CHAPTER I

INTRODUCTION

1.1 Background of Study

As competition increases, businesses require a long-term or sustainable advance over competitors in the same sector. One of the industries with the most competitors is the hospitality industry, mainly in the F&B business. The hospitality business is an industrial sector that continues growing and is known for various services. This industry continues to grow wider to include all activities related to customers ranging from transportation, tourism, health, entertainment, food & beverage, and many more. Hospitality is an industry concerned with offering services to customers with the aim of satisfying needs, creating new lifestyles, increasing profitability, creating personalized experiences, and others.

Currently, the growth of information with faster access and wider reach is digital information, where the advantage is providing information that can be accessed anytime, anywhere, and by anyone who has the internet or digital device. Digital information is a type of information that is accessed electronically, including websites, social media, mobile applications, and others. The increasing scale of internet media's reach to many audiences throughout the world has become the basis for transactions and trade as well as online transportation.
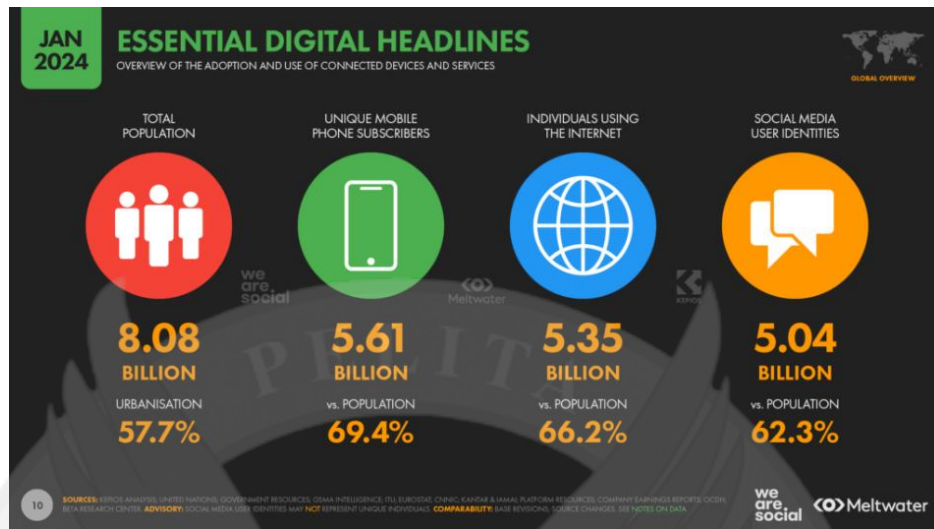
Figure 1.1 Data of Social Media users per January 2024
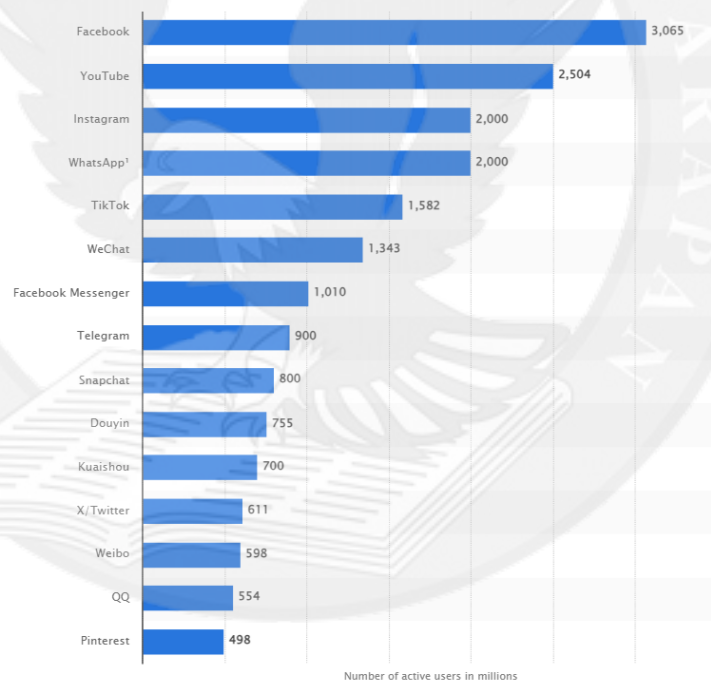Source: We are social (2024)

