increase at an average annual rate of 8.22 percent from 2016 to 2021 as seen in Figure 1.1.



**Figure 1. 1 National Coffee Consumption (2016-2021)**

Source: Kementerian Pertanian

In 2016, revenue reached around 250,000 tons, with an increase of 10.54 percent to 276,000 tons in 2017. Indonesia's coffee consumption is expected to expand by an average of 8.22 percent each year between 2016 and 2021, according to forecasts. With a forecast supply of 795,000 tons and demand of 370,000 tons in 2021, there will be an estimated surplus of 425,000 tons in

the coffee market. Estimated 94.5 percent of Indonesia's coffee supply is provided by smallholder coffee entrepreneurs, according to the government. Robusta coffee accounts for 81.87 percent of total national coffee supply, with the majority of the crop coming from coffee-growing regions in South Sumatra, Lampung, Bengkulu, East Java, and Central Java.

Customer satisfaction according to Scott (2017), is the most significant factor in the Food and Beverage Industry since it has a direct impact on the income and reputation of the restaurant. Researcher Pastel (2018), customer satisfaction is determined by how much a consumer enjoys a product or service in comparison to their expectations if the product or service meets or exceeds the expectations of the customer, and how long the customer remains loyal to the company.

How the waiter serves, delivers, and communicates with customers can also be used as a measure of service quality when evaluating customer satisfaction. Service quality is described as the capacity of service providers to meet and exceed customers' expectations by effective and efficient performance, with the outcome being a benefit for the business based on Ramya, Kowsalya, and Dharanipriya (2019). Hall (2020) argues that without strong service quality, companies will not live long because customers would quit and badmouth the company if the company does not meet their standard of service, and this will lead to the company's failure and collapse. The product can determine whether a consumer would return or suggest a company, according to Hall (2020), and the better quality of food is likely to make customers more satisfied. Taste, fragrance, acidity, and body are all characteristics of coffee (Muntean, 2020).

**Table 1. 1 Service Quality Feedback Survey Response from July to November 2021**

Service Quality						
Months	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Total
July	131	89	72	14	9	315
August	92	126	53	7	21	299
September	147	81	64	22	15	329
October	98	103	75	13	19	308
November	135	94	112	21	23	385
Total	603	493	376	77	87	1636

Source : Kopeakoe (2021)

**Table 1. 2 Product Quality Feedback Survey Response from July to November 2021**

Product Quality						
Months	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Total
July	142	93	81	17	11	344
August	106	130	57	6	18	371
September	187	78	82	21	5	373
October	93	103	76	18	13	303
November	112	97	88	11	9	317
Total	640	501	384	73	56	1708

Source : Kopeakoe (2021)

According to the service quality survey in table 1.1 from July to November 2021, 5.3 percent of extremely dissatisfied respondents, on average, complain about rude waiters. While the product quality in table 1.2 reveals that as much as 3.3 percent of respondents gave a negative grade due to a lack of menu options and unpleasant flavor. From the feedback survey given by manager of Kopeakoe from July to November, it shows that the service quality and product quality provided by the coffee shop has received complaints so with this research, hopefully, Kopeakoe can improve the service and quality of cafe products. July to November 2021 there is a feedback survey of 3344 respondents, of which 1636 service quality respondents and 1708 product quality respondents complained about Kopeakoe's dissatisfaction.

There are several coffee shops in the city of Medan. Kopeakoe is one of the coffee cafes that are in high demand among the people of Medan. Located in the centre of the city, at Jalan Imam Bonjol Number 37, to be exact, next to Universitas Harapan Medan. Nowadays, technology makes it possible for us to obtain information quickly and effortlessly. Google, the most well-known search engine in the world, can provide any information, including ratings and reviews of restaurants. Kopeakoe has received the following feedback from its customers.

