

CHAPTER I INTRODUCTION

1.1 Background

In recent years, the business industry in the field of coffee shops in Indonesia has increased quite rapidly, ranging from urban to rural areas are now starting to look at the coffee shop industry.

This is inseparable from changes in people's lifestyles. Nowadays, drinking coffee is no longer synonymous with activities that are often done by men or old people. Now young people also drink coffee as their lifestyle, as well as a means to show their existence to their friends. Finally, it is this change in pattern that makes coffee shops now not only a place to meet food needs, but as a place to meet socializing needs. Now coffee shops are used as a place to date, hang out, do assignments exchange ideas, expand networks, etc. Coffee shops not only sell coffee, but also various hot and cold drinks. Due to this change in the lifestyle of young people in Indonesia, business opportunities in the coffee shop sector are very promising. This is reflected in the number of youth in Indonesia based on data from the Central Statistics Agency in 2020, which is 64.19 million people or 24.02% of the total population in Indonesia. When observed from these data, the trend of consuming coffee among young people can be a considerable potential for doing business in the coffee shop sector.

The coffee shop that is meant in this study is a place that serves the main dish of coffee, but still provides a menu of other drinks and snacks, and is equipped with supporting places and facilities such as live music or several games that can be used by consumers to spend their time. This is supported by the theory that suggests that a

coffee shop is a place that is identical to neatly arranged tables and chairs as well as comfortable sofas, which sell various variants of coffee and snacks as support, accompanied by music and a comfortable atmosphere that can be felt by consumers (Kurniawan & Sidiq, 2016). Also supported by the definition of a coffee shop according to (Indonesian Wikipedia, the Free Encyclopedia, n.d.) is a place of business that mainly serves coffee (of various types, for example espresso, latte, cappuccino). Some coffee shops may serve cold drinks such as iced coffee and iced tea. Coffee shops may also serve food such as light snacks, sandwiches, muffins, fruit, or pastries. As well as the definition of coffee shop according to (Coffee Shop - Wiktionary, n.d.) which is A small café or restaurant typically selling light refreshments along with coffee-based drinks.

The phenomenon of the rise of coffee shops also occurs in Kudus, as evidenced by the number of coffee shops that are easy to find and continue to grow in Kudus, ranging from long-established coffee shops to coffee shops that are still relatively new. The number of coffee shops in Kudus is increasing, as listed in the article (Jejakpiknik.Com, 2022) some recommendations for 10 coffee shops in Kudus, 2022, namely ganks coffee and restaurant, TKP Coffee House, Café De Ija, Omah Coffee, Angkringan Delik, Kopithong Coffee, Café'Lo, Waroeng Barkod, wkwk cafe, PDKT Café. Until now, the variety of coffee shops in Kudus continues to grow.

According to the owner of Kopithong, Fernando Samuel, written in the article (Murianews.Com, 2022) in Kudus there are currently 172 coffee shops that are also the number outside angkringan. In fact, several times it was found that Coffee Shop was in one adjacent location with a business scale and a menu that was more or less

the same. This condition occurs in 3 coffee shops that are in one location Jl. Kayuapu Kulon, UMK, Kudus, namely Kopi Estu, Mbok Ngopi, and In.Di Coffee. There are also in the Getas Pejaten area, namely, Sidji Coffee and Kretek Kopi. This condition makes competition in the coffee shop sector even tighter. Coffee shops in Kudus also offer supporting facilities such as free hotspot areas, mini libraries, and games that consumers can play while waiting or enjoying a meal. In addition, the menu variations provided by coffee shops in Kudus are more or less the same and the prices of each coffee shop in Kudus are also competitive. Consumers have very diverse tastes to fulfill their desires in determining which coffee shop they will go to. So that many coffee shops in Kudus experience fluctuations in sales or even go out of business due to not being able to compete.