Figure 1.2 Monthly Active Social Media users as per April 2024
Source: We are social (2024)

Figure 1.1 shows that currently there are 5.04 billion social media users from a

total population of 8.08 billion people. Figure 1.2, one of the social media applications

with more than 2 billion active users worldwide is Instagram based on research in April 2024 from Statista.com. According to Ansari et al., (2019), social media marketing is a marketing strategy that uses social media as a tool to promote the products, service, and brand where the audiences are people who used social media. Instagram is a social networking platform that allows you to post images and videos, create material, offer information, and more.

This platform has become very popular among young people and has become a tool or media for communication, sharing experiences, providing knowledge, and even building online communities. The writer's research object is Doffee – Dough and Coffee, established since February 2016, nestled in the heart of Medan, offering its unique predilect house blend coffee and delightful of West, and East cuisine, Doffee is located on Jalan Multatuli No. FF 14-15 5th Floor (Milestone Building). The social media (Instagram) that the restaurant used for its social media marketing are as follows:

Figure 1.3 Doffee-Dough and Coffee Medan Instagram Account
Source: Prepared by writer (2024)

As can be seen on Figure 1.3, one of the most used social media of Doffee Medan which is Instagram application, Doffee was established in February 2016 and has almost 2000 posts and 6.500 followers which can be considered as decent. In addition, Doffee could utilize its social media more in marketing to improve awareness

to customers and increase more in marketing strategy to boost the engagement of customers such as implementing more attractive promotions.
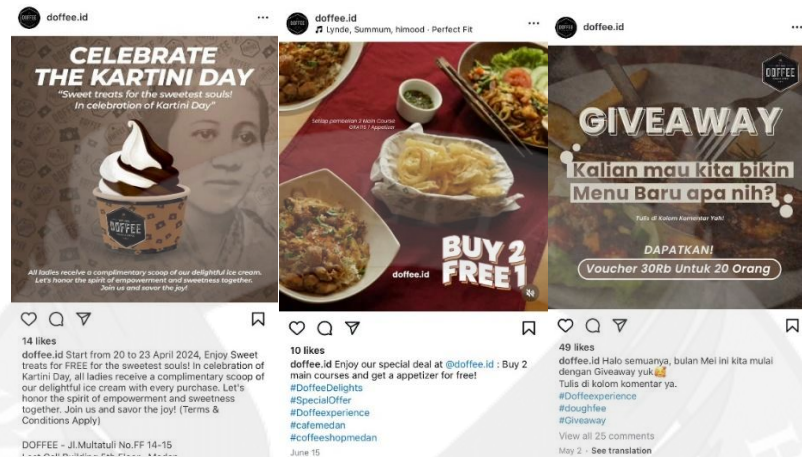

Figure 1.4 Doffee-Dough and Coffee Medan Marketing
Source: Prepared by writer (2024)

Figure 1.4, Doffee Medan launches a marketing campaign in social media where it is a promotion of Buy 2 Free 1 of the menu or meals displayed, there are no or unclear details provided unless customers ask directly however most cases are, potential customers prefer to know what items of products offered shown in the content rather than inquire the shop. There are no details of promotion such as the price, availability, and validity date for customers to understand when the campaign starts or ends, how much the price is, and so forth.

In terms of implementing digital marketing in restaurants, Instagram is one of the most influential points in product marketing or branding to be seen by many people. Using Instagram as a digital marketing channel, Doffee Medan can reach a wider audience. Doffee Medan can apply this digital information to introduce a new menu,

showcase the interior atmosphere, and announce special events or even e-word of mouth through customers directly as it reaches a wider audience of customers.

