

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The coffee shop industry has experienced remarkable growth in recent years, with an increasing emphasis on sustainability and producing high-quality coffee. What once consisted of loosely organized coffee businesses has evolved into well-structured, sustainable operations. Coffee shops have transcended their traditional role as venues for beverage consumption, emerging as vital communal hubs facilitating various activities such as studying, working, and socializing. This shift has led consumers to allocate a more significant portion of their financial resources towards coffee, driven by its ability to foster a sense of camaraderie and connection.

As a result of this changing consumer behavior, brand competition within the industry has intensified. Global giants like Starbucks and local chains such as Kopi Kenangan and Fore Coffee strive to create unique environments that encourage strong customer loyalty. The current industry landscape prioritizes product innovation, service convenience, and customer engagement strategies as critical factors in retaining consumer loyalty.

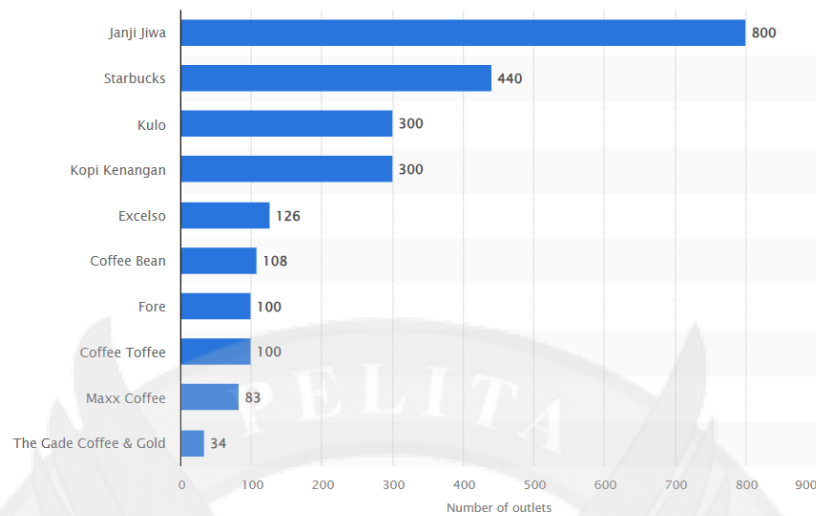


Figure 1.1 Number of Outlets International and Local Coffee Shop Brands in Indonesia 2019-2022
Source: Prepared by Writer (Statista, 2024)

The coffee shop sector in Indonesia has mirrored these global trends, undergoing substantial expansion over the past decade. According to Global Agricultural Information Network (2021), the number of coffee shops in Indonesia increased nearly threefold, from 1,083 outlets in August 2016 to over 2,950 outlets in August 2019. This rapid growth can be attributed to the rising popularity of coffee culture, particularly among younger generations like Generation Y and Z, who favor a coffee-to-go lifestyle. The domestic consumption of coffee in Indonesia also witnessed significant growth, with projections reaching 294,000 tons in 2019/2020, marking a 13.9% increase from the previous year. According to Toffin (2019), the economic significance of the coffee shop industry is further underscored by its estimated market value of over IDR 4.8 trillion annually, with each outlet selling an average of 200 cups daily, priced at IDR 22,500.

