

CHAPTER I PRELIMINARY

1.1 Background

Coffee is one of the leading agricultural commodities in Indonesia. The production of coffee commodities in Indonesia continues to increase throughout the year. This is due to the level of consumption which continues to increase every year. Data on the area of coffee plants and coffee production in Indonesia which continues to increase can be seen in Figure 1.1 and Figure 1.2 below. As can be seen from the figure 1.1, the coffee plantation area in Indonesia has experienced steady growth over the past few years. In 2019, the coffee plantation area reached 1,017,000 hectares. In 2020, the coffee plantation area increased to 1,095,000 hectares. In 2021, the coffee plantation area increased again to 1,173,000 hectares.

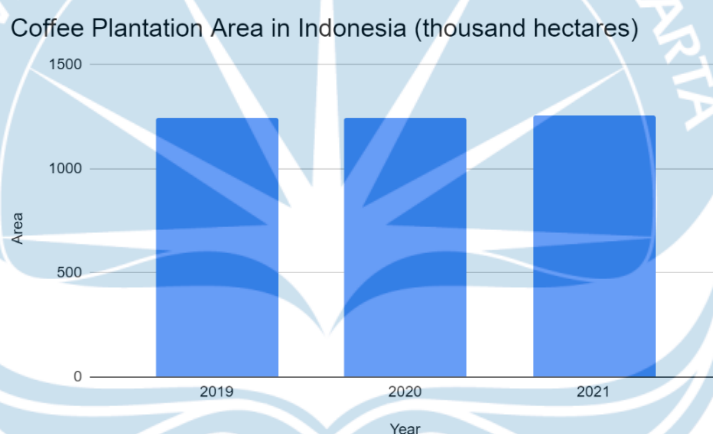


Figure 1.1 Coffee Plantation Area in Indonesia
Reference: BPS (2022)

As can be seen from figure 1.2, coffee production in Indonesia experienced significant growth during this period. In 2019, Indonesia's coffee production reached 680,000 tons. In 2021, Indonesia's coffee production increased to 760,000 tons. Therefore, based on these data, it is known that the coffee industry has good opportunities in Indonesia so that the coffee shop business is one of the promising business prospects.

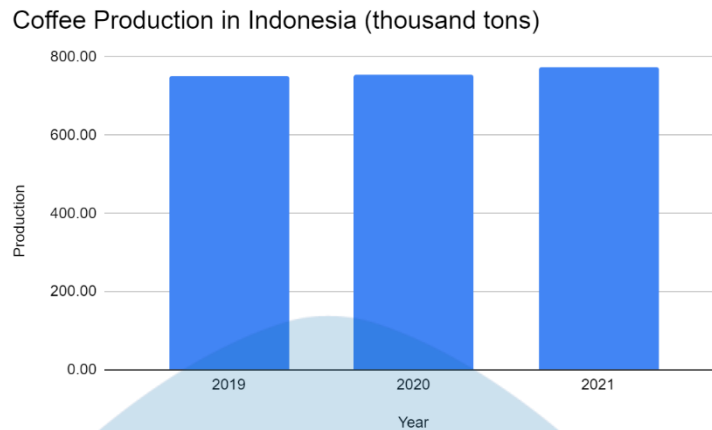


Figure 1.2 Coffee Production in Indonesia
Reference: BPS (2022)

Consuming coffee is an activity that is very common among young people in Indonesia. Drinking a cup of coffee with its various variants has become a lifestyle as a companion drink in everything that is done by the community. This has made coffee consumption in Indonesia increase, from previous coffee lovers plus coffee lovers among teenagers. The large demand from young people about coffee makes business activists continue to establish coffee shops in major cities in Indonesia (Albert, 2017)

A coffee shop is a place that sells food and drinks, especially coffee with various flavors in a relaxed atmosphere with music, either through a music player or live music. As time goes by, cafes provide snacks and heavy meals. Coffee shops are generally businesses in the food and beverage sector that offer friendly, accurate and fast service and complete facilities for consumers. Coffee shops themselves, in addition to being a place to eat and drink, also provide many benefits for visitors, including as a place to gather with friends or family, as a place to relieve fatigue and boredom, as a place to do assignments, and as a place to find new friends. Coffee shops also create a variety of atmospheres, such as relaxed, lively, comfortable, peaceful, and enjoyable atmospheres for consumers. In addition, nowadays coffee shops are also equipped with supporting facilities that can create a sense of comfort for visitors, such as mini libraries, board games, card games, etc. With the available facilities, coffee shops have become one of the places that are often visited to meet friends, work on assignments, or simply enjoy coffee in a comfortable atmosphere (Gunawan & Syahputra, 2020). Therefore, many coffee shops today compete to offer a variety of products, prices, services, and facilities

where the quality of these variables is always improved to gain as many consumers as possible to be superior to other cafes.