One of the long-established coffee shops in Kudus is Sidji Coffee. Sidji Coffee itself comes from the words "Siji" and "Coffee". Sidji means number one or first. So, Sidji Coffee means being the first and foremost in the contemporary coffee shop business in the city of Kudus. Sidji Coffee is also the first coffee shop to serve its own roast coffee (robusta) in Kudus with a distinctive taste. Sidji Coffee was established on April 21, 2016 in Janggalan, Kudus. It is located close to the Kudus tower, on the main road to Jepara city. One of the uniqueness of Sidji Coffee is the building and concept of the coffee workshop. The main building was built in 1950 and is still maintained today. Uniquely, in the morning at 08.00-16.00 the shop is used for car paint workshop activities. Then in the afternoon at 17.00-23.00 it is used for coffee shop. Sidji Coffee is a transformation of "Ada Auto" which operates during the day, where the outdoor part of sidji coffee becomes a place to queue for cars to be repaired,

while the indoor part of sidji coffee during the day becomes the office of the Ada Auto workshop. (Valerie, 2022). Of course, this coffee shop concept is still rarely found in Kudus. Sidji Coffee has a minimalist theme and is full of warm live music performances. The favorite menu at Sidji Coffee is Coffee 80's, a milk coffee that uses Muria's original robusta coffee brewed using the Vietnamese drip technique and served with sweetened condensed milk with a sweet, savory and bitter taste. Another favorite menu is Es Kopi Susu Djadoel, the taste of old milk coffee is tried to be presented amid the current coffee trend. Besides drinks, sidji coffee also serves snacks and heavy meals.

In 2018, Sidji Coffee opened its second outlet on Mulya Street, Getas. Located on the edge of Kudus city, precisely at the location behind the Kudus DPRD building. This shop stands on an area of 1000m² with a large parking space and a two-story building. In the back area there is a comfortable music performance area. In the cafe area there are many trees and plants that make the atmosphere of the cafe cool and beautiful. From here the name sidji coffee began to be recognized by many levels of society and became the inspiration for coffee shops in Kudus. Since opening the second outlet, many new coffee shops have sprung up in Kudus that have the same concept as sidji coffee. In 2022, Sidji Coffee again opened a new outlet in the Graha Muria Swasti Kirana residential shophouse, Kaliwungu, Kudus. Located on the western ring road of Kudus city. This time, sidji coffee Graha Muria Swasti Kirana shophouse branch is conceptualized for families and business relations because there is a VIP room for meetings with a capacity of approximately 10-15 people. And in 2023, sidji coffee will open another new branch in Bae, Kudus. with the concept of

garden and outdoor experience. So, sidji coffee is the only coffee shop in Kudus that has 4 outlets in one area.

Currently, by maintaining the quality of robusta coffee that characterizes sidji coffee, prices that are competitive with other coffee shops, as well as a varied menu at Sidji Coffee and making innovations, sidji coffee is not left behind by other new modern coffee shops, or it can be said that sidji coffee always follows the latest trends. Also sidji coffee is successful in terms of branding, using the tagline "Sidji Remains in the Heart" and calling sidji coffee customers "Sidji Friends". Sidji coffee is able to survive with its existence amid the many new coffee shops in Kudus.

In running a coffee shop business, it is necessary to increase in terms of price, service quality, and store atmosphere which refers to customer loyalty through the level of customer satisfaction in maintaining the coffee shop business to continue to grow. The price given by the coffee shop greatly affects the level of sales and determines the consumer's decision to make a second purchase or not, so the quality provided by the coffee shop must match the price paid by consumers. Like the statement (Hurriyati, 2010) which states that price has an important role in the decision-making process, namely the allocation role of price is to help buyers decide how to obtain the highest expected benefit or utility based on the strength of their purchasing power. When a coffee shop provides a price that matches the quality, customers will feel satisfaction with the coffee shop so that it can create customer loyalty, but if the price set by the coffee shop does not match the quality received by the customer, the customer will feel dissatisfied and potentially switch to another coffee shop. The following is a list of coffee prices in several coffee shops in kudus:

<i>Coffee shop</i>	Prices	Address
TKP Coffee House	Rp. 8.000 – Rp. 20.000	Jl. HOS Cokroaminoto, No. 3
Sidji Coffee	Rp. 15.000 – Rp. 20.000	Getas Pejaten
Traffa Coffee&Eatery	Rp. 11.000 – Rp. 25.000	Jl. HM Subchan, No. 3
No. 8 Coffee	Rp. 11.000 – Rp. 20.000	Jl. Menur, No. 8
Bento Kopi	Rp. 5.000 – Rp. 16.000	Jl. Gondangmanis

Table 1.1
Coffee prices in some Kudus coffee shops

Based on the observations made, it can be seen in the table above that the price strategy competition between coffee shops. Sidji coffee kudu has a slightly higher price than the price of coffee in other coffee shops.