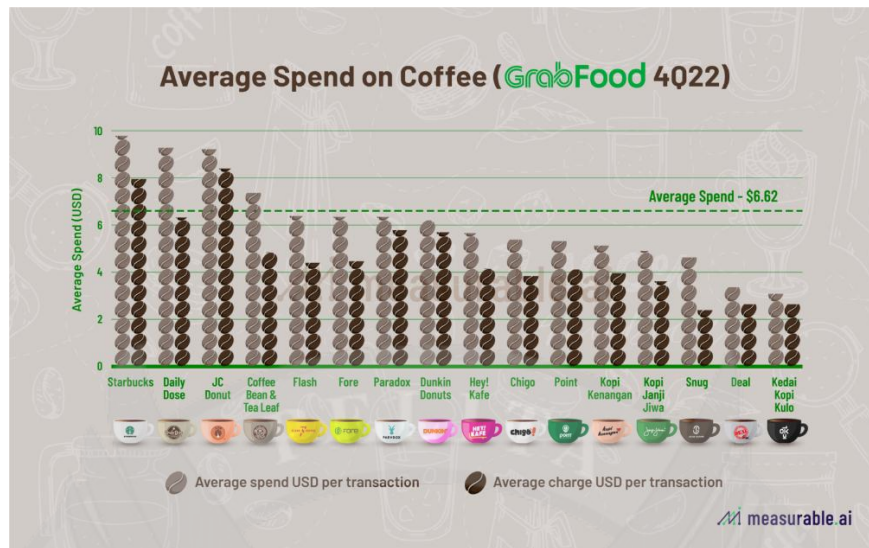


Figure 1.2 Average Spend on Coffee Online in Indonesia by Brands 2022
 Source: Prepared by Writer (2024)

Medan, a major city in North Sumatra, exemplifies this national trend, offering considerable potential for the coffee shop industry. The city's culture, deeply rooted in social gatherings, aligns seamlessly with the coffee shop concept, making Medan an ideal location for developing such establishments. The market value of coffee shops in Indonesia, including Medan, is estimated to exceed IDR 4.8 trillion annually, reflecting the region's high demand for these social venues. A survey by BrandPartner (2022) reveals that 63.91% of respondents prefer visiting coffee shops over bakery cafes or co working spaces, highlighting the widespread appeal of coffee shops as popular gathering places. Additionally, 40% of Indonesian consumers prefer to coffee-to-go, a trend also prevalent in Medan's coffee culture.

Various types of cafes, including modern establishments and coworking spaces, have emerged in Medan to meet socialization and professional work needs. According to Widiati Sari (2020), contemporary cafes in Medan provide a fashionable atmosphere with Wi-Fi, air conditioning, and live music, while

coworking cafes offer a conducive environment for remote workers. According to Harahap Hamdani & Absah (2019), the culture of coffee consumption has become deeply ingrained in urban communities across Indonesia, with activities like “nongkrong” (chatting) over coffee becoming a common practice in regions such as Aceh, Makassar, Bangka, and various cities in Java.

Table 1.1 The Distribution of Modern Coffee Shops in Each Sub-District of Medan City 2022

| No | Sub-District | Number of Coffee Shops |
|----|------------------|------------------------|
| 1 | Medan Baru | 26 |
| 2 | Medan Area | 15 |
| 3 | Medan Timur | 20 |
| 4 | Medan Barat | 25 |
| 5 | Medan Polonia | 26 |
| 6 | Medan Sunggal | 28 |
| 7 | Medan Kota | 30 |
| 8 | Medan Marelan | 5 |
| 9 | Medan Petisah | 43 |
| 10 | Medan Johor | 14 |
| 11 | Medan Maimun | 15 |
| 12 | Medan Selayang | 20 |
| 13 | Medan Helvetia | 7 |
| 14 | Medan Deli | 2 |
| 15 | Medan Perjuangan | 1 |
| 16 | Medan Denai | 2 |
| 17 | Medan Tuntungan | 1 |
| 18 | Medan Tembung | 1 |
| 19 | Medan Belawan | 1 |
| | Total | 282 |

Source: (Lukitaningsih & Julian, 2021)

However, despite the rapid growth of the coffee shop industry in Medan and Indonesia, sustainability and profitability still need to be addressed. According to Toffin (2019), reports that approximately 20% of coffee shops in Indonesia do not survive beyond two years, primarily due to high operational costs and intense competition.

Cold 'N Brew is a brand under PT Cemerlang Nusantara Bersama, founded in Surakarta in 2016, has effectively expanded its presence to Medan, which continues to thrive as a well-regarded local coffee shop brand. The Medan outlet maintains the brand's distinctive industrial-themed design, offering a contemporary yet welcoming ambience that attracts a diverse clientele. The cafe has a range of facilities, including Wi-Fi, air conditioning, meetings rooms, air purifier and separate smoking and non-smoking areas, making it a popular choice for social gatherings and work sessions.

