

CHAPTER I

INTRODUCTION

1.1. Background of the Study

There are few businesses that constantly gain popularity as time goes, and one of them are Cafes. As our lives progress faster during the modern age, Cafes became an important part of the people lives, and many rely on Cafes as a place to both socialize and work. For some people, visiting a Cafe is an important routine that must be worked on continuously. In some cases, Café seem to be the place where a person's life is knitted, built, and defined. The history of people "hanging out" in cafes is very long. It begins when some people interact and meet up in certain places, then they order drinks and snacks to fill the void. It was then that they greeted each other and some of them became friends. Different countries have different Café culture and traditions, but the main driving medium is the same which is encounters. In a country where it's filled with high density population area, Café is a public space where people socialize, welcome and or enjoy the rest of the day. (<https://lifestyle.kontan.co.id>, retrieved in 2022, July 27). The Café experience has changed considerably since the outbreak of the coronavirus, but there are no signs that Cafe will soon lose their popularity. The cafe business is now increasingly in various areas, not even just in urban areas. This phenomenon is caused by the habit of the millennial generation who really likes to hang out. This culture is caused by the life orientation of the millennial

generation which is more directed towards work life balance. This orientation makes the millennial generation more pursuing solidarity and shared happiness rather than mere possessions. (<https://www.kompasiana.com>, retrieved in 2022, July 27).

Lifestyle is also a big reason why the hangout culture continues to be carried out. The common character of the millennial generation is that they want their existence to be socially respected. Therefore, there are some who come to the cafe just to not be left behind from their friends or social environment. As long as they can follow trends and are known not to be out of date, they will often hang out at new and famous cafes. (<https://www.idntimes.com/>, retrieved in 2022, July 27).

Along with changes in people's lifestyles, especially in big cities, which generally spend a lot of time outside the home, cafe and restaurant businesses are increasingly mushrooming. From a business perspective, the cafe and restaurant sector is one of the most sought after by many entrepreneurs in the country. One of the things that drive so many people flock to this business is because the opportunities are never empty. Stevan Lie, Secretary General of the Association of Indonesian Cafe and Restaurant Entrepreneurs (Apkrindo) said that business in this field is something that is still attractive to many people because of its resilience from the crisis and is a primary need of the community. It's no wonder that in business the cafe and restaurant industry continues to grow every year. The perpetrators also continue to grow, from those who start experimenting to those who do have an interest and competence in the field. According to Stevan, the

growth of the cafe and restaurant sector each year increases by around 15-20%. Meanwhile, in terms of the number of business actors in this field, it is estimated that there are more than 10,000 cafes throughout the country. In terms of revenue, it is predicted that it will continue to increase from USD 3.4 billion to USD 4.16 billion (<https://www.kafekolong.com>, retrieved in 2022, July 27).

The city of Medan is the capital of the province of North Sumatra, Indonesia. This city is the largest city on the island of Sumatra. The city of Medan is the gateway to the western part of Indonesia. The development of the city of Medan as a center of trade and business caused many changes. The most obvious change is the emergence of increasing Café business competition. This is marked by the establishment of new Café businesses in the city of Medan. The establishment of new Cafe creates a sharper competitiveness between fellow Cafe businesses. Along with this modern development, the culinary business is a promising business. Not just as a dining area, but as a hub for people to meet up, socialize, and be productive. This makes Café one of the most flexible and promising businesses in Medan, which explains the rapid growth and birth of Café businesses. (<https://kumparan.com>, retrieved in 2022, July 27).

Brothers Café has been established since 2003, and has served more than 10 thousand customers to this day. Brothers Café is located in the Mandiri building, Zainul Arifin Street 16d, which is right in the heart of Medan City. Surrounded by multiple big offices and main roads, Brothers Café has an exceptionally strategic location with multiple road access with many workers pass by the place. It also has access to a wide parking space which could

accommodate lots of vehicles. (<https://www.liputan6.com/>, retrieved in 2022, July 27).