In addition, to meet customer satisfaction, service quality is very important to be managed properly by the coffee shop. Service quality is a form of consumer assessment of the level of service received with the expected level of service. If the service received or felt is as expected, then the service quality is perceived as good and satisfying. Satisfaction that has been formed can encourage consumers to make repeat purchases and hopefully will become loyal customers (Kotler & Keller, 2016: 29) Good quality can be used by coffee shops to face intense business competition, because it is related to customer satisfaction which also has an impact on customer loyalty. Consumers will always compare all aspects between one coffee shop and another coffee shop. Consumers who feel satisfied will make repeat purchases without a second thought, while consumers who feel dissatisfied will look for another coffee shop that suits their needs or desires. Good service that can determine customer

satisfaction is service quality, namely: tangibles, reliability, responsiveness, assurance, and empathy. The quality of service in coffee shops that is usually assessed by consumers includes whether or not the menu delivery service is long, whether the waiter is friendly to consumers, whether or not the operating hours are in accordance with the sign posted, the quality of food and drinks, whether the coffee shop and toilet are clean, and whether the atmosphere in the coffee shop is comfortable. The phenomenon of service quality according to the results of an interview with one of the sidji coffee crew in 2022, the quality of service is less than satisfactory in waiters who are not responsive to cleaning the table of former customers who have finished visiting, so that if the seats are full, customers who have just arrived have to sit at a dirty table and have to call the waiter to clean the table. as well as policies at sidji coffee where they are not responsive to cleaning the table. As well as a policy at Sidji Coffee where it is not allowed to move or shift the position of the table, making customers who come in groups have to sit separately or sit at one table. The following is an assessment of the quality of Sidji Coffee's customer service based on google reviews:



Figure 1.1
Review Kualitas Pelayanan

In addition, Store atmosphere is no less important for coffee shops because it can be used as a differentiator between one coffee shop and another with relatively the same menu and price. Store atmosphere is also one of the reasons for consumers to choose and be interested in which coffee shop consumers will visit. This is the same as the statement that when product and price differences are minimal, consumers need further criteria that are more discriminatory. These discriminatory criteria can be provided by the convenience of location, parking facilities, owner personality or atmosphere (Kotler, 1973: 49). Also, if consumers do not find the atmosphere to their liking then consumers will not recommend the coffee shop to others. Unfortunately, the AC room owned by Sidji Coffee is not large and has few seats. This makes customers who want to sit in an air-conditioned room have to wait for other customers to finish first or be forced to sit in a non-air-conditioned room on the 2nd floor which feels a little hot in the afternoon or evening. This is a store atmosphere assessment based on google reviews:

