

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

Coffee shops in Medan are rapidly expanding, transforming into social hubs where friends and family gather, offering more than just a place to enjoy coffee. This growing trend has heightened competition, encouraging coffee shops to differentiate themselves through factors like product quality, service quality, and store atmosphere. For coffee shops like Alligator Roastery, a so-called slow bar café, understanding these key factors is essential for analyzing what influence purchase decisions. The quality of products, level of service, and the overall ambiance of the store atmosphere all play significant roles in shaping customer purchase decisions.

Cafes have become popular places to relax and socialize while enjoying drinks and food from the menu. Some cafes offer full meals, while others focus on drinks like coffee and tea, along with light snacks, cakes, and desserts. In Medan, cafes are a common sight, especially among students and young adults. In the culinary business, companies often begin by developing products and then adjust pricing accordingly. A market- and consumer-oriented approach is crucial in today's competitive and rapidly growing business environment, marked by

uncertainty. Intense competition demands careful strategies to maintain customer satisfaction. (Carissa, 2022)

Alligator Roastery, a slow bar café renowned for its hand-made coffee roasted on-site, stands out as a must-visit destination in Medan. While many customers appreciate the café for its ambiance, aesthetic appeal, diverse coffee selections, and attentive staff, some express dissatisfaction with the quality of the food and the challenges associated with making reservations. The café's relatively small size, characteristic of slow bar cafés, can complicate securing a spot, which may impact on overall customer experience and purchase decisions. Addressing these concerns could enhance customer satisfaction and encourage repeat visits.

Sholihat (2018), as cited in Christie (2022), defines a purchase decision as the behavior of customers when buying a product or service for personal use. Similarly, Simanjuntak and Budiono (2020), as cited in Christie (2022), described that the customer's tendency to choose a product or service that meets their expectations, while being aware of potential drawbacks. With numerous product and service options available, customers must evaluate and choose what they believe offers the best value before making a purchase decision.

Based on the results of a study conducted by Hartini and Antari (2024), product quality, service quality, and store atmosphere each have a positive and significant influence on purchasing decisions. Furthermore, changes in lifestyle and consumer mindsets have led to coffee shops being seen not just as places that sell

coffee, but as spaces where these factors are key in shaping customer experiences. Alligator Roastery, as a prominent player in the coffee market known for its distinguished variations of coffee bean products and artisanal beverages, needs to address these factors to effectively influence customer purchasing decisions.

Product quality refers to the characteristics and attributes of a product that determine its ability to meet customer needs and expectations. It encompasses various aspects such as durability, reliability, performance, design, and features. High product quality is crucial for businesses as it can enhance customer satisfaction, loyalty, and ultimately drive business success. Product quality includes different features from marketing, engineering, production, and maintenance that help the product meet customer needs and expectations (Wijaya, 2014) as cited in Munawaroh & Simon (2023). As product quality improves, it is expected to positively influence purchase decisions.

When customers consistently encounter high-quality products from a brand, their satisfaction increases as their expectations are met or exceeded. This positive experience fosters a sense of trust and reliability, encouraging customers to return and engage with the brand. Customers are not merely purchasing a product; an investment is made in a promise of reliability and excellence. The greater the quality of offerings at a cafe, the more likely customers are to express satisfaction. Furthermore, product quality has a positive effect on purchase decisions. Thus, product quality is a key factor influencing customer satisfaction. (Cristy, 2022).

