CHAPTER I

INTRODUCTION

1.1 Background of the Research

Coffee is commonplace in culture and social life (Eiseman & Jonsson, 2019). A coffee shop is more than just a place to drink coffee but it's also a place to hang out, work, or hold a meeting. It becomes a gathering place for both adults and teenagers. Coffee has not only become a part of various generations' culture, but it has also been used to relieve exhaustion (Dhisasmito & Kumar, 2020). Coffee becomes a unique representation of an individual's style, preferences, social class, and education when purchased and customized to personal tastes, such as adding sugar or cream. Coffee, and the manner in which it is consumed, is a reflection of one's personality (Eiseman & Jonsson, 2019).

Coffee consumption, like goods consumption, reinforces and maintains a person's core identity and well-being (Eiseman & Jonsson, 2019). Drinking coffee has become a trend in Indonesia that occurs in all circles of society. Drinking coffee and going to coffee shops creates an interface between identity and taste, as well as a symbolic social bind and culture. It has become a part of daily life, which attracts many entrepreneurs to open their own coffee shop business because it has a good future since a coffee shop's average profit margin can reach 35–40% of total sales. It is also shown that Indonesia's coffee retail market has grown to 268,000 tons per year, with a 11.4 percent growth rate predicted between 2017 and 2021 (Dhisasmito & Kumar, 2020).

Customers are a valuable resource that must be well-served. The satisfaction of the respective customers' needs creates an opportunity to keep the customer and build customer loyalty for long-term business. In order to keep customers loyal to a particular brand, a company should have used a variety of marketing techniques (Aminuddin et al., 2020). Employees should provide excellent service and treatment to customers in order for them to leave positive reviews and recommend the brand to others (Ilias & Shamsudin, 2020). If customers are satisfied with a product brand, the company will have no trouble on setting a price for the product because satisfied customers are willing to pay for it, even if it is slightly more expensive, because consumers believe it is reasonable to sell the brand's high quality products and can also increase revenue (Hamzah & Shamsudin, 2020). Past research by Bin et al (2016) indicates that because of the good impression given by the satisfied customers, a brand will stand out from others. Organizations may not have to put a lot of energy into competing with other brands because their customers have played a role in making everyone think that by recommending it to new customers, your brand serves good products and services (Feng et al., 2019). In addition, it will also leave organizations with a good brand image of the brand on the market (Omoregie et al., 2019).

In today's world, consumers place a higher value on the emotional values and experiences of a product than on its physical properties (Sülük & Aydin, 2019). After all, consumer experience is all about creating a stronger bond between the brand and the customer, however it has surpassed price and product as the most important differentiator for consumers (Urdea et al., 2021). The experiential

marketing research is still in its early stages academically. Customers are immersed in the product directly through their senses in experiential marketing, eliciting feelings, emotions, and thoughts that lead to positive experiences with the product or service (Henche, 2018). So, it can be concluded that the coffee shop business in Padang city is a promising business in terms of its level of development, but it also creates fierce competition between coffee shop one with the other provides an experience that is hard to forget to customers through food or beverage products that are provided to create customer satisfaction.

Other than the consumer places more emphasis on the product's emotional values and experiences rather than the product's physical properties to be distinct in this intensely competitive environment and be able to distinguish itself from other competitors and to gain competitive advantage. Many studies also have investigated the theory of customer retention theoretically and empirically and have shown that businesses can achieve their retention goals by providing service quality (Adzoyi et al., 2018). Improved service quality has a positive impact on bottom-line results, a firm that extends to the competitive advantages gained from improved quality (Srivastav, 2016). Service quality has been the subject of numerous studies since its inception, because providing high levels of service quality gives an organization a competitive advantage (Hapsari et al., 2017). Service quality is one of the most researched topics in marketing literature due to its reported links to several desirable outcomes, including customer satisfaction and repurchase intention (Bello et al., 2020).

