

CHAPTER I

INTRODUCTION

1.1 Background of The Study

The culinary industry has become a prominent business sector in recent years, attracting many entrepreneurs. As Medan develops into a hub for trade and business, significant changes have occurred, particularly in the form of growing business competition. This is evident from the increasing number of new businesses in the city, especially in the culinary sector. Medan offers a wide variety of culinary ventures, including cafes, restaurants, and street food vendors (Maranatha et al., 2023)

Cafes are now easily found, especially in major cities like Medan. They have become popular spots for socializing with friends, passing the time, or conducting meetings with business associates. Today, cafes are no longer just places to enjoy food and drinks; they serve as venues where people seek to meet their needs and desires, relax, and unwind from the stress of academic or work assignments (Maranatha et al., 2023).

The fast-growing food and beverage industry, especially in Medan Indonesia, is attracting more customers due to the increasing demand for places to eat, socialise, and relax. This has led to increased competition among cafés in Medan, thus requiring businesses to attract new customers and retain loyal customers to maintain their revenue. To achieve this, the company needs to conduct more research on the factors that influence customer loyalty (Joana & Martok, 2023)

Delivering added value is crucial for coffee shops to ensure customer happiness and foster great experiences for both new and returning customers. This strategy encourages repeat business by giving new customers the impression that the coffee shop suits their tastes. Concurrently, devoted patrons will believe that the coffee shop continuously attends to their demands, guaranteeing their ongoing contentment and enduring allegiance (Rahmawati et al, 2023).

Dum Dum Cafe Yose Rizal is one of the cafes with the main drink concept of Thai Tea. The main menu that is the mainstay in this cafe is various variants of Thai Tea and also various food variants such as Montato, Ice Cream and various other menus. In the phenomenon of customer loyalty, Dum Dum Cafe is experiencing a downward trend in the number of customers. The occurrence of this trend shows that Dum Dum Cafe has not been able to retain consumers who have visited before and new consumers. The following is data on the number of consumer visits at Dum Dum Cafe Yose Rizal.

Table 1.1 Customer Visit Data from 2023 – 2024 at Dum Dum Cafe Yose Rizal

Month	2023	2024
Januari	3563	2966
February	3268	2765
March	3423	2633
April	3533	2512
May	2833	3120
Juni	2356	3103
July	3521	3045
August	3221	3021
September	2963	2955
October	2756	2963
November	2860	2235
December	2855	2563
Total	37152	33881

Source: Dum Dum Cafe Yose Rizal (2023-2024)

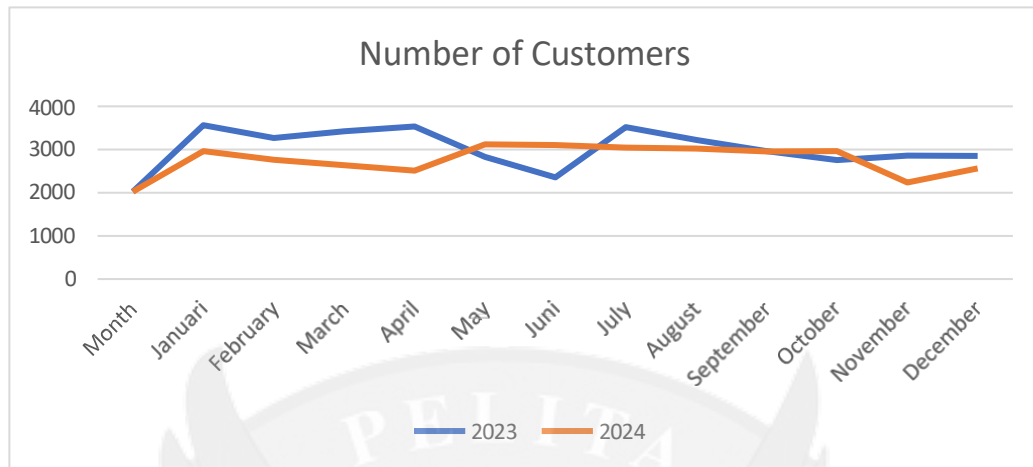


Figure 1.1 Number of Customers at Dum Dum Cafe Yose Rizal

Source: Dum Dum Cafe Yose Rizal (2023-2024)

Based on table 1.1, consumer visit data shows a downward trend from 2023 to 2024. The decrease in the number of consumers visiting Dum Dum Cafe Yose Rizal shows that consumer loyalty to visit again does not occur and instead consumers tend to experience a decline. This shows that Dum Dum Cafe Yose Rizal has not been able to maintain the loyalty of consumers.