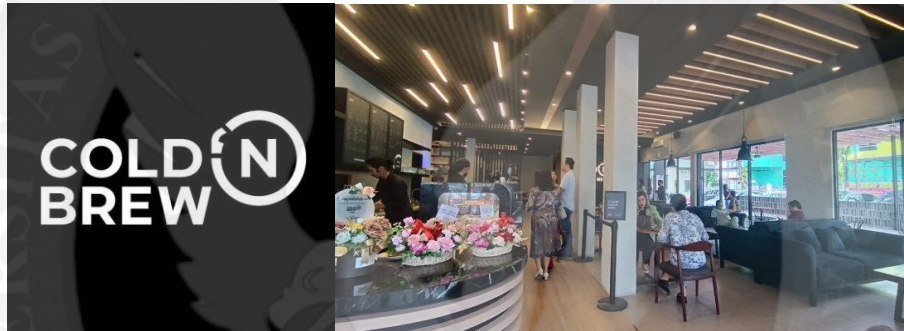


Figure 1.3 Cold 'N Brew Logo & Medan Outlet Atmosphere
Source: Prepare by Writer (2024)

Cold 'N Brew is best known for its signature cold brew coffee, a beverage meticulously prepared by steeping coffee grounds in cold or room temperature water for up to 24 hours, resulting in a smooth and pleasantly sweet flavor Universitas Sebelas Maret (2021). The menu also features a wide array of coffee-based drinks, non-coffee beverages, food and light snacks, catering to the diverse preferences of its customers.

The following table and figure for the total number of visitors and total sales at Cold 'N Brew, Medan for one year:

Table 1.2 Total Visitors and Sales Cold 'N Brew, Medan for One Year

| Months | Total of Visitors | Total of Sales |
|----------|-------------------|-------------------|
| Aug 2023 | 6202 | Rp 271,005,000.00 |

| | | |
|----------|------|-------------------|
| Sep 2023 | 6834 | Rp 286,251,000.00 |
| Oct 2023 | 6961 | Rp 267,474,000.00 |
| Nov 2023 | 7532 | Rp 284,471,000.00 |
| Dec 2023 | 8007 | Rp 314,239,000.00 |
| Jan 2024 | 7018 | Rp 337,195,000.00 |
| Feb 2024 | 6311 | Rp 265,418,000.00 |
| Mar 2024 | 5336 | Rp 226,505,000.00 |
| Apr 2024 | 4984 | Rp 202,618,000.00 |
| May 2024 | 5675 | Rp 220,194,000.00 |
| Jun 2024 | 7827 | Rp 305,541,000.00 |
| Jul 2024 | 5936 | Rp 234,009,000.00 |
| Aug 2024 | 5307 | Rp 199,337,000.00 |

Source: Prepared by Writer (Cold 'N Brew, 2024)

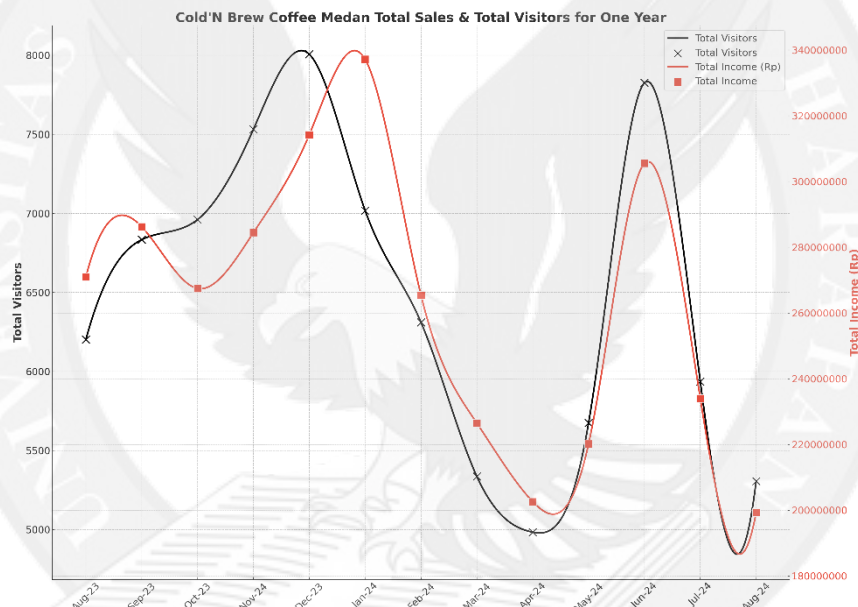


Figure 1.4 Total Visitors and Sales Cold 'N Brew, Medan for One Year
Source: Prepared by Writer (Cold 'N Brew, 2024)