According to Bulan & Chandra, (2021) e-word of mouth is a crucial "venue" for consumers to give their opinions are considered more effective than offline word of mouth (wom), due to its greater accessibility and reach. Doffee Medan could grab the attention of potential customers or even loyal customers and build a strong brand image by sharing photos of appetizing dishes and beverages, and attractive decorations. Instagram is a strong communication tool for Doffee Medan to understand and find out directly about customer needs or desires by showing that these interactions can influence customer loyalty.

E-word of mouth is often short reviews or testimony from one customer online to other potential customers with the goal being for the potential customers to purchase products or services. E-word of mouth certainly helps restaurants to attract new potential customers who have never dined in a restaurant before. Increasing social media marketing will make the restaurant better known in the local community and increase customer loyalty. Therefore, relationships are closer and encourage customers to revisit and increase sales through establishing attractive E-WOM. E-WOM can be one of the most significant things to focus on a business because it allows business to have free-of-cost marketing to gain satisfied customers that experience dining in the restaurant.

Where social media marketing is affected through e-word of mouth, the writer found some negative reviews online that could affect the e-word of mouth of customers online or directly towards the restaurant where it can be seen as follows:
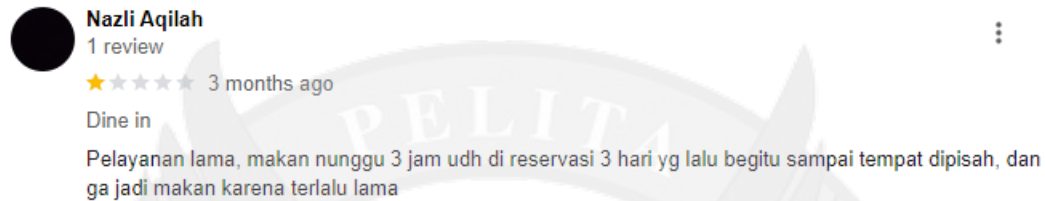

Figure 1.5 Google Review of Doffee-Dough and Coffee
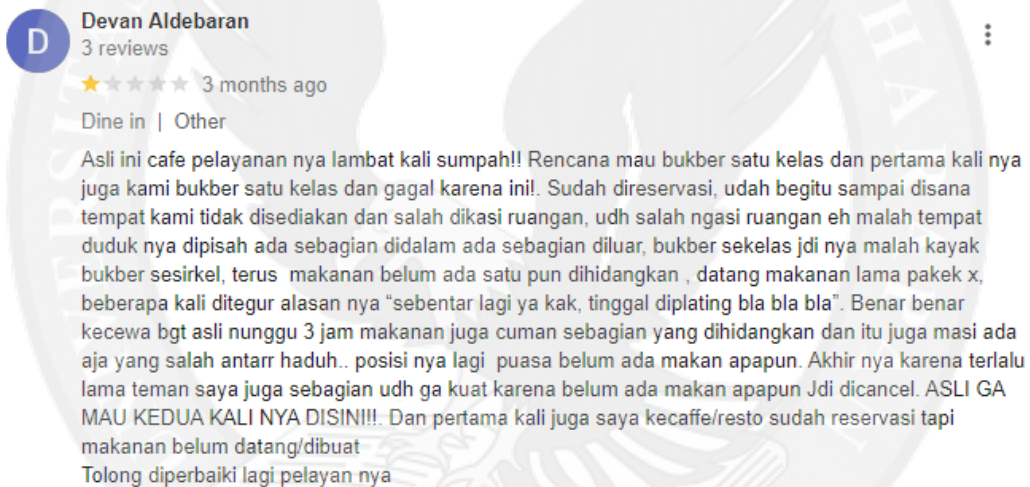Source: Google Review of Doffee Medan (2024)