One of the best ways to help customers recognize and remember a product is to have a distinctive brand image. It helps a product stand out from others in its category and is essential for negotiating a fiercely competitive market. Customers' emotions, sentiments, and impressions can be influenced by a positive brand image, which may influence their decision to choose one product over another. (Rahmawati et al, 2023)

To find out the brand image of Dum Dum' Cafe Yose Rizal, the author compares several similar cafes in the Yose Rizal area with the comparison results taken based on Google Reviews scores as follows.

Table 1.2 Ratings of Cafe at Yose Rizal

Name	Ratings
Dum Dum Cafe	4.4
Links	4.3
Halifax	4.7
Riche Brew	4.8
Hazell	4.4
Mixue	4.4

Source: Google Ratings (2025)

From several cafes around Yose Rizal area, it shows that Dum Dum Cafe has a rating of 4.4 which is slightly lower than other restaurants and cafes. This shows that the brand image competition among cafes and restaurants in Yose Rizal area is very tight. Dum Dum Cafe as one of the restaurants in Yose Rizal Street has a tight competition with other competitors and the various choices available in cafes and restaurants make consumers have various choices of places to visit.

To find out consumer phenomenom about the brand image at Dum Dum Cafe Yose Rizal, the writer conducted a pre-survey of 30 consumers at Dum Dum Cafe Yose Rizal with the following results.

Table 1.3 Pra Survey of Brand Image

No.	Statements	Yes	No
1	I can easily recognize Dum Dum Cafe by its logo and name.	18	12
2	I trust Dum Dum Cafe as a high-quality beverage brand.	14	16
3	I have positive experiences and memories related to Dum Dum Cafe.	19	11
4	I frequently purchase drinks from Dum Dum Cafe.	10	20
5	The quality of Dum Dum Cafe's products is consistent every time I visit.	22	8

Source: Pra Survey (2025)

Based on the results of the pre-survey, it shows that the majority of respondents, 18 respondents, easily remember the logo and name of Dum Dum, 16 respondents stated that they do not fully believe that Dum Dum is a high-quality brand, 19 respondents predominantly have good experiences at Dum Dum, 20 respondents stated that they do not often buy drinks at Dum Dum and 22 respondents predominantly stated that the products at Dum Dum are very consistent.

In the phenomenon of problems found regarding brand image, respondents still do not fully believe in the Dum Dum brand and the majority of respondents do not often buy Dum Dum drinks. This shows that there are still problems with the brand image of Dum Dum Cafe in Yose Rizal.

Store atmosphere is an important factor in creating customer loyalty, as cafés are now seen as places to work and relax, not just places to dine. A poorly maintained store atmosphere increases the risk of losing customers to other cafés that have a better ambience. Factors such as architecture, lighting, colours, interiors, temperature, music and smell contribute to positive impressions and ultimately, customer loyalty (Joana & Martok, 2023)

On the phenomenon of store atmosphere, Dum Dum Cafe Yose Rizal is a cafe with a minimalist concept design with a concept dominated by white and light colours. Here is a look at the location of Dum Dum Cafe Yose Rizal.