There are many different types of coffee shops, from large chains to local independent cafes. Because it's relatively easy to start a coffee shop, many people are interested in opening one, from small shops to big event spaces. The coffee business is booming right now, and opening a coffee shop is a popular trend. This is because freshly brewed coffee at a cafe offers a unique and enjoyable experience for Indonesian coffee lovers. People would rather enjoy a high-quality coffee drink at a cafe while socializing or working than brewing instant coffee at home. Seeing this opportunity, many people in Yogyakarta are investing in opening coffee shops.

The increasing consumption of coffee, coupled with the growing number of coffee shops, has made coffee shops one of the most popular places to visit, especially for young people. The growth of coffee shops in Yogyakarta has been quite rapid. Before the pandemic, there were around 1,700 coffee shops in Yogyakarta. During the pandemic, the number of coffee shops actually increased rapidly, reaching an estimated 3,000 (Ayu, 2022). Now, coffee shops are becoming increasingly easy to find in Indonesia, as they are springing up everywhere, including in the Special Region of Yogyakarta. Coffee shops in DIY can be found not only in the city of Yogyakarta but also in the surrounding regencies, such as Sleman Regency. In fact, with the changing times, consumers are increasingly looking for coffee shops located on the outskirts of the city because of the quieter, more comfortable atmosphere, away from the hustle and bustle of the city. Consumer preferences have also shifted, not only looking for coffee shops that provide delicious coffee to consume, but also looking for coffee shops with a comfortable place and atmosphere (Suharsono & Rahman, 2024).

Cold N Brew Demangan is a popular coffee shop among the people of Yogyakarta. Located on Jl. Demangan Baru No.18, Demangan Baru, Sleman, DIY, Cold N Brew Demangan is a branch of the original Cold N Brew coffee shop, which was established in Surakarta in 2016. As of the time of this thesis is written, Cold N Brew has 16 branches spread across Indonesia, from Medan to Surabaya.

In a competitive market, a marketing manager has a crucial role to take the attention of consumers. The important value of a brand is in principle the realization of awareness, which is a core competency for the company because the benchmark for the strength of a

brand is a description of situations and conditions where consumers feel very familiar and understand the product, both in terms of quality and or characteristics owned by the company among brands on the market (Shabbir, et. al., 2018). According to Keller & Swaminathan (2020), the degree to which customers are aware of a brand and are able to identify or recall it when presented with a product category, product cue, or brand element is known as brand awareness. To cause brand awareness in potential buyers, something is needed that can stimulate the emergence of brand awareness. Brand awareness does not require a consumer to remember the brand name, but only remembers a small part of a brand, for example in the form of symbols, symbols, colors, sounds, etc.

The tight competition in the coffee industry causes entrepreneurs in this field to compete to provide special and satisfying services to customers and potential buyers. Service is the benchmark for assessing the seller's success in providing satisfaction to consumers. Consumers who are served will certainly provide an attitude of trust and will continue purchasing transactions to the business being developed. In retaining customers, business owners are expected to implement strategies that keep customers loyal. One way to improve service is to have a good relationship between the company and the customer, loyalty, fairness in price and quality of goods received.

Product quality is a determining factor for consumer satisfaction after purchasing and using a product. With good product quality, the wants and needs of consumers for a product will be fulfilled. Product quality is a condition of an item based on an assessment of its conformity to a predetermined measuring standard. The more in accordance with the standards set, the higher quality the product will be considered (Bhowmick & Seetharaman, 2023).