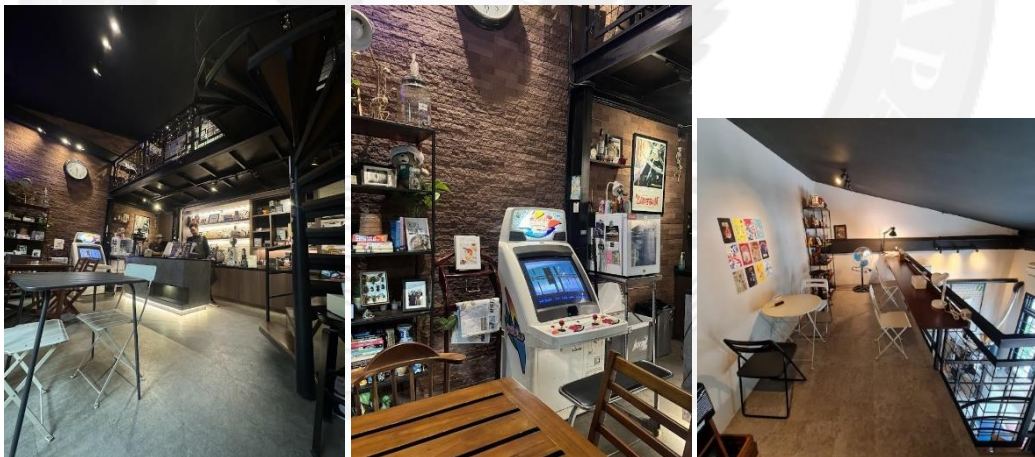
Service quality denotes how well a service aligns with or surpasses customer expectations, covering dimensions like reliability, responsiveness, assurance, empathy, and tangibles. Exceptional service quality holds significant importance for businesses, as it can foster customer satisfaction, loyalty, and purchasing decisions. Parasuraman et al. (1988) as cited in Miswanto & Angelia (2017), introduced the Service Quality (SERVQUAL) model and defined it through five key dimensions: tangibles, reliability, responsiveness, assurance, and empathy.

Fauza and Suryomurti (2021) found that service quality significantly influences purchasing decisions. This suggests that as the quality of service improves, so does the likelihood of making a purchase. Similarly, promotion, price, and store atmosphere also positively affect purchasing decisions, indicating that effective promotions, competitive pricing, and a pleasant ambiance enhance the likelihood of purchase. Moreover, higher purchasing decisions are likely to foster repeat business. This research highlights the key role of service quality in shaping purchasing decisions, which in turn can drive future sales.

According to Adnan (2020), as cited in Arminta (2023), "store atmosphere" refers to an environment tailored to meet the needs of the target market, while also enticing consumers to make purchases. The atmosphere of the store influences the emotional state of customers, which in turn affects their purchasing decisions. This emotional response generally leads to two key feelings: pleasure and a heightened desire to buy. The store's atmosphere not only aims to meet the needs of the target

market but also plays a significant role in shaping customers' emotions, ultimately driving their purchasing behavior.

A study conducted by Aulia et al. (2023) confirms that location plays a crucial role in influencing purchasing decisions. This demonstrates that carefully chosen sales locations enhance the decision-making process. Additionally, store ambiance significantly impacts purchasing decisions, indicating that a better store atmosphere leads to improved purchasing outcomes. Social media factors also positively influence decision-making, suggesting that higher-quality purchasing decisions correlate with effective social media marketing. Furthermore, service quality plays a pivotal role; superior service marketing enhances the quality of purchasing decisions.



