CHAPTER I

INTRODUCTION

1.1 Background of the research

Restaurants are one of the many businesses that affect economic growth. According to the National Restaurant Association (2009), with 945,000 restaurant locations nationally, the restaurant industry's direct sales are $566 billion a year, or more than $1.55 billion a day. In Indonesia there are so alot cafe was established with several variance which cafe offer to customer. Basically, there are two kind as focusing of cafe owner to establish a cafe, it can be only a food or beverage or both. But, in this case researcher only focus on beverage which is coffee products. Provable in Padang, there are so many people who compete to build the coffee shop. Proven until this year there are so many coffee shop that is present, it can be seen in central and roadside in Padang. At the first time coffee shop was established, cafe give more effort by trying to attract the young people to invite coffee shop by offering a lots promotional tools. The promotional tools it can be like through campaign about the importance and benefit to consume a coffee, vouchers, discount, member card, etc. Through it the cafe can increase the awareness of young people to know the deeply the benefit of coffee for their self.

Based on observation from young people about coffee shop in Padang, their response was not so good, what they want and need it not same what they got in term of product like order green tea but the taste is so sweet, so the original flavor has been lost and interm of service like slow respon when we need something to waiter moreover the taste and service so different when compare to the others. It

make feel uncomfortable to spend a lot money and time what they get during be there, make the customer think again to come there. It will give bad impact on brand of coffee shop it self. One cause is the quality of product and service that are provided to customer is so bad. However, researchers have reached a consensus that service quality should be defined and measured from the customer's perspective. According to Tam (2000), there is a close link between service quality and customer satisfaction. As service quality is considered as a significant factor in increasing customer satisfaction, the significance of service quality has been studied by academics and practitioners (Leal and Pereira, 2003). In addition, service quality has been well recognized for playing a crucial role in improving organizational profits because it is directly related to customer satisfaction (Baker and Crompton 2000; Leal and Pereira, 2003; Zeithaml and Bitner, 2000)

One of the other reasons why coffee shop can not survive because customer are still judging a mismatch toward price and benefit they will get. The customer try influence the others through word of mouth like they only try to taste / order one of menu but the customer can judging all of menu when what they try is not same what they want and moreover it is expensive. Creating and delivering customer value is seen as a cornerstone of marketing and competitive strategy and relationship management (Berghman, Matthyssens & Vandenbempt, 2006) and understanding a customer's value position is an important management tool for improving customer service delivery (Olaru, Purchase & Peterson, 2008). Lovelock (2001) suggests that perceived value can be enhanced by either adding benefits to the service or by reducing the outlays associated with the purchase and use of the

service. It is critical for organizations to understand their offerings and learn how they can be enhanced to provide value to their industrial customers.

The components (service quality and value) will have an impact on customer satisfaction, also can be impact on decreasing on income, lack of brand awareness of customer, lack of trust, etc. Actually, all of cafe already given the best service to customer but whatever the condition, the customer keep being a king and queen as evaluator of cafes service. Generally, they consider that customer satisfaction is a crucial factor in their competitive fields in cafe's condition now. As customer satisfaction could greatly affect on predicting customer post-purchase behavior (Tam, 2000), the concept of customer satisfaction has become an important topic in many cafe and in academic research. Customer satisfaction could become one of the most important factors for determining whether customers have the intent of returning or not (Oh, 2000; Yüksel and Yüksel, 2002). Customer satisfaction, service quality and perceived value are three prominent marketing constructs, and their relationships with post-purchase behaviour have drawn considerable interest and attention from practitioners and academics (McDougall and Levesque 2000; Cronin et al. 2000).

This research is purposed to identify the coffee shop's problem on service quality, perceived value, customer satisfaction on coffee shop in Padang. The current research focus on perceived value of young people in Padang to encourage the customer to visit coffee shop.