The increasing number of coffee shops in Yogyakarta has made the business competition more competitive. The best defense in following business competition is to make consumers always feel satisfied. Consumers can be said to be satisfied if the perception of the desires and needs of consumers for products or services is equal or exceeds. Consumers who are loyal and have an interest in every product or service issued by business owners are consumers who feel their satisfaction is fulfilled (Jatmika, Abdurrahman, 2023). Suryati (2019) mentioned that consumers who are satisfied with a product or service on average want to tell about the product to ten other people.

The increasingly fierce business competition and the emergence of new coffee shops require companies to be dynamic and faster to attract consumers. Coffee shops are no longer just places to enjoy coffee while chatting and meeting relatives, but coffee shops have also become places to take selfies of themselves or the products they serve. Nowadays, many coffee shops offer unique store atmospheres, and this has become an attraction for coffee shops to increase the number of visitors. Not only do interesting interior designs attract consumers to visit, but also optimal service quality because consumers not only prioritize attractive interiors, but also good service quality also makes consumers want to come back to the coffee shop again. Business actors must be quick to see opportunities and the desires and needs of consumers, so that they can provide satisfaction to consumers so that consumers have the desire to visit again and do not change places to buy coffee (Dhisasmito & Kumar, 2020). Hosseini et al (2014) say that store atmosphere is one of the important predictors of consumer behavior in brand choice. The store atmosphere can produce a certain emotional impact on buyers to increase the likelihood of purchase. The atmosphere can be captured through five basic human senses, namely sight, sound, smell, touch, and taste (Jalil et al. 2016). If a store has a good atmosphere, it will make consumers feel at home to linger in that place so that consumers will make return visits to that place to make repeat purchases.

One of the efforts to meet coffee shop customer satisfaction is to provide product quality or service quality that is distinctive and different from competitors. The quality of products or services is a special characteristic of the characteristics of a company or business field that offers its products or services to consumers as a means of fulfilling needs and desires (Kotler, et al., 2021). One way that consumers can feel satisfied with each coffee shop product is determined by the quality of the product or service.

Consumer loyalty is the strength of the relationship related to the relative attitude of an individual towards a particular unit (brand, store, or service) and the existence of repeat purchases (Mea and Laga, 2020). According to Kusumawati and Rahayu (2020) consumer loyalty can be shown through certain indicators such as repeat visit/purchase intentions, positive word-of-mouth and reviews, and recommendations to others. For coffee shop business actors, customer satisfaction will be very helpful to win fierce competition. With loyal consumers, it will certainly provide benefits for the company regardless of the conditions.

Coffee shop businesses in Yogyakarta have a lot of competitors. However, if they already have loyal customers, then it can be used as a good sign because with these loyal customers, they can provide good feedback as well, for example by giving positive reviews, repeat purchases, and giving recommendations to others which will certainly attract more consumers. One of the efforts to win business competition is to create a consumer's repurchase desire for a product. Repurchase intention is defined as the desire of consumers to repurchase the same product from a company (Mothersbaugh and Hawkins, 2016). Revisit intention is a form of behavior intention when a customer has the desire to return to visit a place or destination, receive positive word of mouth, stay longer than expected, and buy more than expected (Azzahra et al., 2020). Repurchase intention can be an indication that a product has succeeded in fulfilling the wants and needs of its consumers. This ultimately encourages consumers to buy and use the product again.

1.2 Research Questions

Based on the background, the research questions in this study are:

1. Does brand awareness influence customer satisfaction?
2. Does perceived service quality influence customer satisfaction?
3. Does perceived product quality influence customer satisfaction?
4. Does physical environment influence customer satisfaction?
5. Does customer satisfaction influence customer habit?
6. Does customer satisfaction influence revisit intention?
7. Does customer habit influence intention to revisit?
8. Does customer habit have a mediating effect on customer satisfaction and intention to revisit?

1.3 Research Objectives

Based on the research questions, the research objectives in this study are:

1. To examine the influence of brand awareness on customer satisfaction.
2. To examine the influence of perceived service quality on customer satisfaction.
3. To examine the influence of perceived product quality on customer satisfaction.
4. To examine the influence of the physical environment on customer satisfaction.

5. To examine the influence of customer satisfaction on customer habit.
6. To examine the influence of customer satisfaction on intention to revisit.
7. To examine the influence of customer habits on intention to revisit.
8. To examine the mediating effect of customer habit on customer satisfaction and intention to revisit.