Figure 1. 1 Brothers Cafe Medan

Source: <https://tinyurl.com/528kn7rr>, retrieved in 2022, July 19

Brothers Cafe specializes in both Indonesian and western cuisines. The Café provides wide varieties of iconic famous dishes such as steaks, pasta, fried rice, and many more. Aside from Entrée, the Café also has many snacks and side dishes to accompany the customers with their drinks. (<https://www.liputan6.com/>, retrieved in 2022, July 27).



Figure 1. 2 Brothers Café dish

Source: <https://tinyurl.com/5fzykkz2>, retrieved in 2022, July 19

Brothers Café also has its own app which is available on both App Store and Play Store for people to download. The app allows users to easily book and reserve at the Café according to their own inquiries. By becoming a member, the app also give a 20% discount for all purchases, redeemable points, special offers, and many more. (<https://www.liputan6.com/>, retrieved in 2022, July 27).

The Café offers a European Concept look to it, which also provides live piano during specific time of the day. Aside from its dining services, Brothers Café also provides a wide range of facilities and services such as meeting room, birthday parties, and weddings too. The combination of its atmosphere and hospitality aims to make customers enjoy and feel the comfort that is different from others, with the motto of "We treat you like Brothers". (<https://www.liputan6.com/>, retrieved in 2022, July 27).



Figure 1. 3 Brothers Café interior

Source: <https://tinyurl.com/2p8nukpx>, retrieved in 2022, July 19

Business competition is so tight in Medan City itself with the increase in restaurants and other culinary places, which poses a threat for Brothers Café. The cafes in Medan present almost the same concept as the Brothers Cafe itself. The table below shows the ratings owned by some of the most popular Cafes in Medan. The table indicates that Brothers Café has similar ratings compared to the others. This represents the need for Brothers Café to improve their customer loyalty in order to stand out and survive in the midst of fierce competition.

Table 1. 1 List of Café ratings around Medan

No	Name	Ratings	Cuisine Specialty
1	Brothers Cafe	4.4	Western and Local
2	The Thirty-Six	4.5	Western and Dessert
3	Tip Top	4.5	Western and Local
4	Junction Cafe	4.4	Western and Dessert
5	Sosmed Cafe	4.3	Western and Local

Source: <https://tinyurl.com/mzvps3s2> , <https://tinyurl.com/2s3jn2dc>, <https://tinyurl.com/4bvfskxp>, <https://tinyurl.com/mr32zk77>, retrieved in 2022, July 19

Based on the table above, it's clear to see that the ratings have similar amounts ranging from 4.3 to 4.5. The lack of customer loyalty can make Brothers Café Business slowly eroded by time and eventually perish. Not to mention, the amount of Café that continuously increase in Medan signifies that there are many out there who is trying to take their slice of the pie in the Café business.

Along with the proliferation of other Cafes, competition between Brothers Café and other similar Cafes are getting tougher. One way to gain and maintain market share is for retailers to obtain Customer Loyalty. Owning a loyal customer base is equal with having a solid future income. Given the importance of customer loyalty, companies must make various efforts to maintain their customers to remain loyal to the company and not turn away from existing competitors. Kotler

(2002) as cited in Arifatu (2019) state the reasons why companies need to maintain loyalty include; customers have prospects in providing benefits to the company, the perceived efficiency of the company on service costs because it costs less to retain customers rather than being used to find new customers, customers will tend to believe in other products from the company, customers will tend to defend the company and refer to the company's products which results in increasing product sales. For businesses, customer loyalty is desirable because loyal customers are more profitable than less loyal customers. This is in accordance with the Pareto 80/20 law which states that 80% of a company's profits are generated only by 20% of its loyal customers according to Chan (2003) as cited in Umin (2021).

Brothers Café has been serving customers for 13 years ever since it's established and roughly served more than 10.000 customers. For a Café to last 10 years, it would take a loyal customer base for it to consistently survive and it has been proven that Customer Loyalty do has been formed at Brothers Café Medan. According to Tjiptono (2000) as cited in Irwansyah & Mappadeceng (2018) Customer loyalty is a customer's commitment to a brand, store or supplier based on a very positive nature in long-term purchases. The review above stated that Brothers Café does a loyal customer base.