1.2 Problem Statement

Based on the research background above, the problem researcher wants to analyze the relationship among service quality, perceive value, and customer satisfaction to visit caffee shop. This problem statement produces 4 research questions :

1. How is the relationship of service quality to perceived value?
2. How is the relationship of perceived value to customer satisfaction?
3. How is the relationship of service quality to customer satisfaction?
4. How is the role of perceived value on the relationship between service quality to customer satisfaction?

1.3 Objective of research

Based on the problem statements above, the objectives of the research are:

1. To identify the relationship of service quality to perceived value.
2. To identify the relationship of perceived value to customer satisfaction.
3. To identify the relationship of service quality to customer satisfaction.
4. To identify the role of perceived value on the relationship between service quality to customer satisfaction.

1.4 Contributions of research

This research is expected to contribute on:

1. Theoretical Contribution, this research contributes to knowledge expansion of owner toward customer satisfaction on coffee shop and the factors

influencing that customer satisfaction. It helps academic researcher to figure out what cause customer to feel satisfied on coffee shop in their business and understand how the factors influencing the customer satisfaction that affect owner decision towards service quality and perceived value in their business.

2. Practical Contribution, this research provides information for the management of coffee shop in Padang about the customer satisfaction for their business. It helps the owner of the business to understand the factors influencing the customer satisfaction that affect their decision in their business.

1.5 Scope of Research

This research has a limited scope of analysis in terms of numbers of variables and object of the research. The researcher limits the research context by focusing to young people on the coffee shop in Padang.

1.6 Outline of Research

In order to make it easier and make moderate the forwarding of content, this research is divided into five chapters, they are:

CHAPTER I   That is containing about background to the research, problem statements, objectives of research, contributions of research, scope of research and outline of research.
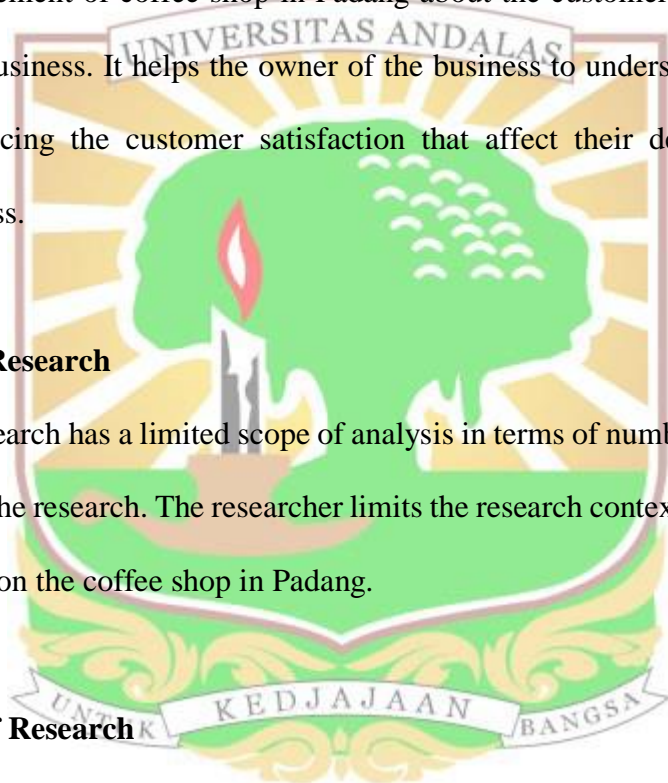
CHAPTER II   Is the chapter that evaluates the containing bibliography about basis for theory. Basis for the theory tells about definition, antecedent, review previous study and developing hypothesis of service quality, perceived value, customer satisfaction and theoretical framework of this research.

CHAPTER III   Explain about research method which discussing about research design, population and sample, type of data and variable measurement, recearch variables, operational definition, data analysis, test of instrumental, structural model test, and hypotesis testing.

CHAPTER IV   Explain about profile of respondents, characteristics of respondents, descriptive analysis, test of instrumental, structural model test, hypothesis testing and discussion of the relationship of service quality to customer satisfaction by using perceived value as mediator on coffee shop in Padang.

CHAPTER V   On this chapter will explain about conclusion of research, impilcation, limitation and recommendation for further research.