**Table 1. 3 Customer Reviews and Comments of Kopeakoe**

No.	Comments	Rating
1	Bitter taste of coffee	1
2	Unsatisfactory service, impolite waiter	1
3	The atmosphere and, service are good but the menu choices are few.	2
4	Came in the afternoon, it was quite busy in the outdoor section, but indoors we saw no one. Finally decided to just take away. This time, try the kamoe iced coffee (espresso, milk, palm sugar) for 23k/cup. I request less sugar. Didn't expect much at first, but surprisingly the coffee was delicious! The espresso is kicking, the milk is overwhelming, and the sweetness is just right (less sugar) Will probably repurchase it in the near future.	4
5	One of my favourites. Not to the place but because of the coffee.	4
6	The taste of your coffee is okay.. great	4
7	It's comfortable	4
8	Friendly staff, open and fresh surroundings. Affordable price and great coffee and drinks as well ;) + It's not so crowded	4
9	The taste is consistent. I don't understand coffee, but I feel that kopeakoe has its characteristics	5
10	It's not just the coffee, the champion has no less competition at the local level... TOP, recommended place if you go to Medan again	5
11	A good hangout place, with lots of trees that make it blend with nature.	5
12	A suitable place for an appointment with a client.	5
13	All of our coffee kopeakoe	5
14	Good vibes, nice drink & free infused water! Perfect for hanging out and chill	5
15	I have the best coffee experiences here. The barista is so great, I felt so welcomed here. Thus I give kopeakoe 5 stars. Recommended Menu Ice Caramel Latte &. Kopi Susu Kamu	5
16	Good coffee at affordable price in town	5
17	A place to chill is	5

No.	Comments	Rating
18	A good place to chill and hangout	5
19	Such a comfy place and good coffee too	5
20	The place is comfy, and the caramel latte is the best “must try”	5

Source: Google Review <https://tinyurl.com/kopeakoeoglereview>

As can be seen in Table 1.3, there are comments ranging from 1 to 5 stars for the review. According to the researcher's experience, Kopeakoe is one of the coffee shops that offers beverage goods of comparable quality to other coffee shop brands that charge higher costs. The service at Kopeakoe is likewise excellent; the waiters are nice and professional in their service. Additional interviews with five random consumers in Kopeakoe were done by the author as part of the research process. For the first customer, after tasting the coffee, the initial CS mentioned that the coffee was fine, although a little bitter. Second customer, AT like the flavor of the signature coffee, but she does not like the self-service. TF expressed her appreciation for the concept of a coffee shop there, which she described as having a very nice ambience but with a large number of annoying insects. It is not AO's favorite place to eat and the cuisine is boring, but she does highly recommend the signature coffee beverage. Lastly, FW has liked everything about this restaurant, from the food to the beverages, but has had a negative experience with the service, the waitresses are not well knowledgeable about the menu.

Based on the comments previously stated Kopeakoe has been performing well, although there have been some unfavorable comments concerning the company's service and product quality. The author believes that by enhancing its attributes, Kopeakoe will be able to achieve better levels of customer satisfaction and compete with the nearby restaurants in the long term. As a result, the author is interested in examining the link between service quality and product quality at a restaurant in terms of overall customer satisfaction. Furthermore, the title of this

research project is "**The Influence of Service Quality and Product Quality Towards Customer Satisfaction at Kopeakoe**".

## **1.2 Problem Limitation**

Customer satisfaction is influenced by a variety of elements, including service quality, product quality, price, atmosphere, promotions, etc. However, in this study, researchers will focus on the quality of the service and the quality of the product affects customer satisfaction. The independent variable is customer satisfaction, while the dependent variables are service and product quality. The quality of the products to be discussed will focus on signature coffee-based beverage products, which are Kope Susu Akoe, Kope Susu Kamu, dan Kope Susu Dia who only make direct purchases at the coffee shop. The indicators of service quality according to Apriyani, Dwi Aliyyah and Sunarti (2017) are tangibles, empathy, reliability, responsiveness, and assurance. Food quality is classified as presentation, taste, menu variety, healthiness, and freshness (Abdullah et al, 2018). Customer Satisfaction includes overall satisfaction, confirmation of expectations, and comparison to the concept (Dimiyati & Subagio, 2016).

## **1.3 Problem Formulation**

1. Does service quality influence customer satisfaction at Kopeakoe?
2. Does product quality influence customer satisfaction at Kopeakoe?
3. Do service quality and product quality influence customer satisfaction at Kopeakoe?

## **1.4 Objective of the Research**

The research objective of this *skripsi* is:

1. To identify the influence of service quality towards customer satisfaction at Kopeakoe.
2. To identify the influence of product quality towards customer satisfaction at Kopeakoe.
3. To identify whether service quality and product quality influence customer satisfaction at Kopeakoe.

## **1.5 Benefit of the Research**

### **1.5.1 Theoretical Benefit**

By conducting research for this *skripsi*, the author is expected to gain more experience and insights regarding the relationship between service quality, product quality, and customer satisfaction in a restaurant.

### **1.5.2 Practical Benefit**

This research may work as a feedback to Kopeakoe as it contains data that shows how satisfied their customers are with their service and product. Thus, this research may help Kopeakoe to improve its restaurant's development in the future. The results of this research are also expected to be used as reference by other researchers in the future to gain better understanding of the influence of service quality and product quality towards customer satisfaction.