

CHAPTER I

INTRODUCTION

1.1 Background of The Study

The restaurant and café industry in Indonesia, particularly in the bustling city of Medan, has experienced remarkable growth in recent years. Medan, known for its vibrant culinary scene and diverse cultural influences, has become a hub for gastronomic enthusiasts seeking a wide array of dining experiences. Among the establishments that have emerged as prominent players in this thriving landscape is the Savo Multatuli. Situated at the heart of Medan, this café has garnered a reputation for its unique blend of ambiance, delectable offerings, and attentive service.

Customer loyalty, a cornerstone of any successful business, plays a pivotal role in sustaining the growth and profitability of enterprises in the hospitality industry. It encompasses a customer's propensity to consistently choose a particular establishment over its competitors, fostering long-term relationships and generating a steady stream of revenue. In the context of the Thirty Six Cafe Multatuli, understanding the factors that influence customer loyalty is imperative for maintaining a competitive edge in the dynamic Medan food and beverage market. According to Afriana and Sulistyawati (2023), customer loyalty refers to the ongoing preference of consumers to consistently choose a particular brand, product, or service over others, often resulting in repeat purchases and a strong emotional connection to the brand.

Savo Multatuli is one of the newest cafes in Medan. In the phenomenon of customer loyalty, Savo Multatuli has seen a decline in customer visits as seen in the following data.

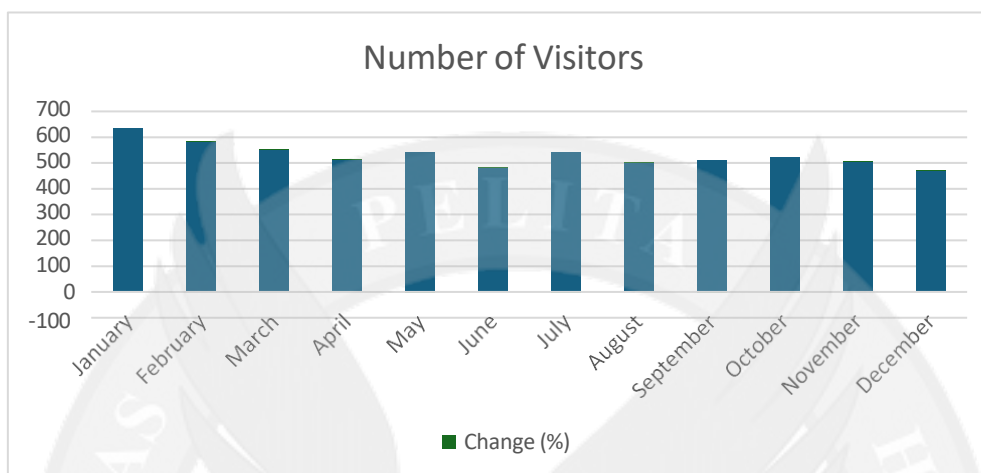


Figure 1.1 Number of Visitors at Savo Multatuli

Source: Savo Multatuli (2023)

The tables and graphs presented above are the number of customers who visited Savo Multatuli in the period January to December 2023 obtained through interviews with the manager. The decreasing number of customers may indicate that customers feel they are not getting more value from the restaurant and are not loyal with the restaurant. As a result, customers do not want to return and result in decrease in the number of visitors at the restaurant.

According to Prihatma, et.al. (2020), promotion encompasses the various marketing strategies and tactics used by businesses to communicate with potential customers about their products or services. Promotion, a fundamental component of marketing strategy, serves as a mechanism to disseminate information about a business's products or services, create brand awareness, and entice potential customers. In the context of the café industry, effective promotion strategies can

significantly impact customer acquisition and retention. By employing targeted and innovative promotional activities, establishments like the Savo Multatuli aim to not only attract new patrons but also reinforce the loyalty of existing ones.

In the promotion carried out by Savo Multatuli, several promotional activities were carried out in accordance with the theme of holidays and promotions in the context of certain events. The promotional activities carried out are as follows.



Figure 1.2 Promotions at Savo Multatuli
Source: Savo Multatuli (2024)

In the promotional activities carried out at Savo Multatuli, it shows that promotions are carried out in accordance with the most up-to-date themes, such as the December menu package, which is a Set Menu, then the New Year's Eve Dinner Giveaway, then also a free buy 2 get 1 programme given to consumers who buy buffet menus on New Year's Eve. Promotional activities are carried out

to increase consumer enthusiasm in visiting Savo Multatuli.

According to Afriana and Sulistyawati (2023), store atmosphere refers to the physical and sensory environment of a business space, including elements such as lighting, layout, music, color schemes, and overall design. Store atmosphere in a restaurant refers to the overall ambiance and environment created to provide a unique and enjoyable dining experience for customers. This encompasses various elements such as lighting, decor, music, layout, aroma, and even service. A good atmosphere can create a positive impression and comfort, enhance customer satisfaction, and encourage repeat visits. Additionally, the right atmosphere can help establish the restaurant's identity and image, distinguishing it from competitors, reinforcing customer loyalty, and maximizing the overall dining experience.