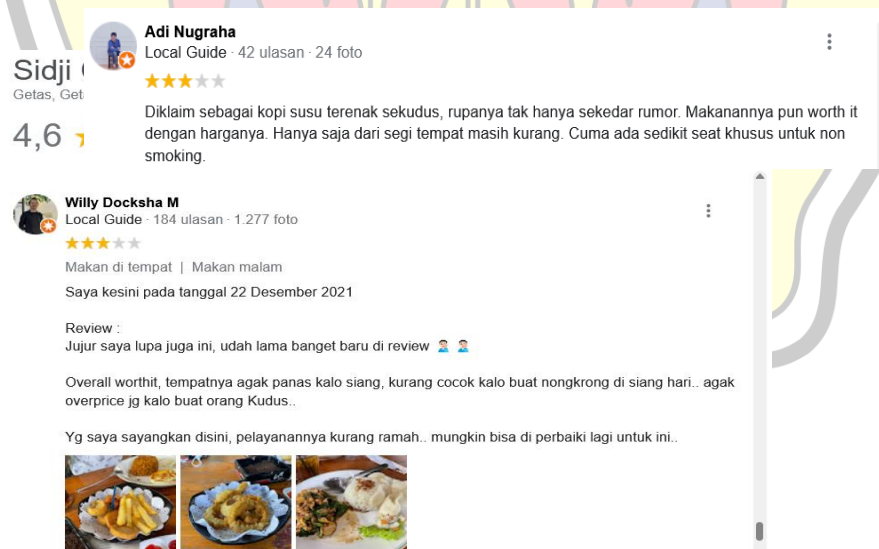


Figure 1.2
Review *Store Atmosphere*

Customer satisfaction is very valuable for the coffee shop business, because customer satisfaction is one of the main goals that must be achieved by the coffee shop. Creating good prices, service quality, and store atmosphere can affect customer satisfaction. The better this is done by the coffee shop, the better the benefits obtained by the coffee shop. If customers are satisfied, then consumers will make repeat purchases at the coffee shop and will slowly become regular customers. Consumers who are satisfied with the services, products and prices provided by a restaurant will influence other consumers. Efforts to satisfy consumer needs are carried out in various strategies and ways in the hope that consumers are satisfied and will make repeat purchases (Selang, 2013: 72). Sidji coffee realizes that the phenomenon of price, service quality, and store atmosphere above is not enough to meet customer satisfaction. So sidji coffee must evaluate these phenomena in order to meet customer satisfaction. This is a store customer satisfaction based on google review:

Sidji Coffee Janggalan

Jl. HM Subchan ZE, Purwosari, Janggalan, Kudus Regency, Central Java

4,4 ★★★★★ 630 ulasan



Khoirilika Harinda

Local Guide · 59 ulasan · 285 foto



Sidji Coffee yang baru. Udah cinta banget sama Sidji Coffee lama soalnya makanan sama minuman enak bangettt. Taro Lattenya juara, mau hot maupun ice. Jajanan favorit Onion Ring yang crunchyyyy. Kadang juga ada live music yang asik. Tempatnya cocok buat kumpul sama temen-temen dan nongkrong lama-lama.

Figure 1.3

Review Kepuasan pelanggan

Based on the picture above, there is one consumer who states that Sidji Coffee has a satisfying product taste, satisfying live music and makes you feel at home. In addition, on google reviews sidji coffee gets a rating of 4.4 which means that consumers are quite satisfied with the price, service quality, store atmosphere provided

by Sidji Coffee, but still have to evaluate because customer satisfaction is not optimal, there are still many complaints submitted.

The success of a coffee shop can be seen from the ability to build customer loyalty. Customer loyalty is needed to establish good relationships with customers in the long term. The attitude of customer loyalty is shown by consumers who come to the coffee shop and buy products repeatedly over a long period of time. The way that coffee shops can increase customer loyalty is to provide the services that customers expect so that customers return to visit and buy products. Based on the above, according to the results of an interview with one of the sidji coffee crew in 2022, sidji coffee needs to analyze how influential price, service quality and store atmosphere are in order to generate good customer satisfaction so that it can create customer loyalty. The following is an assessment of Customer Loyalty of Sidji Coffee consumer customers based on google reviews:



Figure 1.4
Review Loyalitas Pelanggan

So that Sidji coffee can implement strategies for future competition where coffee shops are predicted to increase, especially in kudus, so that competition will be tighter. Based on the above background, researchers are interested in conducting research

entitled "**Analysis The influence of price, service quality and store atmosphere on customer loyalty through customer satisfaction (Study on customers of Sidjie Coffee Kudus)**"

There are differences in previous research which is the background in this study. Research conducted by Sudari et al., 2019 states that price has a positive effect on customer loyalty, but according to Bhagaskoro, 2017 states the opposite, namely price has no effect on customer loyalty.

Based on the results of research by Rahman & Husein, 2018 states in their research that service quality has a positive and insignificant effect on customer loyalty, in contrast to research by Rondonuwu & Raintung, 2016 which states that service quality has no significant effect on consumer loyalty.

Putra's research, 2012 states that store atmosphere has a significant positive effect on customer loyalty, but the opposite result is revealed by Isa, 2018 that store atmosphere has no significant effect on customer loyalty.

Based on the results of Uddin's research, 2019 states that price has a positive effect on customer satisfaction, but different results are stated by Angin, 2009 that price has no effect on customer satisfaction.

Effendy et al.'s research, 2019 states that service quality has a positive effect on customer satisfaction, while research conducted by Hellier et al., 2003 states that service quality does not affect customer satisfaction.

Based on research by Retno et al., 2021, p. 88 states that store atmosphere has a positive and significant influence on customer satisfaction, but research by Dhisasmito & Kumar, 2020 states that store atmosphere has no effect on customer satisfaction.