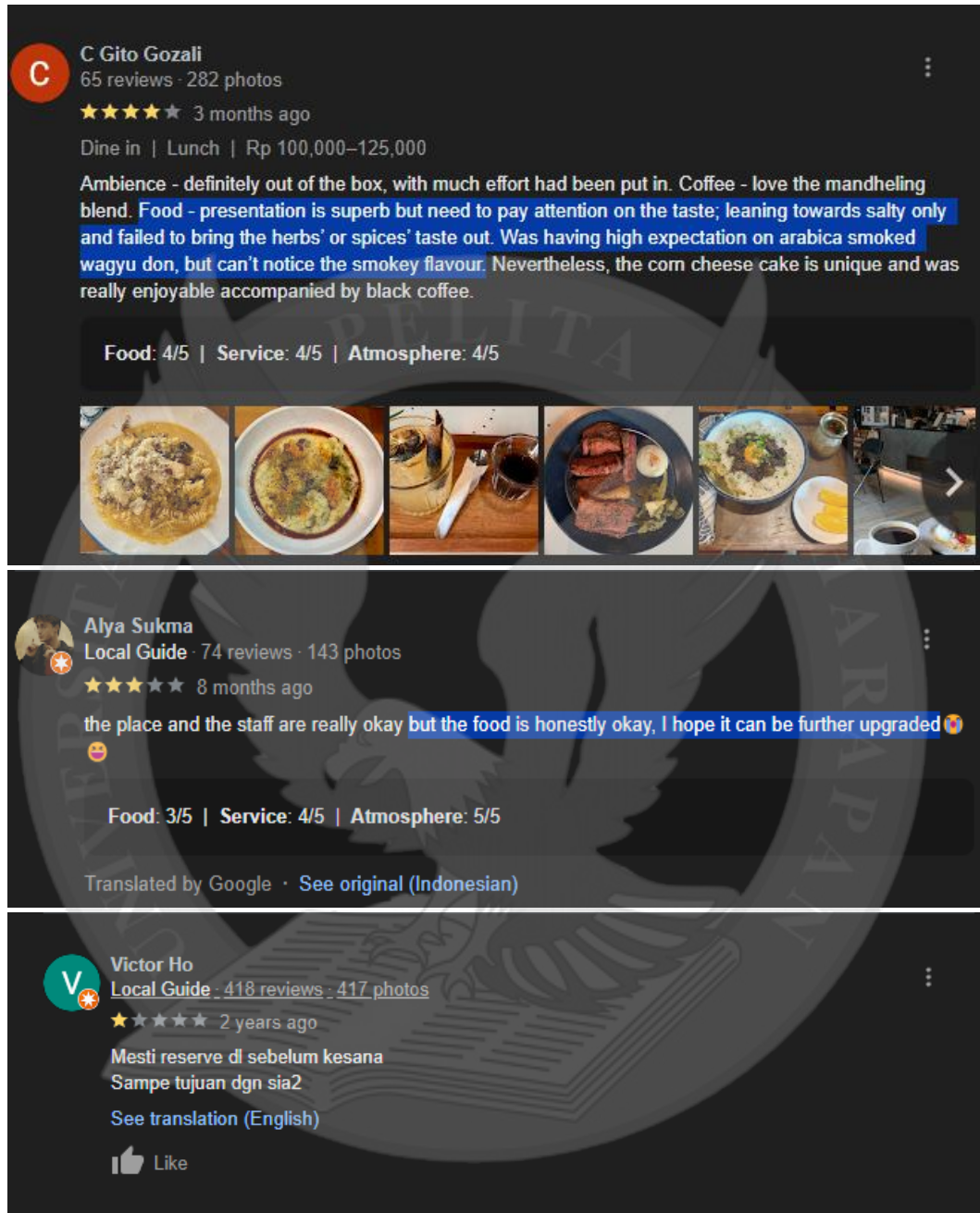
**Figure 1.1 Alligator Roastery's Interior**  
Source: Google Reviews (2024)



**Figure 1.2 Alligator Roastery's Exterior**

Source: Google Reviews (2024)

Based on the figures above, the interior of Alligator Roastery exhibits a cozy, minimalist design, featuring earthy tones and soft lighting. The seating arrangements offer a mix of individual and group tables, creating a space suited for both casual visitors and those looking to work or study, which can enhance the likelihood of customers choosing to spend more time—and money—at the café. The café's upper level provides patrons with a private, elevated area, contributing to an intimate atmosphere that encourages repeated visits and positive purchase decisions. The outdoor space, with its clean aesthetic and minimalist landscaping, offers a relaxing spot for customers who prefer an open-air experience, increasing the café's appeal as a go-to destination. However, despite its charming design and inviting ambiance, the café's small size can become a drawback. During peak hours, the limited space feels quite cramped, and the narrow layout makes it difficult to move around freely, which may discourage larger groups from dining there.



