

CHAPTER 1

INTRODUCTION

A. Research Background

The increase in domestic consumption can be attributed to coffee culture taking root, especially among the younger urban dwellers. In 2022, Indonesia generated a sales value of approximately 1.9 billion U.S. dollars. The market is expected to grow and reach a sales value of around 3.8 billion U.S. dollars by 2023. With increased affluence and exposure to international consumption trends, younger Indonesians have embraced the fourth wave of coffee culture.

Coffee drinking is a long-standing habit in Indonesia, especially among older people who enjoy it during their leisure time visiting friends or neighbors. Coffee use has increased during daily activities in recent years. This drink, for example, is used in Japan to combat driver fatigue and improve driving efficiency (Asaoka, 2012). This trend has created an opportunity for producers to construct cafés with comfortable seating areas, sufficient lighting, spacious and airy layouts, and reading materials to improve consumers' food and beverage consumption experiences and duration of stay (Napitupulu, 2023).

The economic potential of the coffee shop business in the City of Yogyakarta is estimated to reach IDR 350.4 billion in a year from as many as 800 coffee shops throughout this Student City. The current economic realization of the 600 coffee shops registered in the City of Yogyakarta is around IDR 262.8 billion annually. The economy of a coffee shop is calculated based on the number of coffee sales per day multiplied by the selling price of coffee for each cup (Anandaiksal, 2023).

The growth of the coffee shop industry in Yogyakarta is increasing sharply, as seen by the large number of coffee shops that have sprung up. This situation makes the competition become very tight between one another. Consumers will be confused when choosing a coffee shop to visit because of the market. Those who can survive are those who take advantage of the brand as a marketing strategy (Keller, 2019). As more business owners try to expand their coffee shops, its popularity is rising (Toffin, 2019). However, the high failure rate in managing coffee shops is one of the major significant challenges. How challenging it is for them to distinguish between their customer-business relationships is one of the reasons why so many of them do not endure over the long term (Kim, 2017)

For instance, a neighborhood coffee shop in Indonesia may see a decline in business due to its numerous rivals (Dhisasmito, 2020). Due to the fierce competition in Indonesia's coffee shop market, all name-brand coffee shops seek creative ways to set themselves apart from rival brands (MIX, 2019). Most coffee shop businesses try to provide customers with a strong experience (Han, 2019). The objectives are maintaining a solid relationship between the brand and its customers and developing a better brand management strategy (Won Seok Lee J. M., 2018).

In this case, usually, the variables used in this kind of research are music scape, service scape, brand identity, customer experience, and customer revisit decision, customer engagement can play a significant role in coffee shop businesses and help customers differentiate a specific brand from others and those variable will be used in this study. The importance of investigating this research topic is to know customer relationship with the coffee shops through some aspects which are music, service, ambiance, and how iconic café image can lead the coffee shops' customer experience, customer revisit decision, customer engagement to eWOM to into gather more customer and more successful business.

Music soundscape can have diverse effects on consumer behaviors, including emotion (Sevgin A. Eroglu, 2015) , purchasing brand attitude and loyalty

subjective time recognition and time of stay in a store, and other behavioral variables (North et al. & Alpert et al., 2015) In the past, consumers automatically accepted the spaces given to them based on the products they chose to purchase. However, people have come to consider emotional experience clues to which they are exposed when selecting products. Modern consumers choose spaces based on atmosphere rather than merely accepting the spaces that stores create (Chebat et al. & Grewal et al, 2013).

Service space refers to the physical environment or setting in which a service is delivered to customers (Ana, 2016). It encompasses various elements such as the layout, design, aesthetics, lighting, colors, and overall ambiance of the service environment (Sevgin A. Eroglu, 2015). The concept of service scape recognizes that the physical surroundings play a significant role in shaping customer perceptions, emotions, and overall service experiences. Service scape is a vital aspect of service delivery that extends beyond the purely functional elements of the service. By understanding the impact of physical surroundings on customer perceptions and emotions, businesses can create immersive and memorable experiences that drive customer satisfaction, loyalty, and positive word-of-mouth (Adrian Furnham, 2013) .

Ambience cues atmospheric stimuli consist of various elements, such as light, layout or scent (Mummalaneni, 2015) In an external environmental study, ambience and aesthetics, environment stimuli, significantly influence consumers' moods and purchase intention. Moreover, ambience, an essential aspect of interior design, can be widely applied to stimuli research (Suzana, 2014). Organism is an internal process connecting external stimuli and consumer response. Ambience plays a pivotal role in creating a mood, setting expectations, and shaping the overall experience of customers and visitors (Spangenberg, 2015)

Iconic Café Image: the more iconic the store, the more customers will recognize your store (Sugiarto, 2015) defines brand image as a future indicator of the company's business success, which measures how good the customer's response to the company's business future. In summary, brand image can emerge when customers' expectations match the reality they experience or even when they believe their expectations were higher than they initially thought (Garg, 2019). Brand image refers to the perception of a brand in the minds of consumers, reflecting their associations, beliefs, and feelings about the brand. It encompasses both tangible elements such as logos, slogans, and product quality, as well as intangible aspects such as brand personality and reputation (Kotler, 2016)

Customer experiences refers to the process through which potential or existing customers decide whether to physically or virtually engage with a business, such as visiting a physical store, attending an event, or exploring an online platform (Garg, 2019). This decision is influenced by many factors, ranging from convenience and product attractiveness to marketing efforts and the overall customer experience. Understanding the intricacies of the customer experiences decision is essential for businesses aiming to optimize engagement strategies and enhance customer relationships (Homburg, 2020). Effective management of customer experience involves understanding customer needs and preferences, delivering consistent quality across all channels, and continuously improving based on customer feedback. Companies that prioritize customer experience often aim to create seamless, personalized experiences that exceed customer expectations and foster loyalty (Verhoef P. C., 2019).