The author identified an inconsistency between the number of visitors and the total revenue at Cold 'N Brew, Medan, as evidenced by the data in Table 1.2 and Figure 1.4. The increase was only observed during specific periods, including August to September, December 2023 to early 2024, and June 2024. This was attributed to the popularity of Cold 'N Brew in Medan, which was rising among the public, particularly young people, and the implementation of a 24-hour operational

strategy on weekends in June, as well as during the beginning and end of the year, when Cold 'N Brew, Medan was at its peak popularity.

Nevertheless, revenue and visitor numbers experienced substantial declines outside these window periods, with the lowest levels occurring in the past two months. This suggests a significant concern regarding the decrease in customers' intention to repurchase from Cold 'N Brew, Medan menu or products. According to Nurdiansah & Widyastuti (2022), repurchase intention refers to the interest in making a repeat purchase based on previous buying experiences, driven by consumer satisfaction with the products offered by the business.

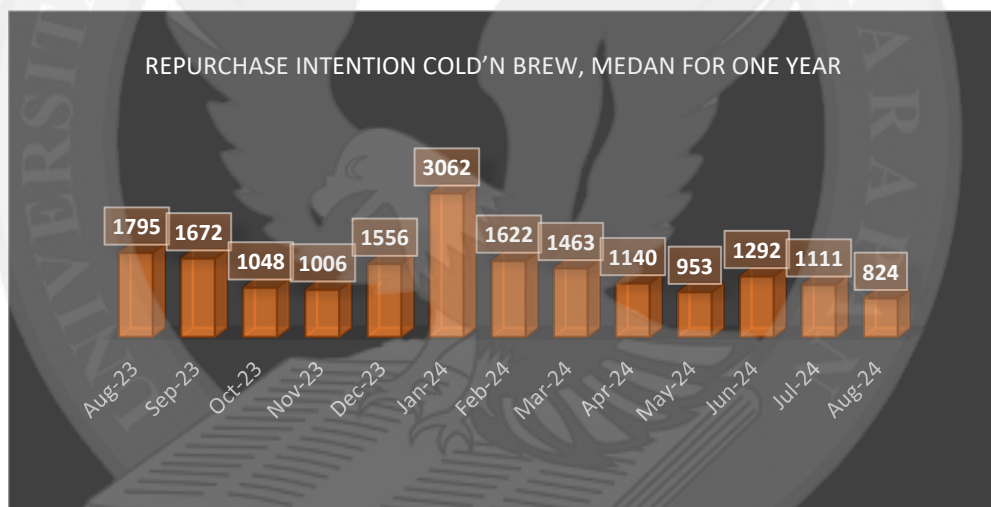


Figure 1.5 Repurchase Intention at Cold'N Brew, Medan

Source: Prepared by Writer (Cold 'N Brew, 2024)

This is further evidenced by Figure 1.5 above, which demonstrates that customer satisfaction is also a factor in determining repurchase intention when purchasing a product for the second time. According to Seren & Christiarini (2023), customer satisfaction is a form of consumer contentment that will increase repurchase intention towards a product or service. The satisfaction of customers

with Cold 'N Brew, Medan coffee products has decreased because many customers visit the cafe solely to purchase the most popular and trending items. Customers seldom experiment with alternative beverages or dishes when they return to Cold 'N Brew, Medan.