**Figure 1.3 Google Reviews of Alligator Roastery**

Source: Google Reviews (2024)

Based on the figures above from Google Reviews, while Alligator Roastery excels in creating a cozy and welcoming atmosphere, the food offerings seem to

fall slightly short of expectations. Several customers have described the food as "just okay" and noted that improvements are needed. This feedback indicates that while the café's ambiance and coffee selection may attract customers, enhancing food quality could better align with the overall experience and encourage repeat purchases. Upgrading the menu could improve customer satisfaction and create a more comprehensive dining experience. Additionally, some reviews highlighted dissatisfaction with the reservation process, suggesting potential service quality issues. Addressing both food quality and service concerns could lead to a more satisfying experience and positively influence purchase decisions.

**Table 1.1 Number of visitors at Alligator Roastery, 2022 (taken roughly on average)**

<b>Month</b>	<b>Number of Visitors</b>
<b>January</b>	4467
<b>February</b>	4640
<b>March</b>	1380
<b>April</b>	1476
<b>May</b>	1360
<b>June</b>	1280
<b>July</b>	1256
<b>August</b>	1230
<b>September</b>	1240
<b>October</b>	1165
<b>November</b>	1570
<b>December</b>	4785

Source: Alligator Roastery (2024)

Based on the table above, it can be seen that the number of visitors peaked at January, February, and December. Bear in mind that the 3 months peaked is a result of year-end holidays where there are many pleasing decorations offered by

Alligator Roastery, the slow bar café also offers unique sets of food & beverages that are limited edition in regards to the holiday theme. Customers come to have a comfortable lunch and dinner while also indulging in the themed store atmosphere at Alligator Roastery. On the other hand, the number of visitors are showing average and stable numbers throughout March to November, as customers usually prefer a quick served coffee from other café or coffee shop and easy-to-dine restaurants and cafes rather than dining and purchasing food or beverages at Alligator Roastery.

**Table 1.2 List of Competitors**

<b>No</b>	<b>Competitors Cafe</b>	<b>Address</b>
<b>1</b>	Moscot. Co	Jl. H. Misbah No.9, Medan
<b>2</b>	Brewer Coffee & Roastery	Jl. Glugur No.18, Medan
<b>3</b>	Common Folks	Jl. H. Misbah No.18, Medan
<b>4</b>	Coffeenatics	Jl. Teuku Cik Ditiro No.8K, Medan
<b>5</b>	Monk's Coffee Roasters	Jl. Cut Mutia No.2, Medan

Source: Google (2024)

Based on the table above, competitors such as Moscot. Co, Brewer Coffee & Roastery, Common Folks, Coffeenatics, and Monk's Coffee Roasters stand out in Medan's café scene due to their appealing store atmospheres and consistent product quality. These cafés are praised for their well-designed interiors, cozy seating arrangements, and inviting environments that enhance the overall customer experience. Additionally, they offer high-quality coffee and a variety of menu options that cater to diverse tastes. Compared to Alligator Roastery, customers may be drawn to these competitors for their superior ambiance and carefully curated product offerings. This highlights the need for Alligator Roastery to optimize its

store atmosphere and maintain product quality to strengthen its position in Medan's competitive market.



**Figure 1.4 Alligator Roastery's Yellow Brick Rowd, Watermelon Lychee, & Butterscotch Cream Latte**

Source: Google Review (2024)

Alligator Roastery has successfully built a loyal customer base by offering high-quality coffee and a distinctive store atmosphere. The café features a diverse menu for breakfast, lunch, dinner, and dessert, with a strong emphasis on product quality, essential for enhancing customer satisfaction. Customers appreciate the aesthetically pleasing environment and the unique slow-bar experience. However, to remain competitive in a market with shifting consumer preferences, prioritizing product quality, service quality, and overall store atmosphere is vital for attracting new customers and retaining existing ones. This research aims to explore the influence of product quality, service quality, and store atmosphere on purchase

decisions, providing valuable insights to help Alligator Roastery enhance customer experiences and refine its business strategies.

