

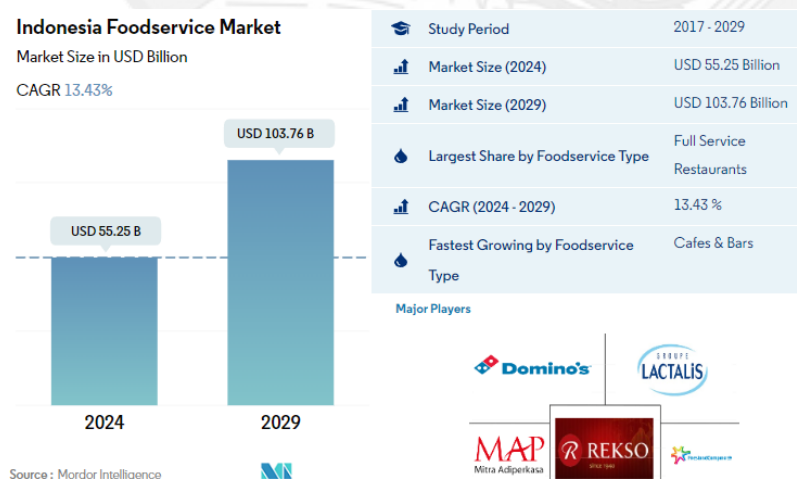
# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

The foodservice industry in Indonesia has been growing at a rapid pace, with its expected CAGR (Compound Annual Growth Rate) growth from 2024 to 2029 at 13.43%. The industry is a very popular business venture in Indonesia due to the country's change in increasingly busy lifestyles and high consumption behavior. Furthermore, its market size is also expected to almost double from 2024's USD 55.25 billion to 2029's projected value of USD 103.76 billion (Kertasunjaya et al., 2020).

According to Meiselman & Edwards (2020), food services includes full-service restaurants, self-service restaurants, fast food, street stall, café and bar, and home delivery restaurants. In addition to the growth in market size and CAGR, the fastest growing foodservice type in the country are cafes and bars.



**Figure 1.1 Indonesian Foodservice Market Projected Growth**  
Source: Mordor Intelligence

In the past, restaurants and places providing food with service were places to meet the needs of wealthy families. Eventually, it became a place where in exchange for a specific sum of money, food and beverages are provided to customers. However, it is now obvious that restaurants no longer only provide rudimentary service and food to satisfy the need to eat and drink. In fact, nowadays, customers not only want to meet their eating needs, but also want to enjoy a nice atmosphere, have a great time, and feel comfortable (Çetinkaya & Çetinkaya, 2020).

As such, with the growth of the food service industry, many food and beverage enterprises, in addition to fulfilling their biological eating and drinking needs, they are also required to satisfy their customers' consumption-related feelings (Çetinkaya & Çetinkaya, 2020). This increases people's standards as customer satisfaction is no longer limited to only fulfilling the basic need to eat and drink.

To attract visitors and make them feel satisfied, restaurants must now take into account aesthetics because consumers will frequently take photos of their food and photos of themselves in the location and post it on their social media accounts, regardless of the food's taste and its price to get new experiences (Putra et al., 2020).

Based on the research from Marković et al. (2021), typically, before deciding on which restaurant to visit, guests will first encounter its physical appearance starting from the exterior, interior, staff's appearance, and finally the food's appearance. This leads to there being 3 main attributes affecting guest

aesthetic experience: physical environment aesthetics, food aesthetics, and labor aesthetics.

According to Çetinkaya & Çetinkaya (2020), customers do indeed prefer restaurants that are attractively decorated and aesthetically pleasing because it will positively influence and directly affect customer satisfaction levels. Furthermore, food aesthetics like plating and garnishing will influence customer satisfaction and increase their appetite, turning them into loyal customers (Costales et al., 2022). Additionally, as businesses are becoming increasingly competitive, it may not be enough to only rely on aesthetic physical environment and food. Nowadays, businesses are also hiring attractive staff to improve their labor aesthetics because it will affect their customer satisfaction and eventually customer retention (Lee & Choi, 2020).

According to Salama Alketbi et al. (2020), companies that focus strongly on their customer satisfaction will not only build a positive image of their company but also improve loyalty.



The findings from Shu & Christie (2024) also support that customer satisfaction influences customer revisit intention and that customer satisfaction also mediates between servicescape and customer revisit intention.

Furthermore, it is well established that retaining existing customers is five times cheaper than spending resources to attract new ones (Shim et al., 2019). Thus, having good customer retention means being able to turn new customers into regular ones and also keeping good relations with the existing customers (Al-Gharaibah, 2020).