In addition, the role of the social media that often advertise coffee chop encourages the growth of this specialty coffee shop. New information and communication technologies, particularly the Internet and social media, have altered market dynamics, risking firms' competitive positions and giving consumers more power (Alves & Fernandes, 2016). Social media allows businesses to interact with their customers while also allowing customers to communicate with one another (Kang & Kim, 2017). Social media is also used by businesses as a marketing tool. The coffee shop was created as a sponsored community place, but now it seems that the coffee shop has an additional function as a place to meet old friends, friends, or business partners (Hidayah, 2020). Therefore, to make it more familiar to consumers, the coffee shop also promotes its products through social media. Businesses, including increased exposure, traffic, and sales, receive many benefits from social media It is also possible to develop loyal fans, market insight, leads, search rankings, better business partnerships, and lower marketing spending (Zeng, 2017).

Therefore, based on the level of coffee demand and the increasing level of coffee shop business growth, it is necessary to analyze the factors that influence consumer needs which can be found in the coffee shop. This study will determine the impact of experiential marketing, service quality, and social media marketing on consumer satisfaction of coffee shops, especially in Padang City. Thus, this study is expected to enrich the body of knowledge regarding customer satisfaction in a coffee shop based on experiential marketing, service quality, and social media marketing.

1.2 Problem Statement

The problem that can be formulated based on the description on the background are as follow:

1. How experiential marketing impact customer satisfaction of coffee shop in Padang?

2. How service quality impact customer satisfaction of coffee shop in Padang?

3. How social media marketing impact customer satisfaction of coffee shop in Padang?

1.3 Research Objectives

The research questions addressed in this research are:

1. To analyze the experiential marketing impact on customer satisfaction of coffee shop in Padang.

2. To analyze the service quality impact on customer satisfaction of coffee shop in Padang.

3. To analyze the social media marketing impact on customer satisfaction of coffee shop in Padang

1.4 Contributions of the Research

For the Academic:

1. The result of this research can increase further understanding about the influence of experiential marketing, service quality, and social media marketing impact to customer satisfaction of coffee shops.

2. For the purpose of knowledge development, this research can become references for future research.

For the coffee shop:

1. For the coffee shop, this research can become consideration to find out the customer interest especially in the field of quality, service and entertainment of the coffee shop.

2. For the coffee shop, this research can help them implementing new strategy, system, and idea in order to meet customer satisfaction.

1.5 Scope of the Research

The scope of this research was minimized to some extent for the accuracy and the precision of the result, where the research is focusing on college students who have visited a coffee shop in Padang City, and have their own social media Instagram account. The concentration in conceptual aspect of this research is consisted of four variables which are experiential marketing, service quality, social media marketing and customer satisfaction of customers in several coffee shops that are located in Padang City.

1.6 Outline of the Research

To present systematic discussion and facilitate research understanding, the structure of this paper is as follow:

CHAPTER I INTRODUCTION

Chapter which contain the background of the research, the problem statement, the objective of the research, the contribution of the research, the scope of the research, and ended with the structure of writing.

CHAPTER II LITERATURE REVIEW

This chapter explained about all theories that are related to this research. Theories used include definition of experiential marketing, service quality, social media marketing, customer satisfaction and coffee shop business development. Also in this chapter will be provided with review of previous study, hypothesis development and theoretical framework that will become guidelines in data processing.

CHAPTER III RESEARCH METHODS

This chapter explained about the research design, instrument used in quantitave, population and sample, data collection technique, variables and measurement, and also data analysis method used for testify the hypothesis.

CHAPTER IV RESULT AND DISCUSSION

In this chapter, the result of the quantitative stage is presented. It is a discussion that includes the characteristics of respondents, the description of the respondent's answers, and the results of data analysis and discussion.

CHAPTER V CONCLUSION AND RECOMMENDATION

This final chapter contained the conclusion of the research result along with its key findings. The research implementations for theory and practice are reviewed. The research limitation and recommendations are all brought up in the context of further research in relevant scope.