

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The competitive business landscape in Indonesia is inescapable due to the country's swift growth. The food and beverage business has had an important rise in the current state of circumstances. Growth in the food and beverage industries is drawing more customers and encouraging changes in lifestyle. Indonesia's Gross Domestic Profit (GDP) from food and drinks is also on the rise, where it can be seen that from 2014 to 2023 the food and beverages industry in Indonesia have a significant rise of approximately 64.5% (Statista, 2024).

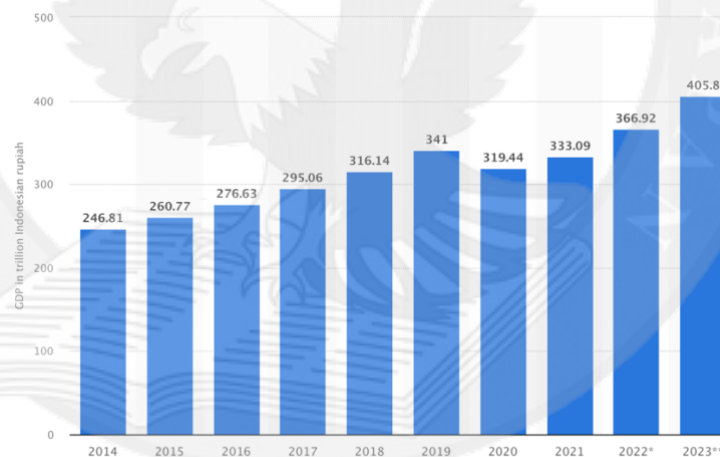


Figure 1.1 Indonesia GDP economic activities from food and beverages industry in 2014-2023
Source: Statista

Coffee is one of the most widely consumed beverages in many nations, including Indonesia. Also, coffee beverages keep up with the periods, and new inventions are appearing that encourage consumers to drink coffee. According to Snapcart's research aimed at finding out the coffee trends among the 4.538

Indonesian respondents, which include coffee variants to consume, drinking habits, daily purchases, and favorite coffee shops, the research found that 79% of Indonesians are coffee users (Snapcart, 2023).

Medan is the capital city of North Sumatra with approximately 2.474.166 million people in the year 2023, based on the report by (Badan Pusat Statistik Kota Medan, 2024). The cafe that the writer will investigate in this study is PT Maxx Coffee Prima Medan or can be known as Maxx Coffee Medan. PT Prima Maxx Coffee has multiple locations in Medan, including Sun Plaza Medan, Lippo Plaza Medan, and Medan Fair Plaza, which are all located in shopping centers.

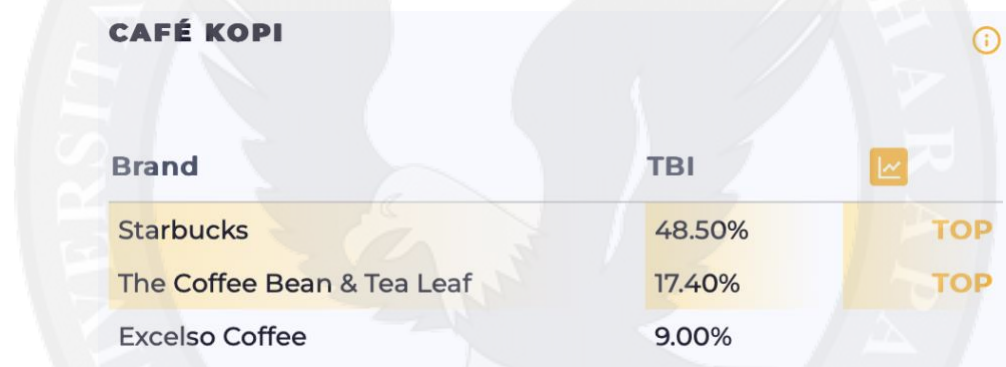


Figure 1.2 Indonesia Coffee Shop Top Brand Awards 2024
Source: Top brand Award

Given the data from the top brand award, PT Prima Maxx Coffee is not included in the award lineup. There are various reasons why PT Prima Maxx Coffee was not selected in the top three in the top brand awards, this can actually be related on how promotion and customer experience to customer repurchase intention mediated by customer satisfaction. According to (Suryani & Rosalina, 2019), repurchase intention is a decision to keep enjoying the same product or service previously indicating the product or service meets the needs of customers. Effective promotion and a great customer experience may influence repurchase decisions

which lead to customer satisfaction. A few customers have started to express complaints in Google reviews, and some have claimed that do not recommend PT Maxx Coffee Prima Medan outlets and would rather spend money elsewhere. According to observations, the writer has an unpleasant encounter at PT Prima Maxx Coffee Lippo Medan outlet where the barista does not feel welcome and rude while serving, the writer's likelihood of returning for a second transaction diminishes. It can be said that PT Maxx Coffee Prima Medan is still lacking in maintaining personal customer interaction with the brand.