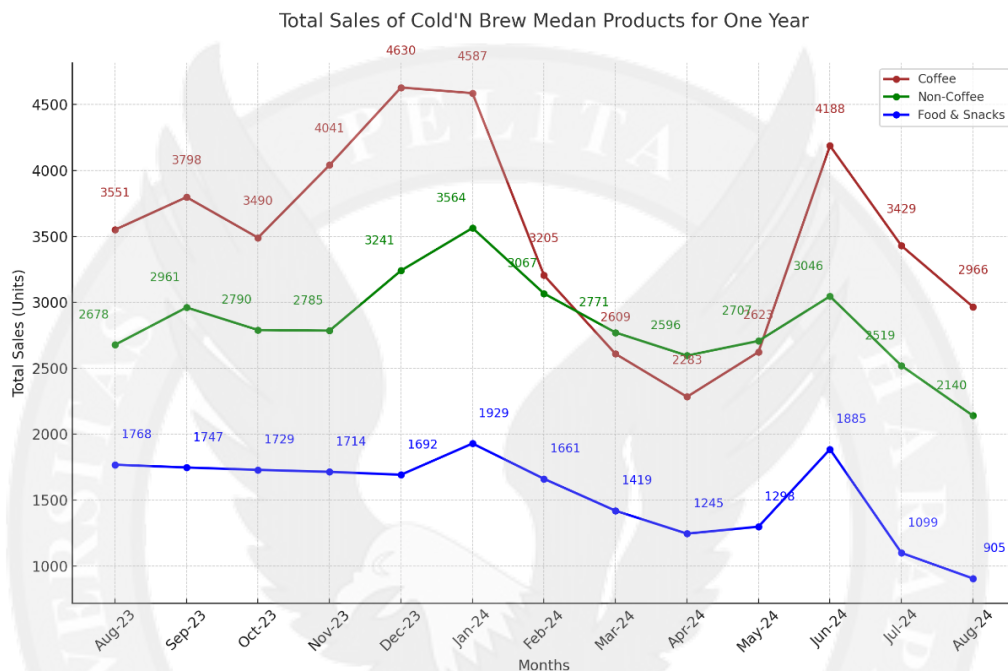


Figure 1.6 Total Sales of Coffee, Non-Coffee and Food & Snacks Cold'N Brew, Medan
 Source: Prepared by Writer (Cold 'N Brew, Medan 2024)

According to Isma Maisarah & Yani (2022), product diversity provides customers with the flexibility to choose which in turn influences their satisfaction. Consumer satisfaction partially mediates the relationship between product diversity and repurchase intention. Figure 1.6 shows that Cold 'N Brew, Medan offers a diverse range of products, including Coffee, Non-Coffee, and Food & Snacks. However, it is primarily the Coffee products that have seen significant growth during certain months over the course of the year. Non-Coffee and Food & Snacks, on the other hand, have experienced less significant increases and have generally seen declines, particularly reaching their lowest point last month in August 2024.

Customers tend to purchase the same types of products repeatedly and often visit the coffee shop to enjoy the same items every day, such as coffee options like “Dilema,” “Selena,” and “Dilema Jelly.” For non-coffee options, popular items include Milk Based like Chocolate, Red Velvet, Taro, and Premium Matcha, along with various cakes, croissants, and spaghetti dishes. These mentioned items are frequently purchased, contributing to a significant upward trend in sales during several months. Even though the overall trend in the graph may show declines, these specific menu items continue to show growth each month.

Table 1.3 Customer Review on Cold ‘N Brew, Medan

| Post Time (Year) | Rate Cafe | Variable | Comment on Customer Review |
|------------------|-----------|-----------------------|--|
| 2 months ago | 3 | Perceived Convenience | Unable to pay with cash, the AC didn't work, and the prices were quite high. Overall, it felt bad. Sorry. |
| 2 months ago | 3 | Perceived Convenience | Please pay more attention to the barista when a customer orders two items, but there are three on the bill. The barista didn't immediately provide the bill until asked. Please pay attention to avoid frustrating customers. |
| 5 months ago | 2 | Perceived Convenience | The food, drinks, and atmosphere are good, but the service was terrible. I had coffee with my sister this morning, and the service was very unfriendly. I was judged based on my appearance, as if I didn't have money. But when a lady in a car arrived, she was greeted with smiles. Employees with bad attitudes who don't appreciate customers should not be working here. |
| 1 year ago | 2 | Perceived Convenience | On my second visit, the atmosphere was good, and the drinks were okay, but the service was terrible. I waited 30 minutes for my food and drinks, and by the time the hot latte was ready, my food had already gone cold. The staff made me feel like it was no big deal. |
| 1 year ago | 1 | Perceived Convenience | This is serious. The queue at the cashier took a long time, and the food took even longer to arrive. The food paging system didn't work. The food had been sitting out for a long time and was cold by the time I got it. I ordered spaghetti for 48,000, but the portion was really small. This place is not yet ready to operate. |
| 3 months ago | 2 | Customer Experience | It's frustrating looking at the parking situation. The taste of the drinks is never consistent. When I ordered coffee, it tasted like milk with no coffee flavor. What's the point of paying so much just for |