Customer Engagement recognized customer experience as an antecedent to customer engagement. A significant customer-store involvement can make a closer connect between the clients and the store, driving to more vigorous client engagement, which gives a promoting advantage to the retailer (Hayes, 2017). Customer involvement could be a implies for customer to lock in physically,

rationality, socially, and candidly with items or administrations that advance more important intelligent between customer and the company. The link between client encounter and engagement is additionally highlighted by (Vivek, 2012) emphasizing the importance of an interactive experience as a value determinant for the exchange to occur in illustrating the incorporation of relationship marketing with customer engagement. The association between customer experience and customer engagement is mentioned in the prior literature in the context of education and charity donation (Shernoff, 2017).

Customer revisit decision pertains to the process in which individuals who have previously interacted with a business decide whether to engage with that business again in the future (Ana, 2016). The customer revisit decision is a critical aspect of a business's success. It goes beyond a one-time transaction and reflects the ongoing relationship between the customer and the business. (Schefter, 2010). This decision is influenced by a variety of various including the quality of the initial experience, ongoing customer engagement efforts, changes in preferences, and external influences. Understanding the complexities of the customer revisit decision is crucial for businesses aiming to cultivate repeat business, enhance customer retention, and establish brand loyalty (Lemon, 2016)

Electronic Word of Mouth (eWOM) is the digital exchange of consumer opinions, recommendations, reviews, and information about products, services, or brands through online platforms (Dong Hee Kim, 2015). It encompasses sharing experiences, sentiments, and insights among consumers on social media, review websites, forums, and other online spaces. eWOM has become a powerful influential aspect of modern consumer behavior, shaping purchasing decisions, brand perceptions, and market trends (Litvin, 2018). Electronic Word-of-Mouth is the digital transmission of information, opinions, recommendations, or reviews about products, services, or experiences between individuals through online platforms, including social media, review websites, forums, and other digital communication channels (Duan, 2018).

SiLOL Kopi & Eatery serves as the study's research setting. One of Yogyakarta's most well-known coffee cafes, SiLOL Kopi & Eatery, was selected as the study location. Built in March 2017, the café is still relatively new, but is seeing a steady flow of patrons who come to enjoy the environment and coffee. The cafe is ideally situated in the center of the city, making it simple to find and get to. This cafe offers a variety of food options, from classic to contemporary.. The price is quite affordable (Navia, 2022). The author chose this setting because all variables

that the author want to tested can be tested in this setting and the respondent criteria are matched and easy to find.

This research objective is to analyze the effect of music soundscape, ambiance, servicescape, iconic café image, customer experience, customer revisit, and customer engagement in the coffee shops. This study is a modified replication from (Suhaily L. , 2017) The difference between the research and previous research is to make modifications by adding variable eWOM, Iconic café image. This research focuses on Yogyakarta's coffee shop industry, particularly SiLOL Kopi & Eatery, a well-known coffee shop in the city favored by students. The study investigates various variables, including music soundscape, service scape, ambiance, iconic café image, customer experience, customer revisit, engagement, and eWOM.

This research aims to understand customer relationships with coffee shops and how these variables influence their choices and experiences, ultimately contributing to the success of coffee shop businesses. The study builds upon previous research while introducing new elements, such as eWOM and the iconic café image, to comprehensively analyze this dynamic industry.

B. Research Question

Based on the explanation in the research background, the research questions of this research are:

1. Does music soundscape affect customer experience SiLOL Kopi & Eatery?
2. Does the servicescape affect the customer experience of SiLOL Kopi & Eatery?
3. Does ambiance affect customer experience SiLOL Kopi & Eatery?
4. Does iconic café image affect customer experience on SiLOL Kopi & Eatery?
5. Does the Customer Experience affect the customer decision to Revisit the Decision?
6. Does the Customer Experience affect the customer engagement?
7. Does the Customer Revisit Decision affect Electronic Word of Mouth?
8. Does Customer Engagement affect Electronic Word of Mouth?

C. Research Objective

The research objective of this study based on research background are:

1. To determine the impact of music soundscape on customer experience.
2. To explore the impact of servicescape on customer experience.

3. To investigate the impact of ambiance on customer experience.
4. To proof the impact of iconic café image on customer experience.
5. To examine the impact of customer experience on customer revisit decisions.
6. To analyze the impact of customer experience on customer engagement.
7. To examine the impact of customer revisit decision on electronic word of mouth.
8. To explore the impact of customer engagement on electronic word of mouth.

D. Research Benefit

This research expects to provide benefits to the following:

1. Theoretical

The results of this study are expected to become a preserve and reference to the theory used for future research. Moreover, this research adds new perceptions

related to SiLOL Kopi & Eatery music soundscape, service scape, ambiance, and iconic café image effect to customer experience, customer engagement, and customer revisit decisions to EWOM.

2. Practice

This study could provide information and reference for store experiences and marketing. Besides, it could be used as an application to decide business strategies to excite customer experience through music soundscape, servicescape, ambiance, iconic café image to customer revisit decision, and customer engagement to eWOM.