Customer satisfaction is one of the most significant variables affecting intentions to repurchase. In the words of (Fatihudin & Firmansyah, 2019), customer satisfaction is an assessment or measurement of how satisfied consumers or other users of the goods or services offered by a business are with the purchases. As to Google reviews, Maxx Coffee has an average rating of 4.3 out of 5, showing that customers are still dissatisfied with the visits to the PT Maxx Coffee Prima Medan branch, as seen by customer dissatisfaction with transactions due to unprofessional staff. As a result, both customer experience and promotions have a connection and have the potential to influence customer satisfaction. A great customer experience paired with well-executed promotional activities may significantly boost the likelihood of repeat purchases.

Promotion activities can serve as a foundation for the customer to motivate purchase and shape a positive perception to the brand. However, if promotional activities are not well-managed, this can lead to misunderstanding and dissatisfaction to customer. PT Prima Maxx Coffee Indonesia is active in social

media promotions, particularly on Instagram, however there are other reasons why the campaigns are inefficient. The problems that are found align with the indicator which is advertising, sales promotions, and public relations (Kotler & Armstrong, 2019).

When PT Prima Maxx Coffee advertises deals on social media channels, there are contradictions between the information presented in the content and in-store. In one situation, the discount promo described in the content did not include restrictions such as a cup daily quota, but when customers visited the store, the staff informed customers that the promo had a minimum cup quota each day. Customers with the account @egar.oen criticized PT Prima Maxx Coffee's on Instagram comments for the lack of information in advertising. This scenario demonstrates that there is a discrepancy in the delivery of information through advertising, which confuses customers and leads to unsatisfied customers and reduced return intentions.

PT Prima Maxx Coffee offers a variety of sales promotions, like a 50% discount or a buy one get one offer, but these promotions have market limitations due to the terms and conditions. For example, some promotions are exclusive to a certain members, such as 50% for cafe latte for every Matahari Rewards Member, 2 chosen beverages for IDR 35.000 for Mandiri Lippo Malls Card, and Free drink min 40k purchase on food for Digibank by DBS holder. The offer that being given by PT Prima Maxx Coffee to the members of a certain group is also limited in variations that can make the customers only have small option to choose the benefit and feel bored with the same variations. With the available terms and conditions,

general customers can feel unfavourable and can unmotivated the customer to make second purchase due to the lack of sales promotions that the general customer can enjoy.

PT Prima Maxx Coffee claims to offer “great coffee, delicious food, and mouthwatering beverages” the products are not aligning with the one that have been promised to the company. A few customers claim in google reviews that Maxx Coffee's coffee drinks contain no indication of coffee and dominated by milk, despite the fact that coffee is intended to be the business's main selling point. Another customer report also complained that when purchasing a bagel from Maxx Coffee's Lippo Plaza Medan site, it was toasted so tough that it was difficult to eat. When customers are not provided with what PT Prima Maxx Coffee promised according to with the motto, customers will be disappointed and less likely to purchase again.

Dissatisfaction with the products offered by PT Maxx Coffee Prima Medan can be assigned to emotional effort inside the business which affects the overall customer experiences. On the other hand, customer experience covers every interaction a customer has with a brand. Despite the company's efforts to create a friendly environment, some customers have reported dissatisfaction with how the staff behaves, mentioning instances of rudeness and inattentiveness.

Customer experience is the outcome of physical and psychological encounters among customers and the online goods that were purchased, businesses, or other sections of the organisation generate reactions in the shape of emotions, information, and the desire to act (Pratiwi Indriasari et al., 2021). Based on the

customer experience while visiting PT Maxx Coffee Prima Medan, as reflected in Google reviews, align with the indicator which are accessibility, competence, customer recognition, helpfulness, personalization, problem solving, promise fulfillment, and value of time (Militina & Noorlitaria Achmad, 2020).

According to Google reviews from 2023-2024 in all PT Maxx Coffee Prima Medan branches, certain consumers are dissatisfied with the services, with a particular customer having been kicked out by an employee to reserve a table for an employee friend who did not make a purchase. Some customers have complained that the employees at PT Maxx Coffee Prima Medan in all branches are arrogant while serving, such as throwing change, making the customer feel displeased and deciding not to return or rather choosing another coffee shop. Furthermore, some customers stated that the staff lacked responsibility and were delaying service to others who arrived later, rather than prioritising those who had ordered earlier.