Enhancing product quality is crucial for Alligator Roastery to ensure favorable purchase decisions. Additionally, fostering a welcoming store atmosphere and delivering excellent service quality, characterized by responsiveness, reliability, and empathy, can significantly contribute to a positive customer experience. Offering competitive pricing that reflects good value for money will also attract both new and existing customers. By addressing these key elements, this research aims to explore “The Influence of Product Quality, Service Quality, and Store Atmosphere Towards Purchase Decision at Alligator Roastery Medan.”

## **1.2 Problem Limitation**

Because the writer has limits in ability, time, and budget, the writer will set some boundaries to keep the discussion more focused. These limits include:

1. The data gathered for this research is from Alligator Roastery’s team and from Mr. Julio Sandika Radin, the owner of Alligator Roastery which is located in Jl. Kenanga No.17, Hamdan, Kec. Medan Maimun, Kota Medan, Sumatera Utara
2. The respondents were the customers that had previously dine in Alligator Roastery, which is located in Jl. Kenanga No.17, Hamdan, Kec. Medan Maimun, Kota Medan, Sumatera Utara

3. This research only includes four (4) variables, which are Product Quality as variable X1 (independent variable), Service Quality as variable X2 (independent variable), Store Atmosphere as variable X3 (independent variable) and Purchase Decision as variable Y (dependent variable)

### **1.3 Problem Formulation**

Based on the background of the study, the question to be answered in this research are as follow:

1. Does product quality has an influence on purchase decision at Alligator Roastery?
2. Does service quality has an influence on purchase decision at Alligator Roastery?
3. Does store atmosphere has an influence on purchase decision at Alligator Roastery?
4. Do product quality, service quality, and store atmosphere altogether have an influence on purchase decision on Alligator Roastery?

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

The aim of this research is to examine the impact of product quality, service quality, and store atmosphere on purchase decision at Alligator Roastery Medan.

The specific objectives of this study are as follows:

1. To assess the influence between product quality on purchase decision at Alligator Roastery Medan.
2. To assess the influence of service quality on purchase decision at Alligator Roastery Medan.
3. To examine the influence of store atmosphere on purchase decision at Alligator Roastery Medan.
4. To analyze whether product quality, service quality, and store atmosphere influence purchase decision at Alligator Roastery Medan.

## **1.5 Benefit of the Research**

The benefits of conducting this research are as follow:

### **1.5.1 Theoretical Benefit**

Derived from the theoretical advantage, the aim of this theoretical benefit is to facilitate mutual comprehension and information acquisition for both the writer and the reader, aligning with the research study's focus on "The Influence of Product Quality, Service Quality, and Store Atmosphere Towards Purchase Decision at Alligator Roastery Medan." Moreover, it is expected to provide insights that can aid marketing management in improving strategies that influence Purchase Decision.

### **1.5.2 Practical Benefits**

#### **a. For Future Researchers**

This research can serve as a valuable resource for those exploring a similar topic and provide insights for researchers to understand how product quality, service quality, and store atmosphere influence purchase decisions. Additionally, it aims to examine the impact of customer reviews and feedback in this context.

#### **b. For The Company**

This research serves as a valuable tool for Alligator Roastery, helping them understand customer perceptions of their coffee, product quality, service quality, and store atmosphere. The goal is to determine how these factors influence purchase decisions, providing insights that can encourage customers to return to the slow bar café for repeat visits and purchases.

#### **c. For The Writer**

The writer learns more about how product quality, service quality, and store atmosphere can influence purchase decisions. It also improved the writer's skills in analyzing data and understanding customer behavior. This experience will be useful for the writer's future career.