In the phenomenon of store atmosphere at Savo Multatuli, it displays the restaurant design with a classic atmosphere in the restaurant. Here are some views of the atmosphere in Savo Multatuli.



Figure 1.3 Store Atmosphere at Savo Multatuli
Source: Savo Multatuli (2024)

In the problem of store atmosphere, there are still several complaints from consumers in terms of the atmosphere in the café, the availability of parking spaces, and the noisy atmosphere in the café that disturbs consumer comfort. The following are the results of consumer reviews on google reviews.



Figure 1.4 Reviews of Store Atmosphere at Savo Multatuli

Source: Google Reviews (2024)

In the condition of the store atmosphere at Savo Multatuli, consumers still complain about parking conditions which are considered difficult and inadequate. Then the atmosphere of the cafe is still considered uncomfortable because of the noisy conditions that make consumers feel less conducive. This complaint shows

that the store atmosphere conditions are not fully in accordance with consumer expectations.

According to Prihatma, et.al. (2020), perceived value is the customer's evaluation of the benefits and worth of a product or service relative to its cost. Perceived value, a subjective assessment made by customers regarding the benefits they receive relative to the costs incurred, holds substantial sway in their decision-making process. In the context of the café industry, factors such as the quality of offerings, service excellence, and competitive pricing contribute to the perceived value that customers associate with an establishment. Ensuring that patrons perceive a favorable balance between what they receive and what they pay is paramount for sustaining their loyalty.

On the perceived value phenomenon, researchers conducted a pre-survey to 30 respondents to find out their opinions about the perceived value at Savo Multatuli. The results of the pre-survey are as follows.

Table 1.1 Pre Survey of Perceived Value Variable

No	Questionnaires	Yes	No
1	The restaurant can maintain degree to which the product or service provides a sense of happiness or fulfillment.	12	12
2	The product or service improves the customer's social status or prestige	15	15
3	The restaurant can maintain consistency and dependability of the product or service in delivering its intended purpose	12	18
4	The company can maintain perceived fairness of the price in relation to the benefits received	10	20

Source: Pre Survey (2024)

The pre-survey results show that customer perceptions of the value provided by restaurants tend to be evenly divided across each indicator. A total of 12 respondents agreed that restaurants provide a sense of happiness or fulfilment,

while 12 others disagreed. In the indicator of increasing social status or prestige, the number of respondents who agree and disagree is equal, namely 15 people each. For the service consistency and reliability aspect, only 12 respondents were satisfied, while 18 others were not. Finally, regarding the fairness of the price to the benefits received, 10 respondents were satisfied, while 20 were not. In conclusion, the restaurant still needs to improve its overall service quality to meet customer expectations and increase the perceived value provided.

Despite its notable successes, Savo Multatuli encounters challenges in retaining a loyal customer base. Understanding the underlying issues that hinder customer loyalty is essential for formulating targeted strategies to address them. This study seeks to identify and analyze the specific impediments that the café faces in this regard, shedding light on potential areas for improvement.

In addition to the challenges surrounding customer loyalty, Savo Multatuli grapples with issues related to its promotion strategies, store atmosphere, and the perceived value it offers to its customer. Recognizing the interplay between these three crucial elements is essential for devising comprehensive solutions that not only enhance customer loyalty but also fortify the café's market position.

Based on the background information, the researcher is motivated to undertake a study titled " Impact Of Promotion, Store Atmosphere And Perceived Value On Customer Loyalty At Savo Multatuli "

1.2 Problem Limitation

Due to the limited sources, the writer will limit the variable used in this

research, which are promotion, store atmosphere and perceived value as independent variables and customer loyalty as the dependent variable.

1.3 Problem Formulation

Based on the background of study above, this research aim to answer following questions as follows :

1. Does the promotion have effect on customer loyalty at Savo Multatuli?
2. Does the store atmosphere have effect on customer loyalty at Savo Multatuli?
3. Does the perceived value have effect on customer loyalty at Savo Multatuli?
4. Do the promotion, store atmosphere and perceived value have effect on customer loyalty at Savo Multatuli?

1.4 Objective of the Research

Based on the background of study above and problem formulations, the objective research is as follows :

1. To know the effect of promotion on customer loyalty at Savo Multatuli.
4. To know the effect of store atmosphere on customer loyalty at Savo Multatuli.
5. To know the effect of perceived value on customer loyalty at Savo Multatuli.
6. To know the effect of promotion, store atmosphere and perceived value on customer loyalty at Savo Multatuli.

1.5 Benefit of the Research

Benefit of the research divided become 2 (two), which are :

1.5.1 Theoretical Benefit

The benefit is this research can be used to improve the better understanding of effect of promotion, store atmosphere and perceived value towards customer loyalty. In additional, writer hopes that this research can give impact and useful for the future research that similar to this topic.

1.5.2 Practical Benefit

1. For the writer

This research can give the writer more understanding and increase the knowledge about importance of customer loyalty.

2. For the company.

This research is expected to support the company in determining the effect of promotion, store atmosphere and perceived value on customer loyalty, allowing employees to provide better service to customers.

3. For the research

This research will serve as additional references for them and will provide them with significant knowledge, particularly concerning the research topic.