Unfriendly attitudes and poor staff behaviour can lead to customer disappointment, causing customers to avoid returning, despite promotional efforts to retain customers. Effective promotion and a great customer experience may influence repurchase decisions which lead to customer satisfaction. Based on this background, the author is interested in discussing the phenomenon of “The Effect of Promotion and Customer Experience at PT Maxx Coffee Prima Medan on Customer Repurchase Intention Mediated by Customer Satisfaction”.

1.2 Problem Limitation

The following are the issues that will be addressed:

1. This study will focus the problem limitation on the effect of promotion and customer experience on the customer repurchase intention at PT Maxx Coffee Prima Medan where the mediating variable is customer satisfaction.
2. This research will be limited to all PT Maxx Coffee Prima Medan branches that are located in Medan: Sun Plaza Medan, Lippo Plaza Medan, and Plaza Medan Fair.
3. There are four variables that will be discussed in this topic. Promotion (X_1) and Customer Experience (X_2) are the independent variables, while the dependent variable is the customer repurchase intention (Y_1) and customer satisfaction (Z) that acts as the mediating variables.
4. The sample will be customer who have visited one of the PT Maxx Coffee Prima Medan branch.

1.3 Problem Formulation

This study aims to determine consumer satisfaction levels with PT Maxx Coffee Prima Medan's promotions and customer experiences related to repurchase intentions. Also, with the goal to influence the customer's intentions to make another purchase, this study will utilize customer satisfaction as a mediating variable. Further, this study will be informational for PT Maxx Coffee Prima Medan to comprehend marketing strategies and present chances for development.

1. Does the promotion on PT Maxx Coffee Prima Medan have a significant influence on customer satisfaction?

2. Does the customer experience on PT Maxx Coffee Prima Medan have a significant influence on customer satisfaction?
3. Does promotion significantly influence customer repurchase intention at PT Maxx Coffee Prima Medan?
4. Does the customer experience on PT Maxx Coffee Prima Medan significantly influence customer repurchase intentions?
5. Does the customer satisfaction on PT Maxx Coffee Prima Medan significantly influence customer repurchase intentions?
6. Does the promotion on PT Maxx Coffee Prima Medan significantly influence customer repurchase intention through customer satisfaction?
7. Does the customer experience on PT Maxx Coffee Prima Medan significantly influence customer repurchase intention through customer satisfaction?

1.4 Objective of the Research

The purpose of this study:

1. To determine whether the promotion significantly influences customer satisfaction at PT Maxx Coffee Prima Medan.
2. To determine whether the customer experience significantly influences customer satisfaction at PT Maxx Coffee Prima Medan.
3. To determine whether the promotion significantly influences customer repurchase intention at PT Maxx Coffee Prima Medan.
4. To determine whether the customer experiences significantly influences customer repurchase intention at PT Maxx Coffee Prima Medan.

5. To determine whether customer satisfaction significantly influences customer repurchase intention at PT Maxx Coffee Prima Medan.
6. To determine whether promotion significantly influences customer repurchase intention through customer satisfaction at PT Maxx Coffee Prima Medan.
7. To determine whether customer experience significantly influences customer repurchase intention through customer satisfaction at PT Maxx Coffee Prima Medan.

1.5 Benefit of the Research

The following outline a few of the theoretical and practical advantages of researching "The Effect of Promotion and Customer Experience at PT Maxx Coffee Prima Medan on Customer Repurchase Intention Mediated by Customer Satisfaction".

1. Theoretical Benefit

The writer hopes to have a deeper understanding of the important insights that can be gained about the mediation effect of customer satisfaction on the relationship between the variables of promotions and customer experience on the customer repurchase intention. It is believed that PT Prima Maxx Coffee is going to benefit from the study's findings in terms of information. Furthermore, the goal of this journal is to furnish information as a resource for any individual wishing to write journals on this subject.

2. Practical Benefit

The journal serves as the writer's method for applying all of the information and abilities that were acquired all through the course of the lecture. The particle benefit includes:

a. Company

The results of this study will help the company understand how to improve its operations on the promotion and customer experience that influence customer repurchase intention mediated by customer satisfaction.

b. Writer

The writer gained a deeper understanding on the effect of promotion and customer experience on customer repurchase intention mediated by customer satisfaction.

c. Other researcher

This study, including the results, can be used as an example for individuals who are looking into the effect of promotion and customer experience on customer repurchase intention, as mediated by customer satisfaction.