| | | | |
|---------------|---|---------------------|---|
| | | | milk? The parking attendant disappears when needed but reappears to ask for money at the right time. I ended up parking on the street. Please fix the barista and improve the taste of the drinks and food. Thanks. |
| 3 months ago | 2 | Customer Experience | Initially, I sat on the sofa after asking the cleaning staff if it was allowed, and they said yes. But the barista later told us to move because it was just the two of us, even though the place was quiet. We were kicked out, even though we had only sat for a few more minutes. This was a very unpleasant experience. I won't be coming back here. Sorry. |
| 1 year ago | 2 | Customer Experience | <p>The positive points of this cafe:</p> <ol style="list-style-type: none"> 1. The atmosphere and place are good for hanging out or doing assignments. 2. There is a clean prayer room. 3. Service is just okay. 4. Drinks are on par with other cafes. <p>The negatives:</p> <ol style="list-style-type: none"> 1. The spaghetti carbonara portion for 48,000 was too small, just five bites. 2. The CNB sampler for 45k came with cold fries and chicken that seemed like they had been fried hours before. 3. The red velvet cake was too sweet and not tasty. <p>Please improve the food quality to match the price. Consumers have high expectations.</p> |
| 9 months ago | 3 | Customer Experience | Honest review: This cafe is not family-friendly, as 95% of the customers are young people, mainly from the "hedonistic" crowd. There are limited options for hot drinks, and most drinks are expensive. The cafe is noisy, so it's not ideal for doing assignments or work. It operates on a self-service model, so customers need to order at the cashier and bring their own drinks and food. |
| 10 months ago | 3 | Customer Experience | This place is becoming popular with a self-service concept. I don't mind drinking from a cup, but when ordering hot drinks and food, it's difficult to carry everything at once. Carrying a tray full of food and drinks while opening the door is tricky. What if I drop something? With the prices at 40k, it's not worth the hassle. No need to come back again. |

Source: Prepared by Writer (Google Review, 2024)

According to Anita et al. (2021), previous shopping experiences significantly influence the quality of experience that consumers heavily rely upon. Therefore, coffee shops must focus on providing a high-quality experience to encourage repeat purchases. Perceived convenience plays a crucial role in

influencing customers' intentions to repurchase (Zeqiri et al., 2023). Convenience serves as a key motivator for customers during the post-purchase phase, shaping their intent to engage in product purchases. Kruh et al. (2017) suggest that perceived convenience has become one of the most important factors driving consumers' decisions to purchase a product.

Table 1.3 reveals numerous service deficiencies, particularly in accessibility, employee performance, order processing time, and transactions. These issues caused many customers discomfort, resulting in a less satisfactory experience and reduced convenience at Cold 'N Brew, Medan. Consequently, the cafe has received many negative ratings and overall feedback. These concerns significantly diminish customers' intentions to make additional purchases at Cold 'N Brew. Medan.

Moreover, it has been proved that occasionally, after customers have completed their meals and beverages and are preparing to depart the cafe, the staff takes an extended period to remove the remnants from the table. Consequently, new patrons who occupy that table may experience discomfort due to the lingering remnants of prior diners' meals. Furthermore, Cold 'N Brew Cafe does not permit cash transactions, which occasionally results in delays during online payments, thereby extending the queue and increasing customer wait times.

Therefore, in line with the background of the study mentioned above, the writer is encouraged to undertake a research study and seeks to investigate more thoroughly with a title, **“Customer Experience, Product Diversity, and**

Perceived Convenience on Repurchase Intention mediated by Customer Satisfaction at Cold 'N Brew, Medan”.

