

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In this era of globalization, the distribution of products and services is growing rapidly which results an intense competition in the market. This is due to the large number of competitors working in the same industry. One of the industrial fields that is striking for its development nowadays is the food and beverage industry. The growth in food and beverage industry intensifies the competition as food is one of the things that supports human being's daily life activity. It can be concluded that the food and beverage industry is one of the industries that has a long-term life. With this widely trusted statement, many people have decided to open and start a food and beverage business.

Indonesia is a large country starting from Sabang to Merauke with each has a different culture and natural resources that can be enjoyed by people all over the world. There are many tourists' destination to enjoy accompanied by culinary offered from each destination as its own attraction. Nowadays, people travelling all over the world not only to enjoy the view and for recreation, but also to the typical food of each region/country that have its own uniqueness. According to (Harahap et al., 2019) Medan is the third largest city in Indonesia that have lots of interesting sight destination that can be visited by tourist and can be one of tourist favorite destination to visit if it

is managed seriously. Medan have lot of culinary area that offer many types of food and beverage.

The benchmark for companies in the middle of competition is the total of customer that purchased product and service offered by company where the process of customer purchasing product and service obviously have been through some consideration that support the decision in purchasing product and service. To cope with this situation, the entrepreneur must be able to be quick, responsive in decision-making, and creative to maintain the business to continue to operate and gain more consumers. by collecting customer feedback as the solutions for companies to determine about the weakness and to keep improving to provide customer with better service and to meet customer wishes and needs.

As the competition in this industry are getting tighter, company have to make a strategy and have a smart move to win the competition. Therefore, company must be able in offering product and service that are suitable and are needed in the market. Company can influence customer purchase decision by intensify the strategy in providing innovation for new variant product start from an attractive packaging, quality, and price that can't be purchased in other's company. Customer purchase decision is of the aspect that keep business keep running and that's why companies should keep on improving the quality and make strategies to attract customer and for customer to be satisfied and want to purchase the product. Product is something offered by company to be purchased and used by customer.

Consumer will make some observation and look for some information about the product, brand, a location that are easy to reach, and service before purchasing it and it is obtained by advertisement made by company or the opinion from family, friend, and someone that are expert in the product for the customer to consider about the product that can fulfill the needs and interest to have, purchase, and using service from the company, Muhammad (2019) as cited in (Putri, 2021). There are lots of thing that affect customer purchase decision, such as the quality of service, price, location, product, etc. Before customer deciding whether to purchase a product or not from the company, customer will firstly search for information or review about the service provided by company until customer are sure and interested to buy.

Service quality cannot be separated in food and beverage industry to meets customer satisfaction because as been said before, service quality affect on customer purchase decision. According to (Adisetiawan, 2017) service quality is one of the company's methods to continuously improve the quality of the company's process, products and service. The quality of the service affects the number of profits the company will earn, because if it reaches customers expectation, customer will surely do consider on purchasing product from the company. According to Tjiptono and Chandra (2011) as cited in (Mukhlis, 2019), service quality is the method to satisfy the needs and desires of the customer, as well as the precision of the delivery to balance the customer's expectation.

The quality of the services is realized more by people who is operating a business in this industry and hospitality industry. The people who jump in this industry

realize that quality of service can affect and ensure business continuity. Today, it can be seen that most people have becoming more selective in deciding where to eat and also influenced by the thought of some factors such as quality of service, hygiene, food quality, location, price that depends on the wishes and needs of customers.

Besides of service quality, location is also one of the several factor that affecting customer decision in purchasing product. If the location of the business are not strategic and hard to find, even if the company offer a good product and service, customer will certainly think twice to visit. According to Kotler and Armstrong (2012) as cited in (Zardi et al., 2018), location is the place of business activity to deliver product to the customer targeted. The role of location are important to facilitate the flow of goods from producers to consumers. According to (Putri, 2021), location is a business place that affect customer to come and purchase product. The choice of choosing location play a big part in it as it must get customer attention, make them notice, and also easy to reach. A location in crowd area and have easy access should be considered as there are many people passing by, so there are more people notice the company and it will increase the chances of getting more customers. Besides of strategic place, spacious parking lot itself is affecting customer decision to visit the company because if it is inconvenient or the parking lot offered is limited, customer will switch to other company that are more convenient. It can be concluded that location have the influence on business success, therefore choosing the right and strategic location supported by spacious parking lot are important to be considered.

Customer purchase decision is the act of customer in purchasing product from company. According to (Kelvinia et al., 2021), customer purchase decision is the process of combining the information to evaluate two alternative behavior or even more and then choose one of it. The outcome of the combining process is what customer want. Customers have the right to choose and make a decision on what to buy and when to buy. Before customer make a purchase decision, customer will consider about few things for the customer to feel satisfied. Therefore, it is important for company to make a strategy on how to attract and meet customer wants and needs from the price, location, product, service, etc. With company serving a good quality of services, it will make customer satisfied and will recommend the company to other people such as friend and family in which the company can reach on to other customer and the company itself will become one of the customer's alternative/choices in deciding to purchase a product and service.