Research by Wijaya & Bernardo, 2022 says that customer satisfaction has a positive effect on customer loyalty, but different results stated by Gürbüz, 2008 consumer satisfaction has no significant effect on consumer loyalty.

Based on research conducted by Sudari et al., 2019, price has a positive effect on customer loyalty through customer satisfaction, while research by Cheng et al., 2011 that price has no direct effect on customer loyalty or is mediated by customer satisfaction.

Research conducted by Rahman & Husein, 2018 states that customer satisfaction plays a significant role as a mediating variable between service quality and customer loyalty, while the results of research conducted by Chandra et al., 2019 where there is no positive correlation between service quality and customer loyalty through customer satisfaction.

Research conducted by Gunawan et al., 2019 states that customer satisfaction is able to mediate the impact of store atmosphere on customer loyalty, but in contrast to research conducted by Claudia, 2017 that customer satisfaction cannot mediate the relationship between store atmosphere and customer loyalty.

1.2 Research Scope

To facilitate the preparation of the thesis report, it is necessary to make a problem limitation which is expected to be able to conduct research in accordance with the objectives. The scope of the problems applied to this thesis report are:

1. The object of this research is consumers of Sidji Coffee Kudus
2. Endogenous variables in this study are Customer Satisfaction (Y1) and Customer Loyalty (Y2)

3. Exogenous variables in this study are Price (X1), Service Quality (X2) and Store Atmosphere (X3)
4. Respondents of this research are consumers of Sidji Coffee Kudus
5. The research period is 1 month after the proposal is approved.

1.3 Problem Formulation

The coffee shop business industry has increased significantly in recent years as drinking coffee has become a lifestyle. Now coffee shops not only provide food needs, but also socializing needs. In the city of Kudus, the coffee shop business is also increasing at a significant rate as can be seen by the number of coffee shops that are easily found in the city of kudus. Even some coffee shops in kudus are in the same location with the same business scale and menu. Finally, the result of many coffee shops in close proximity with almost the same menu and prices creates intense competition and its own problems on customer loyalty. Very competitive prices make consumers more detailed in purchasing decisions which have an impact on customer satisfaction and consumer loyalty. How good and appropriate the quality of service at a coffee shop to consumers can make consumers switch to another coffee shop. And the atmosphere that consumers expect can also increase customer satisfaction so that it can create customer loyalty.

From the problem formulation, the research questions are as follows:

1. Does price have an affect on customer loyalty?
2. Does service quality have an affect on customer loyalty?
3. Does store atmosphere have an affect on customer loyalty?
4. Does price have an affect on customer satisfaction?

5. Does service quality have an affect on customer satisfaction?
6. Does store atmosphere have an affect on customer satisfaction?
7. Does customer satisfaction have an affect on customer loyalty?

1.4 Research Purpose

Based on the background and problem formulation, the objectives to be achieved in this study are:

1. To analyze the effect of price on customer loyalty in sidji coffee products.
2. To analyze the effect of service quality on customer loyalty in sidji coffee products
3. To analyze the effect of store atmosphere on customer loyalty in sidji coffee products
4. To analyze the effect of price on customer satisfaction on sidji coffee products
5. To analyze the effect of service quality on customer satisfaction with sidji coffee products
6. To analyze the effect of store atmosphere on customer satisfaction on sidji coffee products
7. To analyze the effect of customer satisfaction on customer loyalty for sidji coffee products

1.5 Research Benefits

Based on the research objectives to be achieved, this research is to be able to have benefits, it can be directly or indirectly. The benefits of this research are as follows:

1.5.1 Theoretical Use

Theoretically, the results of this study are expected to increase researchers' knowledge regarding price, service quality, and store atmosphere on customer loyalty through customer satisfaction on consumers of Sidji Coffee Kudus.

1.5.2 Practical Use

Practically, this research can be useful to add empirical evidence regarding the analysis of price, service quality, and store atmosphere on customer loyalty through customer satisfaction of consumers sidji coffee kudus and can be used as a reference for coffee shops in pricing strategies, improving service quality and creating a good store atmosphere so that customer satisfaction is appropriate and customer loyalty arises. And with this research, it is hoped that it can be used as a reference for other researchers who want to examine similar problems.