Moreover, there is a variable that influence the growth of Customer Loyalty, which is Customer Satisfaction. As stated by Kotler and Keller (2009) as cited in Putu (2019) that satisfied customers leads to loyal customers. Customers are the reason why a business continues. So it can be concluded that the customer

has a very important position in the business. Therefore, it is crucial for Brothers Café Medan to pay attention on satisfying their customers.



Figure 1. 4 Brothers Café google review on Customer Satisfaction

Source: <https://tinyurl.com/497sxshy>

According to Kotler and Keller (2006) as cited in Irwansyah & Mappadeceng (2018) customer satisfaction is a person's feelings of pleasure or disappointment arising from comparing the perceived performance of the product or result against customer expectations. Based on the figure above, the customers are having a great dining experience, which also meant that Brothers Café do satisfy their customers. Moreover, in the study made by Granizo and Schlosser (2019), it is stated that there are five variables that influence Customer Satisfaction which are Service Quality, Social Enjoyment, Cleanliness, Aesthetics, and Cost.



Figure 1. 5 Brothers Café customer’s review on Service Quality

Source: <https://tinyurl.com/4jhfd68>

The culinary industry is highly affected by hospitality, and service quality plays an important part to the success of a Café like Brothers Cafe. According to Kotler (2007) as cited in Berliana (2020) reveals that service quality is a way of working that companies do to make continuous quality improvements starting from the processes, products, and services produced by the company. The figure above shows that Brothers Café provides good service quality with the showcase of friendly and professional workers working there. Both goods and services have to be in top of their shape. Consumers must be given good service because the quality of service has a close relationship with purchasing decisions. Brothers Cafe can maintain its business and be able to compete with other competitors if it provides good service.



Figure 1. 6 Brothers Café Social Enjoyment

Source: <https://tinyurl.com/4jhfd68>

According to Avornyo et al. (2019) Social Enjoyment is a feeling that reflects the extent to which individuals experience pleasure or joy when they interact. Brothers Café shows good results in social enjoyment based on the review in the figure above which shows customer having fun in spending time together at the Café.

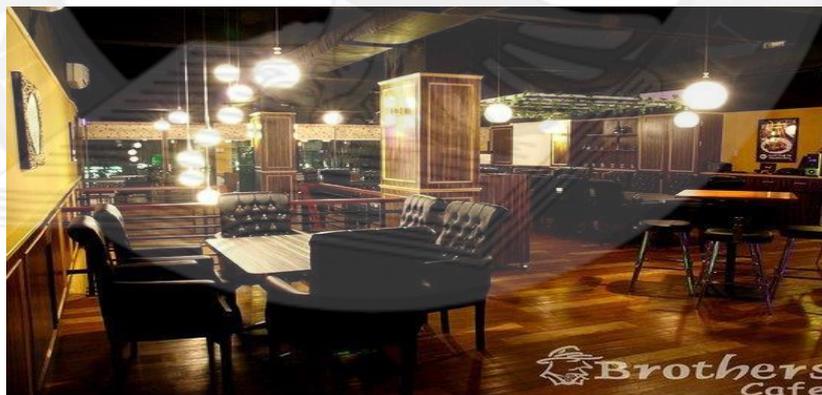


Figure 1. 7 Brothers Café Cleanliness

Source: <https://tinyurl.com/bdz6zm2c>

If the restaurant looks dirty and not maintained, the trust and comfort of visitors to the restaurant will also decrease. A clean restaurant will make visitors

feel comfortable and want to come back again. This rule applies to Brothers Café as well and Brothers Café is doing good in maintaining its cleanliness as shown on the figure above which shows clean tables and floors alongside with neat furniture arrangements. According to Rejeki (2018) Cleanliness is a disease prevention effort that focuses on environmental health activities. Cleanliness includes all conditions and practices, lifestyles, conditions of place and so on along the production chain, which are necessary to ensure food safety.



Figure 1. 8 Brothers Café Aesthetics
Source: <https://tinyurl.com/44samw52>

According to Mathwick et al (2001) as cited in Novita (2018) Aesthetics is the reaction of customers to the visual elements of the object or services. Brothers Café has a wooden interior design with warm lights all around it which is a classic and timeless aesthetic choice throughout the times shown on the figure above.