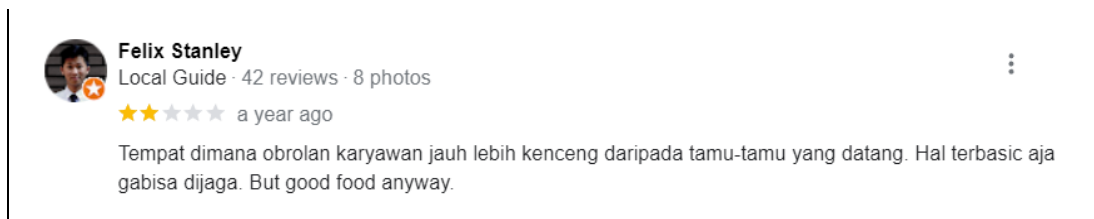
The city of Medan, the capital city of the province of Sumatra Utara, is one of the most urbanized cities with a predicted population of approximately 2.5 million people in 2020-2022 based on the most recent report by Badan Pusat Statistik Kota Medan (2023). Cafe culture is also big in Medan since there are a lot of popular coffee shops or cafés with varying styles and quality, along with there constantly being a stream of new cafés in development despite there also being a substantial number of cafés that has closed over the years.

One such café that the author would like to investigate is Common Folks Coffee Roasters Multatuli, located at Jl. H. Misbah No.18, Medan. The café's ambiance is characterized by a modern and trendy design, making it a popular spot for Instagram-worthy photos. It caters to those seeking a workspace with charging stations at most tables and features carefully chosen background music to create a conducive environment for both work and leisure.

Below are the customer reviews for the café for the independent variables of physical environment aesthetics, food aesthetics, and labor aesthetics.

<b>Customer Reviews</b>	
<i><b>X1: Physical Environment Aesthetics</b></i>	
 <b>deepfacts</b> Local Guide · 19 reviews · 6 photos ★★★★★ a month ago	⋮
It is pet friendly coffee shop but they cant manage the dogs well so it is a bit smell and noisy..	
 <b>Green Light</b> 6 reviews · 2 photos ★★★★★ 2 years ago	⋮
-Foods and bevs are decent, quite overpriced. -Place is nice but kinda tight, especially parking space.	
<i><b>X2: Food Aesthetics</b></i>	

<div data-bbox="359 315 432 389"></div> <p><b>Jolene</b> 8 Reviews</p> <p>★★★★☆ • More than 1 year ago</p> <p>My latte is not filled to the top :/</p> <p>Ordered: Caf� Latte</p>
<div data-bbox="331 591 395 658"></div> <p><b>ahmad fauzi</b> Local Guide · 33 reviews · 12 photos</p> <p>★★★★☆ 2 years ago</p> <p>kopi arennya kureng, ga kerasa kopi. Malah kerasa susu</p>
<div data-bbox="331 797 395 864"></div> <p><b>Mark Chandra</b> 5 reviews</p> <p>★★★★☆ a year ago</p> <p>Coffee burnt and bitter tdk sesuai ekspektasi.</p>
<p><b><i>X3: Labor Aesthetics</i></b></p>
<div data-bbox="331 1043 395 1111"></div> <p><b>Wedward</b> Local Guide · 679 reviews · 4.267 photos</p> <p>★★★★☆ 7 months ago</p> <p>Dine in   Lunch</p> <p>Makanan di tinggal bentar ke toilet, langsung di beresin sama karyawan. SANGAT MENGECEWAKAN!!!</p> <p>TOLONG DI CEK DULU APA KOSTUMERNYA BENER2 SUDAH PERGI ATAU MASIH ADA DI DALAM CAFE. JANGAN SEMBARANGAN BERSIHKAN!</p>
<div data-bbox="341 1357 395 1424"></div> <p><b>Indra Wibisono</b> Local Guide · 51 reviews · 152 photos</p> <p>★★★★☆ 10 months ago</p> <p>Dine in</p> <p>Baru masuk, experience nya sudah sangat ga bagus. Basic common courtesy ga ada. Staff nya jutek2, terutama bagian kasir dan barista. Ubah pikiran, langsung keluar. Parahh</p>
<div data-bbox="341 1626 395 1693"></div> <p><b>Muhammad Taufan</b> 2 reviews</p> <p>★★★★☆ a year ago</p> <p>Dine in   Dinner</p> <p>Manners barista hampir tidak ada</p>



**Figure 1.2 Customer reviews for Common Folks Coffee Roasters Multatuli Medan**

Source: Google Reviews

Based on the indicators of each variable, it is shown that there are issues with the café's physical environment aesthetics as seen with how there is an unpleasant smell and difficulty navigating in the restaurant environment. For food aesthetics, it does not fulfill the indicators of the food needing to be delicious and the portion being appropriate. Meanwhile, for labor aesthetics, it does not fulfill the indicators of the employees needing to be friendly to guests, treating guests well, and that the behavior of employees towards guests should be pleasant.