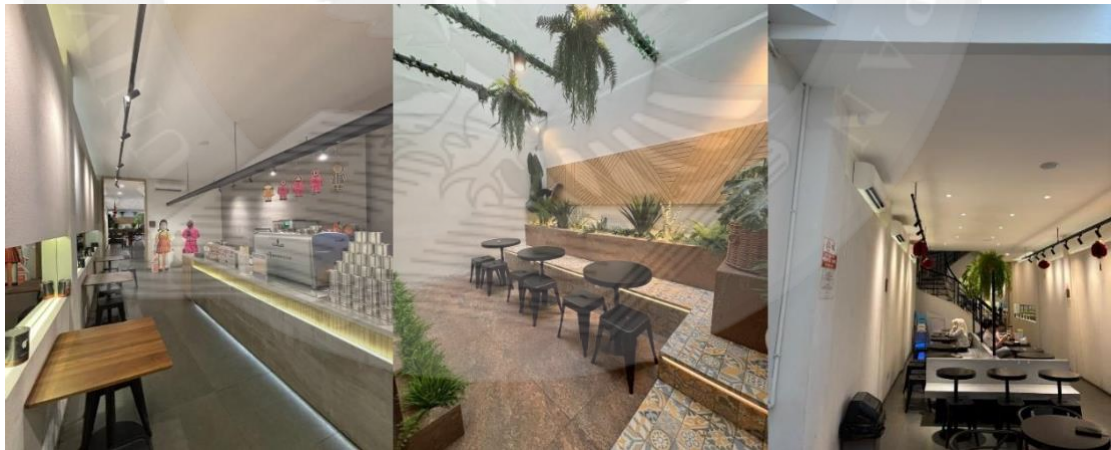


Figure 1.2 Store Atmosphere at Dum Dum Cafe Yose Rizal

Source: Dum Dum Cafe Yose Rizal (2025)

To find out consumer phenomenom about the store atmosphere at Dum Dum Cafe Yose Rizal, the writer conducted a pre-survey of 30 consumers at Dum Dum Cafe Yose Rizal with the following results..

Table 1.4 Pra Survey of Store Atmosphere

No.	Statements	Yes	No
1	The exterior design of Dum Dum Cafe is visually appealing.	12	18
2	The color scheme and decorations enhance the cafe's ambience.	20	10
3	The seating arrangement is well-organized and does not feel crowded.	12	18
4	The menu boards and promotional displays are visually attractive.	16	14

Source: Pra Survey (2025)

Based on the results of the pre-survey, it shows that the majority of respondents, 18 respondents stated that the exterior design at Dum Dum Cafe was considered ordinary, then 20 respondents stated that the decoration and colors at Dum Dum Cafe were able to improve the ambience in the cafe, 18 respondents stated that the condition of Dum Dum Cafe was only small and felt crowded and 16 respondents stated that the appearance of the menu at Dum Dum Cafe was very attractive and interesting. In the phenomenon of problems found regarding store atmosphere, respondents predominantly stated that the exterior design at Dum Dum Cafe was not very attractive, and the condition of the cafe was quite crowded so it would be noisy when crowded and made it uncomfortable. This shows that there are still problems with the store atmosphere of Dum Dum Cafe in Yose Rizal.

The company's ability to grow its business is reflected in the range of products it produces. In the context of fierce competition, product diversity arises from heterogeneity in demand from different consumer groups, providing customers with a wide range of options. Product diversity increases the variety of options available to customers; if a business cannot meet the diverse needs of its customers, customers will be less satisfied and will be less devoted to particular vendors (Akbar & Tjahjaningsih, 2023)

Dum Dum' Cafe Yose Rizal has a variety of Thai Tea drink menus with various flavours. In addition to Thai Tea, also available Sandwiches, Ice Cream

Thai Tea, Food Menu such as Curly Noodles. Here's a look at the menu at Dum Dum Cafe Yose Rizal.



Figure 1.3 Menu Appearance at Dum Dum Cafe Yose Rizal

Source: Dum Dum Cafe Yose Rizal (2025)

To find out consumer phenomenom about the menu variations at Dum Dum Cafe Yose Rizal, the writer conducted a pre-survey of 30 consumers at Dum Dum Cafe Yose Rizal with the following results.