Figure 1.6 Google Review of Doffee-Dough and Coffee
Source: Google Review of Doffee Medan (2024)

Table 1.1 List of Google Review at Doffee-Dough and Coffee Medan (2023-2024)

| No.	Name	Description	Rating				
			5	4	3	2	1
1	Trach Trung	*Lumayan Bagus*		✓			
2	Zahira Syafitri	*Makan di tempat*					✓
3	Devan Aldebaran	*Asli ini cafe pelayanan nya lambat kali sumpah!! ASLI GA MAU KEDUA KALI NYA DISINI!!. Dan pertama kali juga saya kecaffe/resto sudah reservasi tapi makanan belum datang/dibuat Tolong diperbaiki lagi pelayan nya*					✓
4	Nazli Aqilah	*Pelayanan lama, makan nunggu 3 jam udh di reservasi 3 hari yg lalu begitu sampai tempat dipisah, dan ga jadi makan karena terlalu lama*					✓
5	Reva Aulia	-					✓
6	Gisa Yanda	*tolong admin whatsApp nya lebih ditingkatkan lagi pelayanannya*					✓
7	Edy Susanto	*Lokasinya berada di lantai 5. Suasanya tenang dan internetnya lumayan kencang. Untuk rasa makananya juga enak, terutama untuk kwetiau penang goreng seafood very recomended. Pelayananya juga cukup baik.*	✓				
8	Katherine Tantama	*Tmptnya enak gak terlalu rame, makanannya agak lama, kemarin pesan ayam tp gak mateng*			✓		
9	Saya Ganteng	-	✓				
10	Ling Kusalacarini	-			✓		
11	Tony Tansu	-	✓				
12	Veri Manroe	*Suka, tempat ngopi santuy, disampingnya ada bar juga*		✓			
13	Livia Almira	-	✓				

Source: Google Review of Doffee Medan (2024)
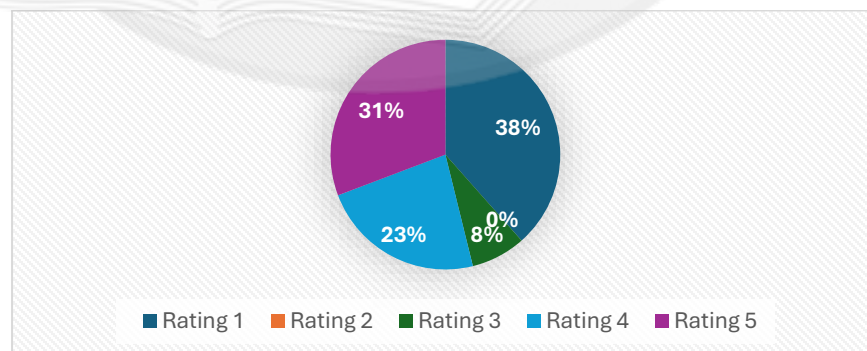
Figure 1.7 Chart of Google Review at Doffee-Dough and Coffee Medan (2023-2024)
Source: Google Review of Doffee Medan (2024)

The writer gathered some negative rating reviews from google review of customers that dine in Doffee Medan, and it shows that month by month with the timeline from 2023 – June 2024, Doffee Medan negative reviews is starting to increase, the review indicates that the customers who dine in Doffee Medan is not satisfied due to the slow service. This could affect the reputation of Doffee Medan brand where customers could spread negative words to customers' surroundings and affect other customers's decision to visit and dine at the restaurant. It shows from the review that some of the staff are undertrained regarding standard quality service towards customers, which results in customer dissatisfaction and distrust which leads to no loyalty.