1.2 Problem Limitation

The writer established the following limitations to guarantee the credibility of the research output and prevent less accurate outcomes:

1. The study examines five variables, including three independent variables customer experience, product diversity and perceived convenience along with one dependent variable which is repurchase intention. In addition, customer satisfaction serves as mediating variable, which is include to clarify the cause of interactions between other variables.
2. The respondents were selected from individuals in Medan who had made onsite purchases at Cold 'N Brew in Medan at least twice throughout 2024.
3. The Supplemental questionnaire is restricted to individuals aged 17 to 50.

1.3 Problem Formulation

The problem can be formulated as follows based on the identification of the research problems that have been stated to guide the research in investigating the specific relationships and effects of the independent variables and dependent variable:

1. Does Customer Experience have positive influence on Customer Satisfaction at Cold 'N Brew, Medan?

2. Does Product Diversity have positive influence on Customer Satisfaction at Cold 'N Brew, Medan?
3. Does Perceived Convenience have positive influence on Customer Satisfaction at Cold 'N Brew, Medan?
4. Does Customer Experience have positive influence on Repurchase Intention at Cold 'N Brew, Medan?
5. Does Product Diversity have positive influence on Repurchase Intention at Cold 'N Brew, Medan?
6. Does Perceived Convenience have positive influence on Repurchase Intention at Cold 'N Brew, Medan?
7. Does Customer Satisfaction have positive influence on Repurchase Intention at Cold 'N Brew, Medan?
8. Does Customer Satisfaction mediate the relationship between Customer Experience and Repurchase Intention at Cold 'N Brew, Medan?
9. Does Customer Satisfaction mediate the relationship between Product Diversity and Repurchase Intention at Cold 'N Brew, Medan?
10. Does Customer Satisfaction mediate the relationship between Perceived Convenience and Repurchase Intention at Cold 'N Brew, Medan?

1.4 Objective of the Research

The objectives of research are as follows:

1. To examine the positive influence between Customer Experience on Customer Satisfaction at Cold 'N Brew, Medan.

2. To examine the positive influence between Product Diversity on Customer Satisfaction at Cold 'N Brew, Medan.
3. To examine the positive influence between Perceived Convenience on Customer Satisfaction at Cold 'N Brew, Medan.
4. To examine the positive influence between Customer Experience on Repurchase Intention at Cold 'N Brew, Medan.
5. To examine the positive influence between Product Diversity on Customer Repurchase Intention at Cold 'N Brew, Medan.
6. To examine the positive influence between Perceived Convenience on Repurchase Intention at Cold 'N Brew, Medan.
7. To examine the positive influence between Customer Satisfaction on Repurchase Intention at Cold 'N Brew, Medan.
8. To examine whether Customer Satisfaction mediates the relationship between Customer Experience on Repurchase Intention at Cold 'N Brew, Medan.
9. To examine whether Customer Satisfaction mediates the relationship between Product Diversity on Repurchase Intention at Cold 'N Brew, Medan.
10. To examine whether Customer Satisfaction mediates the relationship between Perceived Convenience on Repurchase Intention at Cold 'N Brew, Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The results of this research are expected to contribute to the existing theories relevant with customer experience, product diversity, perceived convenience have

influence on Cold 'N Brew, Medan repurchase intention mediated by customer Satisfaction.

1.5.2 Practical Benefit

The practical benefit of conducting this research are as follows:

- a. For the writer, the writer's understanding of the applied knowledge related to the implication of customer experience, product diversity, perceived convenience can be improved with a greater understanding of the variables influence on repurchase intention mediated by customer Satisfaction.
- b. For the company, this research provides Cold 'N Brew, Medan with valuable insights into its customer experience, product diversity, perceived convenience, customer satisfaction, and repurchase intention. Furthermore, the research offers actionable recommendations to enable Cold 'N Brew, Medan to formulate more effective strategies for increasing customer experience, product diversity, perceived convenience, customer satisfaction, and repurchase intention.
- c. For other researchers, this research can be a reference for those who also conduct research related to the topic of customer Experience, product diversity, perceived convenience on repurchase intention mediated by customer satisfaction.