Table 1.5 Pra Survey of Menu Variation

No.	Statements	Yes	No
1	The taste of Dum Dum Cafe's menu suits my personal preference.	18	12
2	The portion sizes of the drinks are worth the price.	16	14
3	Dum Dum Cafe uses fresh and high-quality ingredients in its drinks.	20	10
4	The packaging and presentation of the drinks are attractive.	12	18
5	My favorite drinks at Dum Dum Cafe are usually available whenever I visit.	16	14

Source: Pra Survey (2025)

Based on the results of the pre-survey, it shows that the majority of respondents, as many as 18 respondents stated that the taste of Dum Dum Cafe

drinks is able to meet preferences, 16 respondents stated that the price offered by Dum Dum Cafe is in accordance with the portion of drinks available, 20 respondents stated that the quality of the food ingredients used is fresh, 18 respondents stated that the quality of packaging and presentation is considered standard and 16 respondents stated that their favorite drinks are always available. In the phenomenon of problems found regarding menu variation, namely presentation and packaging which are still considered standard by consumers. Although the majority of respondents answered in agreement, consumers still stated that there were problems in the menu variations available at Dum Dum Cafe regarding the taste of drinks, drink sizes, and menu availability.

Considering the described background of study above, the writer determines the study of brand image, store atmosphere, and menu variation on customer loyalty at at “Dum Dum” Cafe Yose Rizal. Therefore, the relationship between these three variables will increase customer loyalty. Hence, the title of this research is: **“THE INFLUENCE OF BRAND IMAGE, STORE ATMOSPHERE, AND MENU VARIATION ON CUSTOMER LOYALTY AT “DUM DUM” CAFE YOSE RIZAL”**

1.2 Problem Limitation

This research will be undertaken due to the restricted opportunity from Janaury 2025 to May 2025 about those relevant problems including brand image, store atmosphere, and menu variation, and customer loyalty. Time restrictions are applied to be more relevant to the phenomena being experienced by consumers. The

location of this research at Dum Dum Cafe at Jalan Yose Rizal No 106. The writer has previously determined the problem's limitations, which include several independent variables (referred to as Variable X), brand image, store atmosphere, and menu variation, and dependent variable (Variable Y) consist of customer loyalty. The selection of the customer loyalty variable is due to the decline in the number of consumers that occurred. Then for brand image, there is still a lack of trust in the Dum Dum brand. In the store atmosphere variable, consumers still complain about the narrow room design, then for menu variations it is still inconsistent in terms of price to the size of the menu provided.

1.3 Problem Formulation

Through study conducted at Dum Dum Cafe Yose Rizal, the writer has identified numerous inquiries pertaining to the emerging issues, which are:

- a. Does any partial influence of brand image on customer loyalty at “Dum Dum” Cafe Yose Rizal?
- b. Does any partial influence of store atmosphere on customer loyalty at “Dum Dum” Cafe Yose Rizal?
- c. Does any partial influence of menu variation on customer loyalty at “Dum Dum” Cafe Yose Rizal?
- d. Do brand image, store atmosphere, and menu variation have simultaneous influence on customer loyalty at “Dum Dum” Cafe Yose Rizal?

1.4 Objective of the Research

The aim of this research is to investigate and gather information about:

- a. To describe whether brand image have partial influence on customer loyalty at “Dum Dum” Cafe Yose Rizal.
- b. To explain whether store atmosphere have partial influence on customer loyalty at “Dum Dum” Cafe Yose Rizal.
- c. To know whether menu variation have partial influence on customer loyalty at “Dum Dum” Cafe Yose Rizal.
- d. To analyze whether brand image, store atmosphere, and menu variation have simultaneous influence on customer loyalty at “Dum Dum” Cafe Yose Rizal.

1.5 Benefit of the Research

The advantages of this research can be outlined as follows:

1.5.1. Theoretical Benefit

The findings of this study are anticipated to enhance the current theories pertaining to brand image, store atmosphere, and menu variation and customer loyalty.

1.5.2. Practical Benefit

The practical advantage of this research is as follows:

- a. The writer anticipates that the outcome of this research will make a valuable contribution to the current ideas on brand image, store

atmosphere, and menu variation in relation to the goal of customer loyalty.

- b. For “Dum Dum” Cafe Yose Rizal, this research examines the efficacy of the survey in enhancing the cafe performance.
- c. This study acts as a resource and reference for other researchers, guiding them in carrying out relevant and aligned research.