Therefore, based on the background of the study above, the author would like to research **“THE INFLUENCE OF PHYSICAL ENVIRONMENT AESTHETICS, FOOD AESTHETICS, AND LABOR AESTHETICS TOWARD CUSTOMER RETENTION; THE MEDIATING FACTOR OF CUSTOMER SATISFACTION AT COMMON FOLKS COFFEE ROASTERS MULTATULI MEDAN”**.

## **1.2. Problem Limitation**

For this research, the author would like to confine the variables of the independent variables to physical environment aesthetics, food aesthetics, and labor aesthetics with the dependent variable being customer retention to which the

mediating variable is customer satisfaction. The final limitation is that the research object will be Common Folks Coffee Roasters Multatuli Medan.

### **1.3. Problem Formulation**

These are the problem formulations for the above background of the study:

1. Does physical environmental aesthetics significantly influence customer satisfaction at Common Folks Coffee Roasters Multatuli Medan?
2. Do food aesthetics significantly influence customer satisfaction at Common Folks Coffee Roasters Multatuli Medan?
3. Does labor aesthetics significantly influence customer satisfaction at Common Folks Coffee Roasters Multatuli Medan?
4. Does customer satisfaction significantly influence customer retention at Common Folks Coffee Roasters Multatuli Medan?
5. Does physical environmental aesthetics significantly influence customer retention through customer satisfaction at Common Folks Coffee Roasters Multatuli Medan?
6. Do food aesthetics significantly influence customer retention through customer satisfaction at Common Folks Coffee Roasters Multatuli Medan?
7. Does labor aesthetics significantly influence customer retention through customer satisfaction at Common Folks Coffee Roasters Multatuli Medan?

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

The following are the research objectives:

1. To investigate whether physical environment aesthetics significantly influence customer satisfaction at Common Folks Coffee Roasters Multatuli Medan.
2. To investigate whether food aesthetics significantly influence customer satisfaction at Common Folks Coffee Roasters Multatuli Medan.
3. To investigate whether labor aesthetics significantly influence customer satisfaction at Common Folks Coffee Roasters Multatuli Medan.
4. To investigate whether customer satisfaction significantly influences customer retention at Common Folks Coffee Roasters Multatuli Medan.
5. To investigate whether physical environmental aesthetics significantly influence customer retention through customer satisfaction at Common Folks Coffee Roasters Multatuli Medan.
6. To investigate whether food aesthetics significantly influence customer retention through customer satisfaction at Common Folks Coffee Roasters Multatuli Medan.
7. To investigate whether labor aesthetics significantly influence customer retention through customer satisfaction at Common Folks Coffee Roasters Multatuli Medan.

#### **1.5. Benefits of the Research**



Both the theoretical benefits and practical benefits that come from studying “The Influence of Physical Environment Aesthetics, Food Aesthetics, and Labor Aesthetics toward Customer Retention: The Mediating Factor of Customer Satisfaction at Common Folks Coffee Roasters Multatuli Medan” are as follows.

#### **1.5.1. Theoretical Benefits**

Readers will be able to gain valuable insights into the relationship between the variables of physical environment aesthetics, food aesthetics, and labor aesthetics toward customer retention, which is mediated by customer satisfaction. The findings of the research are anticipated to have academic significance and serve as a valuable reference for fellow researchers, especially regarding the variables examined in this study.

#### **1.5.2. Practical Benefits**

The practical benefits include:

1. For the Writer

The writer gains a deeper comprehension of the influence that physical environment aesthetics, food aesthetics, and labor aesthetics have toward customer retention, mediated by customer satisfaction.

2. For the Company

The company will be able to use the findings of this research to improve their business by understanding more about how physical environment aesthetics, food aesthetics, and labor aesthetics influence customer retention, mediated by customer satisfaction.

3. For the Researcher

The results of this research will become a reference to other researches who investigating this topic related to physical environment aesthetics, food aesthetics, labor aesthetics, customer satisfaction, and customer retention in the foodservice industry.