Baked at Laurence as the object in this research, was establish in 2021, located in Jln. Petula No. 2C, Medan. Baked at Laurence is a dessert house that offer lots variant of dessert and bread where customer can enjoy it inside the café with the concept of fusion food. Baked at Laurence itself have its own concept that becomes the uniqueness which is a bakery store that are connected to the café. Baked at Laurence is one of the most favorite café to visit because of the comfortable place that enable customer to work and catching up with friends.

Baked at Laurence have gain both positive and negative feedback from customer and have experience a decrease in sales caused by some factors such as

service quality, location, and Covid-19. The data sales of Baked at Laurence in 2021 can be seen below:

**Table 1.1 Sales Number of Baked at Laurence Medan**

Month	Income	% Change
January	IDR 69,304,500	0%
February	IDR 67,897,000	-2,03%
March	IDR 70,678,000	4,10%
April	IDR 86,997,000	23,09%
May	IDR 71,456,300	-17,86%
June	IDR 75,876,000	6,19%
July	IDR 79,800,000	5,17%
August	IDR 81,253,000	1,82%
September	IDR 79,498,900	-2,16%
October	IDR 82,965,000	4,36%
November	IDR 80,967,000	-2,14%
December	IDR 83,900,200	3,62%

Source: Baked at Laurence (2021)

Can be seen from the data, there are some decrease in sales at certain month. The decrease in sales caused by several factors as mention before and the Government regulation of PPKM. The sales sharply decrease at May 2021 and start to increase slowly at the next month. Can be said that there are fluctuation occur every month that can be seen by the increase and decrease of sales every month.

**Table 0.2 Customer' Opinion Survey**

<b>Category</b>	<b>Excellent/Good</b>	<b>Average/Poor</b>	<b>Total</b>
Location	8	12	20
Employee Responsiveness	9	11	20
Product Quality	12	8	20
Ambience	15	5	20
Parking Facility	6	14	20

Source: Prepared by Writer, (Baked at Laurence, 2021)

The decrease in sales also occur as company haven't met customer expectation which leads to customer didn't decide in purchasing at the company, as customer is the one that gives profit for company long-term business, company should be able to meet customer expectation. The reason of the writer chose Baked at Laurence as the research object is because from the selected criteria shows that Baked at Laurence have a good quality of product and service with strategic location that influencing on customer purchase decision. However according to the phenomenon in the company, there is a fluctuation of sales and also based on the internal survey gained by collecting customer's opinion about the company shows that customer are not satisfied with the service quality and the location even if it is strategic, it is hard to find because there are many alley before arriving at there and also some competitors in the same industry which made the company are not able to make customer want to make a purchasing decision.

Based on the google review and the writer self-observe at the company, there are complain of the services that are hardly meets customer's expectation and the limited parking lot that are inconvenient for customer. As stated on the background of the study above, customer will be satisfied and will make a decision to purchase if customer's needs and expectation are fulfilled. Therefore, the writer decides to do research with the title **“The Influence of Location and Service Quality on Customer Purchase Decision at Baked at Laurence, Medan”**.

### **1.2 Problem Limitation**

There are many aspects that influencing on customer purchase decision, such as location, service quality, food quality, price, and many more. Here, due to the limited period and resources in doing research, the writer decided to set the limitation of the research and focusing on the variable of location (X1) and service quality (X2) as the independent variables, and customer purchase decision (Y1) as the dependent variable. Data of research is collected from Baked at Laurence that located in Jln. Petula No. 2C, Medan as the object of observation.

According to Tjiptono (2006) as cited in (Windari, 2019), indicator of locations are Access, Visibility, Parking facility, Expansion, Environment, Competition, and Government Policy.

According to Parasuraman (1998) as cited in (Windari, 2019), indicator of service quality are tangible, reliability, responsiveness, assurance, and empathy.

According to Sunyoto as cited in (Imalia & Aprileny, 2020), indicator of customer purchase decision are decision of product's type, decision of product's form, decision of a brand, decision about seller, decision of number of product, decision of purchasing period, and decision of payment.

### **1.3 Problem Formulation**

Based on the background study above, the writer takes the problem formulation as listed below:

1. Does location have partial influence on customer purchase decision at Baked at Laurence Medan?
2. Does service quality have partial influence on customer purchase decision at Baked at Laurence Medan?
3. Do location and service quality have simultaneously influence customer purchase decision at Baked at Laurence Medan?

### **1.4 Objective of the Research**

The purpose of the study is:

1. To analyze how location partially influences customer purchase decision at Baked at Laurence Medan?
2. To analyze how service quality partially influences customer purchase decision at Baked at Laurence Medan?

3. To investigate how location and service quality have simultaneously influences customer purchase decision at Baked at Laurence Medan?

## **1.5 Benefit of the Research**

There are two types of benefit research from the influence of location and service quality on customer purchase decision at Baked at Laurence Medan.

### **1.5.1 Theoretical Benefit**

The theoretical benefit of this research is to determine whether Location and Service Quality have an influence on Customer Purchase Decision in the business or not. Besides, this research is done to gain more knowledge that are related to the theories about the variables of location, service quality, and customer purchase decision.

### **1.5.2 Practical Benefit**

The practical benefit of this research are:

1. For the writer, the research gives the writer more insight and knowledge about the location, service quality, and customer purchase decision.
2. For the company, the research is expected to be a guide and consideration for the company to find out the location and service quality influence on customer purchase decision.
3. For other researches, the research can be references in doing more research about location, service quality, and customer purchase decision.