Figure 1. 9 Brothers Café Menu Costs

Source: <https://tinyurl.com/5d7bs3xj>

According to Mulyadi (2019) Costs is the sacrifice of economic resources, measured in units of money, which has occurred or is likely to occur for certain purposes. Brothers Café has moderate pricing based on the figure above. Price sensitivity allows customers to make price the biggest factor in their buying decisions, and this trait can have an impact on the long-term sales of Brothers Café sales. From figure 1.9, it can be seen that the cost to dine in at Brothers Café relatively affordable in the industry.

Intense competition in Café industry in Medan signifies the need for Brothers Café to adapt and change. The need for food and drink is a basic human need that must be fulfilled so that the culinary business becomes a trend among the people of Indonesia. This opportunity is used by people to get involved and dive in the culinary business by competing in meeting the needs and desires of consumers with the products they offer so as to make competition in the culinary business world increasingly tight which causes more choices for consumers to

choose. Thus, is why this research will be conducted, to prove that the variables of Service Quality, Social Enjoyment, Cleanliness, Aesthetics, Cost have significant influence on Customer Satisfaction which increase Customer Loyalty at Brothers Café Medan.

1.2. Problem Limitation

To prevent misinterpretation and concerning the limitations that the writer has, the research will specifically focus on:

- a. The variables which service quality, social enjoyment, cleanliness, aesthetics, cost, customer satisfaction, and customer loyalty on the research object, Brothers Café, Medan.
- b. The data used in doing this research model will be collected with the questionnaires method which are specifically designed for this research object.
- c. The samples that will be used and analyzed are limited to people, both male and female, with the age ranging from 18 to 60 years old that lived in Medan and have at least visited Brothers Café twice for the past six months.

1.3. Problem Formulation

Based on the problem identification and interpretation of variables mentioned, the problem is formulated as follows:

- a. Does Service Quality have a significant influence on Customer Satisfaction at Brothers Cafe, Medan?
- b. Does Social Enjoyment have a significant influence on Customer Satisfaction at Brothers Cafe, Medan?
- c. Does Cleanliness have a significant influence on Customer Satisfaction at Brothers Cafe, Medan?
- d. Does Aesthetics have a significant influence on Customer Satisfaction at Brothers Cafe, Medan?
- e. Does Cost have a significant influence on Customer Satisfaction at Brothers Cafe, Medan?
- f. Does Customer Satisfaction have a significant influence on Customer Loyalty at Brothers Cafe, Medan?

1.4. Objective of the Research

The following are the objectives of this research corresponding to the problem mentioned earlier:

- a. To find out the influence of Service Quality on Customer Satisfaction at Brothers Café, Medan.
- b. To find out the influence of Social Enjoyment on Customer Satisfaction at Brothers Café, Medan.
- c. To find out the influence of Cleanliness on Customer Satisfaction at Brothers Café, Medan.

- d. To find out the influence of Aesthetics on Customer Satisfaction at Brothers Café, Medan.
- e. To find out the influence of Cost on Customer Satisfaction at Brothers Café, Medan.
- f. To find out influence of Customer Satisfaction on Customer Loyalty at Brothers Café, Medan.

1.5. Benefit of the Research

The research paper is expected to provide two types of benefits, which are:

1.5.1. Theoretical Benefit

The writers hope that the results of this study can enrich reader's understanding on theories related to Service Quality, Social Enjoyment, Cleanliness, Aesthetics, Cost, Customer Satisfaction, and Customer Loyalty.

1.5.2. Practical Benefit

The practical benefits received from this research are:

- a. This research is expected to improve and broaden the knowledge of the writers about Service Quality, Social Enjoyment, Cleanliness, Aesthetics, Cost, Customer Satisfaction, and Customer Loyalty.
- b. For the company, this research is expected to educate the company and improve its effectiveness by analyzing its Service Quality, Social Enjoyment, Cleanliness, Aesthetics, Cost, Customer Satisfaction, and Customer Loyalty.

- c. For other researchers, the writer wishes that this research is capable to help others as a reference in doing research similar to this topic.

