

CHAPTER I

INTRODUCTION

1.1. Background of the Research

Coffee shops are known to be one of the most visited places for a person to be productive in terms of work and creating ideas. It is the staple of the hospitality industry for a good reason. According to Fisher, Landry, & Naumer (2007), Hattox (2014) and Waxman (2006), Individuals tend to spend the majority of their budget on coffee consumption mainly because it serves as a multi-beneficial investment for studying, working, and socializing. The literature on the economic value of coffee shop businesses has been discussed by various data sources. According to Ibis (2011), in 2010 the size of the economy in this industry was roughly 26.5 billion dollars, with 4.1% yearly development in normal. Therefore, the industry contributes considerably to the world's economy. According to Ibis (2011), the coffee shop businesses tend to be created commonly, however competitions are intense. Therefore, it is crucial to understand the market in order to be ahead of competition given the economic uniqueness and value as it will provide continuous profits.

According to Han & Hyun (2017), Jung & Yoon (2013), Kim, Vogt & Knutson (2015), Ryu, Han, & Kim (2008) and Ryu, Lee & Kim (2012), consumer behavior has concluded the role of satisfaction in the market. An enormous assortment of literature provides that customer satisfaction is a center component of the service industry as it will in general give a positive

relationship of outcomes such as a higher significant level of sales and customer loyalty. Despite is an important role, past researches have rarely examined the idea behind customer satisfaction and its attributes of a coffee shop business. To solve the gap in the literature, the purpose of this research is to find out satisfaction-related customer personality and attributes that can impact satisfaction as it is a core of coffee sales success.

According to Tsaur, Luoh, & Syue (2015), Han & Hwang (2015), Kang & Hyun (2012), Han, Ham, Yang, & Baek (2012), Hwang & Ok (2013), Cobanoglu, Bilgihan, Nusair, & Berezina (2012), Darini & Khozaei (2016), Namkung & Jang (2007) and Ha & Jang (2010), this research identified that four attributes are the core link to potential customer satisfaction in coffee shop business. According to the surplus of academic evidence in the service industry, this research examined atmosphere, employee attitude, IT service and coffee quality as core variables that can influence satisfaction.

The main subject for this research is Starbucks Empire XXI Yogyakarta due to its sampling convenience. According to Chakravorti (2010), Schultz (2012), and Statista (2017), as one of the most dominant coffee shops, Starbucks provides a lot of products such as drinks, food, tea, and coffee-related items. Besides, Starbucks is the leader in the food and beverage industry. According to Moon & Quelch (2003), Taecharungroj (2016) and Thompson & Arsel (2004), Starbucks has achieved major market success by implementing elaborate marketing strategies and strong positioning in consumers' minds such as location, marketing, mobile marketing, and optional

pricing marketing. This research limits the scope of research in Indonesia to determine representativeness. According to Chakravorti (2010), Harrison et al (2005), Lin (2012) and Taecharungroj (2016), this is mainly due to its abundance in food and beverage and hospitality contexts.

Overall, according to Cobanoglu et al (2012), Han et al (2012), Kang & Hyun (2012), Hwang & Ok (2013), Han (2015) Han & Hwang (2015), Hur, Moon & Jung (2015), Lai (2015), Lu, Berchoux, Marek & Chen (2015), Tsauro et al (2015), Ali, Kim, Li & Jeon (2016), Wakefield & Blodgett (2016), and Line, Hanks & McGinley (2018), the main purpose of this research is to identify the variables (atmosphere, employee attitude, IT service, and coffee quality) that may affect coffee consumers' satisfaction which were selected based on rich literature review. Moreover, according to Han & Hyun (2017), Jung & Yoon (2013) and Kim et al (2015), the relationship between satisfaction and loyalty was also analyzed by giving the surplus evidence from previous research. Confirmatory factor analysis and structural equation modeling were carried out to identify the validity and internal consistency of the construct used in the research and to verify the research hypothesis.

1.2. Problems Formulations

This research attempts to determine factors that influence customer satisfaction in coffee shop services, which are atmosphere, employee attitude, information technology (IT) service and coffee quality as core variables that may be important to satisfaction. The following are some specific issues that were be investigated in this research:

1. Does the atmosphere positively affect customer satisfaction in the coffee shops?
2. Does employee attitude positively affect customer satisfaction in the coffee shops?
3. Does IT service positively affect customer satisfaction in the coffee shops?
4. Does coffee quality positively affect customer satisfaction in the coffee shops?
5. Does satisfaction positively affect customer loyalty in the coffee shops?

1.3. Limitations of the Research

Due to some conditions and existing limitations during this research process, there were several limitations in this research, as follow:

1. This research only took Indonesian young-adult whoever visit Starbucks Empire XXI Yogyakarta as the respondent.
2. This research focused on variables that affected customer satisfaction in coffee shop services, which were atmosphere, employee attitude, information technology (IT) service and coffee quality.

1.4. Research Objectives

Following the problems that have been formulated above, the specific objectives of this research were:

1. To describe whether the atmosphere positively affects customer satisfaction in the coffee shops.
2. To describe whether employee attitude positively affects customer satisfaction in the coffee shops.
3. To describe whether IT service positively affects customer satisfaction in the coffee shops.
4. To describe whether coffee quality positively affects customer satisfaction in the coffee shops.
5. To describe whether satisfaction positively affects customer loyalty in the coffee shops.

1.5. Benefits of Research

1.5.1 Theoretical Benefit

This research explains the significant roles of the relationship between customer satisfaction and customer loyalty toward the coffee shop in Yogyakarta. It also provides a contribution for further research in the field of marketing and also provides additional literature in the research of marketing strategy.

1.5.2 Practical Benefit

The findings of this research could help the coffee shop business to create sustainable strategies to develop their customer satisfaction and increase competitive advantages to gain the customers' loyalty in terms of the coffee shop business.

1.6. Systematical Writing

This thesis consists of five chapters, as follows:

CHAPTER I: INTRODUCTION

This chapter discusses the background of the research, the formulations of the problems, the limitations of the research, the purposes of the research, the contributions of the research, and the systematical writing.

CHAPTER II: LITERATURE REVIEW

This chapter exhibits the theoretical foundation of the Coffee Shop Services such as attributes, atmosphere, employee attitude, information technology (IT) service, and coffee quality. Besides, there are research hypotheses and the conceptual framework.

CHAPTER III: RESEARCH METHOD

This chapter explains the models and methods used in this research, population, and sample, sampling technique, the variables of the research and the testing methods used.

CHAPTER IV: DATA ANALYSIS AND DISCUSSION

This chapter shows data analysis and discussion of the results obtained from statistical calculations using theoretical concepts and interpretation of research on existing theories.

CHAPTER V: CONCLUSIONS AND RECOMMENDATIONS

This chapter contains the conclusions of the results of the analysis and calculation of data obtained from the research. Also, this chapter also described the weaknesses of the research conducted and recommendations for future research.