Customers will respond favorably to a restaurant atmosphere that reflects the customers' experience and mood. The quality of the cuisine plays an equally essential role in boosting customer needs and fostering customer loyalty as the restaurant's setting. A restaurant's atmosphere is built up of various components which function along to give customers a special and entertaining restaurant experience. This involves the room's noise levels as well as the interior design, lighting, music, and food aroma. A restaurant may create a pleasant and welcoming atmosphere for its customers by carefully balancing these components. A pleasant atmosphere can enhance the pleasure of cuisine, create sensations of coziness, and provide customers with wonderful restaurant experiences.

Furthermore, the results of the google reviews are not categorized as good reviews since the results of the review are still a lot of bad reviews which can be a threat to Doffee Medan. One of the factors affecting Doffee Medan is the restaurant atmosphere which can be seen as follows:
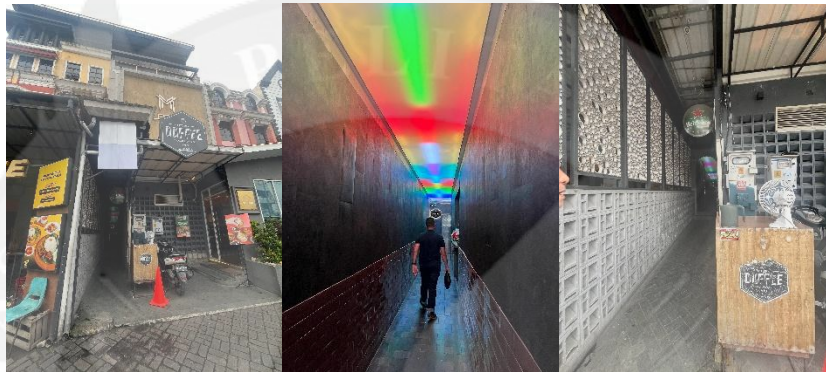

Figure 1.8 Atmosphere of Doffee-Dough and Coffee Medan
Source: The writer (2024)

Figure 1.8 is the entrance and interior of Doffee Medan, based on the writer's experience during dining in Doffee Medan, the interior has a cozy atmosphere and interior where customers will feel satisfied as it will affect customers' intention to purchase. While Doffee Medan offers a great ambiance and atmosphere, Doffee Medan encounters some issues due to the absence of dedicated parking space, which can cause potential customers to find it inconvenient to visit and dine in without easy parking options. The entrance of Doffee Medan can't be seen clearly because the entrance space is just about 1-2 meters beside the MileStone Building.

According to Prabowo & Sitio (2020) that customer loyalty is a form of loyalty or commit by customers to purchase and prioritize a brand which is in the form of purchasing products or services consistently leading to repeat purchases of the same

brand. Among the many advantages offered by customer loyalty programs are discounted prices for customers, gifts for members, and special offers.

The writer gathered some data regarding the sales in Doffee which experienced a decline in 2019-2023. The following supports the customer loyalty phenomenon related to Doffee-Dough and Coffee Medan. Below is some of Doffee Medan revenue for each year.

Table 1.2 Sales Data of Doffee-Dough and Coffee Medan from 2019-2023

Year	Sales	Sales (Grab)	Totals	%
2019	1,448,751,600	120,369,500	1,569,121,100	-
2020	525,415,500	235,627,900	761,043,400	-51%
2021	847,207,050	118,090,500	965,297,550	27%
2022	643,877,358	85,902,100	729,779,458	-24%
2023	563,392,688	62,100,050	625,492,738	-14%

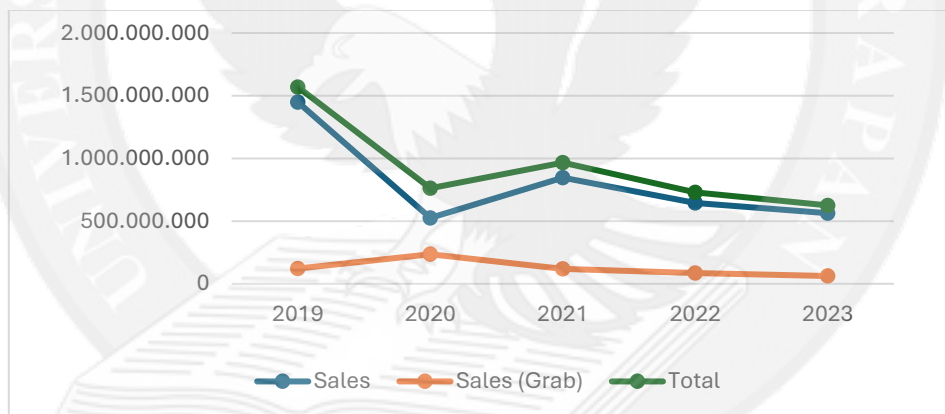Source: Prepared by Doffee-Dough Coffee Medan (2024)

Figure 1.9 Sales Data of Doffee-Dough and Coffee Medan
Source: Prepared by Doffee-Dough and Coffee Medan (2024)

The low sales frequency suggests that certain customers are not satisfied with the restaurant's service and customers would like to move to one that provides superior service. The number of sales drops significantly on 2020 and between 2022 until 2023. There is a lack of promotion that impacts on the customers who come and dine in at

Doffee Medan. This might have a negative effect on restaurant sales and the value of customer loyalty, which is decreasing month over month.

Based on the phenomena from the background research above, the writer is doing the research entitled **"THE INFLUENCE OF SOCIAL MEDIA MARKETING, E-WORD OF MOUTH, AND RESTAURANT ATMOSPHERE TOWARDS CUSTOMER LOYALTY AT DOFFEE – DOUGH AND COFFEE MEDAN".**

1.2 Problem Limitation

The purpose of this research is to find out whether social media marketing, e-word of mouth, and restaurant atmosphere have an impact on customer loyalty at Doffee Medan. The writer will limit social media marketing variable to focus on Instagram as the main discussed social media. The characteristics of these respondents consist of age, times of visit as a customer, and gender.

1.3 Problem Formulation

In the context of the influence of social media marketing, e-word of mouth, and restaurant atmosphere on customer loyalty can be formulated as follows:

1. Does Social Media Marketing have partial influence towards Customer Loyalty at Doffee Medan?

2. Does E-Word of Mouth have partial influence towards Customer Loyalty at Doffee Medan?

3. Does Restaurant Atmosphere have partial influence towards Customer Loyalty at Doffee Medan?

4. Does Social Media Marketing, E-Word of Mouth, and Restaurant Atmosphere have simultaneous influence toward Customer Loyalty at Doffee Medan?

1.4   Objective of research

The objectives of the research are as follows:

1. To identify how Social Media Marketing has partial influence towards Customer Loyalty at Doffee Medan.

2. To identify how E-Word of Mouth has partial influence towards Customer Loyalty at Doffee Medan.

3. To identify how Restaurant Atmosphere has partial influence towards Customer Loyalty at Doffee Medan.

4. To identify how Social Media Marketing, E-Word of Mouth, and Restaurant Atmosphere have simultaneous influence towards Customer Loyalty at Doffee Medan.

1.5 Benefit of research

1.5.1 Theoretical Benefit

This research can help the writer to understand theories and how to build social media marketing, e-word of mouth, and restaurant atmosphere towards customer loyalty than other competitors in the industry, this research can be used as a lesson, reference, or material for every party or further researcher towards future application.

1.5.2 Practical Benefit

a) For writer

To let the writer understand the knowledge about conducting research and reading information, journals and books, regarding social media marketing, e-word of mouth, restaurant atmosphere, and customer loyalty.

b) For company

To get an overview of the company, about the marketing in social media, electronic word of mouth, restaurant atmosphere, and customer loyalty and the company can make improvements to the business.

c) For other researchers

To increase the knowledge of other researchers about social media marketing, e-word of mouth, restaurant atmosphere, and customer loyalty to help other researchers in conducting research and could use as a reference in researching similar topic.