

# CHAPTER I

## INTRODUCTION

### 1.1 Object Overview

The earliest historical record about public places serving coffee was in 1475. Kiva Han was the name of the first Coffee Shop located in Constantinople in Turkey (now Istanbul). Coffee is an important product at that time. In Turkey at that time it was legal for a woman to be able to sue for her husband's divorce if her husband could not supply enough coffee. Turkish coffee is served very thick, black and not filtered.

While the idea of adding coffee flavor with cream and sweetener, became a trend in Europe around 1529, after the first coffee shop in Europe was established. Vienna was invaded by Turkish forces, who left sacks of coffee when they lost and then fled the city. Franz Georg Kolschitzky claimed the coffee was war booty, and opened a Coffee Shop. Actually, he had lived in Turkey and was the only person who knew the true value of coffee grains. He got the idea to filter coffee and refine the taste of coffee drinks with milk and sugar. This drink quickly became very popular, and when the Coffee Shop also began selling sweet cakes and other snacks, its popularity exploded.

The existence of coffee continued to spread, with the first Coffee Shop opened on mainland Britain in 1652. Despite its growing popularity in Europe, the idea of opening a Coffee Shop arrived in England directly from Turkey. British merchants trading Turkish goods (including coffee) had two servants who then broke away, to enter their own businesses. "The Turk's Head" Coffee Shop was finally born.

At the English Coffee Shop, the term "tips" was first used which means gratification. A jar with the words "To guarantee fast service" is placed on the counter table. People put tips coins into the jar to be served quickly.

The British called their Coffee Shop "penny university" because the price of coffee was indeed expensive at the time and many high-end businesses were established here. In fact, a small Coffee Shop run by Edward Lloyd in 1668 is a true example, until now the business is still running as a Lloyd's of London insurance company

Then, the Coffee Shop still serves traditional brewed coffee. Then espresso appears. In 1946, Gaggia created a commercial espresso making machine that was much easier and safer to use than the early models. Gaggia Coffee Shop, in Italy, is the first location to use this machine and offers espresso in addition to traditional brewed coffee. The modern era of the Coffee Shop has begun. (warungkopishop, 2017)

In the present era, coffee shops are a comfortable home where we enjoy a cup of favorite coffee. The coffee shop is made with comfort and is designed with an interesting concept that makes visitors not only enjoy coffee but also melts into the atmosphere that surrounds it. But not many know, long before a convenient coffee shop that was not separated from Wi-Fi and the most sophisticated espresso machines, coffee shops experienced evolution from time to time. The

history of coffee shops has existed since ancient times. Widespread and fuses into human culture and ritual in coffee cups. (Ottencoffee, 2015)

A lot of people who tried to eliminate fatigue in the work with various way. One of them is by choosing coffee as an alternative in eliminating it saturation. Many people argue that by drinking coffee the brain also be refreshed. Just by drinking coffee, people can relax and chat with friends. Even some people find ideas when drink coffee, and there are also people who meet with business partners at the drinking place coffee.

## 1.2 Research Background

Bandung became the most popular tourist spot for the people traveler. The target of tourists while visiting Bandung are going to culinary, fashion, shopping, family recreation and tourism locations natural (Detik.com, 2015).

Bandung have a name in the past as *Paris Van Java* because Bandung located in high ground and also Bandung well-known with the fresh air. This makes Bandung as one of the city destination for tourist. Bandung provides the unique and interesting tour starts with the culinary, nature area, art tour, history tour and even shopping area that can attract tourist from domestic even foreigner. (indotravelers, 2014)

According to Bandung city cultural and tourism service about the amount of tourists that visited Bandung from 2011 to 2016 has slightly growth. It will be shown in the table 1.1 below,

**Table 1.1 Number of Tourist that visit Bandung**

Year	Tourist		Amount
	Foreign	Domestic	
2011	225,585	6,487,239	6,712,824
2012	176,855	5,080,584	5,257,439
2013	176,432	5,388,292	5,564,724
2014	180,143	5,627,421	5,807,564
2015	183,932	5,877,162	6,061,094
2016	173,036	4,827,589	5,000,625

*Source: Bandung city cultural and tourism services (2016)*

Based on the table 1.1, Bandung is good to be a city destination for tourist. But, since there are several decreasing data from the table it might have impacts through every industry in Bandung. As the following data of the table 1.1 in 2011 to 2012 there is significantly decreasing amount of tourist about 15%. As from 2012 to 2013 there is slightly increasing amount of tourist about 3%. Then, from 2013 to 2014 it has slightly increasing amount of tourist about 2.5%. It continuously increasing from 2014 to 2015 about 2%. Then, in 2015 to 2016 it has slightly decreasing amount of tourist it is about 5% of decreasing. The decreasing happened maybe because the current or existing tour in Bandung is not having new innovation or losing their competitive

advantage in their business, it will make tourists think that Bandung is boring or not attractive anymore.

Coffee in Indonesia currently is in fourth biggest position around the world from the production aspect. Coffee in Indonesia has long history and important role for people economic growth. Along with the progress and development of the times, there has been increases in coffee consumption from 2010 to 2016. It will be shown in table 1.2 below,

**Table 1.2 Coffee Consumption in Indonesia**

<b>Year</b>	<b>Population in Indonesia</b>	<b>Coffee Need (kg)</b>	<b>Coffee Consumption (kg/capita/year)</b>
2010	237,000,000	190,000,000	0,80
2011	241,000,000	210,000,000	0,87
2012	245,000,000	230,000,000	0,94
2013	249,000,000	250,000,000	1,00
2014	253,000,000	260,000,000	1,03
2015	257,000,000	280,000,000	1,09
2016	260,000,000	300,000,000	1,15

*Source: aeki-aice (2016)*

Based on data, coffee consumption has increased significantly from 2010 until 2016 and it became an opportunity for the business to sustain or increase their business and meet the customer needs. One of the customer need is about Coffee Shop.

Table 1.3 will explain about the amount of Bandung citizen from 2011-2016,

**Table 1.3 Amount of Bandung Citizen**

<b>Year</b>	<b>Amount of Citizen</b>
2011	2.429.176
2012	2.444.617
2013	2.458.503
2014	2.470.802
2015	2.481.469
2016	2.490.622

*Source: Bandungkota.bps.go.id (2016)*

According to data talking about amount of Bandung citizen clearly stated that there are slightly improvements each years. Because of the increases, there are a lot of new places in Bandung to attract people outside Bandung or citizen of Bandung itself to visit the places.

Bandung city has many coffee shops with unique and attractive styles, where visitors also feel the sensation of enjoying coffee with various flavors, unique design, cozy places and artistic place. For example like Starbucks, Sejiwa Coffee, Mimiti Coffe and many more.

Table 1.4 will explain about the amount of coffee shop and café in Bandung,

**Table 1.4 Amount of coffee shop and café in Bandung**

<b>Year</b>	<b>Amount</b>
2011	196
2012	235
2013	243
2014	256
2015	278
2016	299

*Bandung city cultural and tourism services (2016)*

With the increase of coffee shops, restaurant and café in Bandung, it indicates that the opportunity to open a business in Bandung is getting bigger. Bandung city is also famous for its creative and innovative young people. This is the reason for the coffee shop business to be one of the alternative businesses that is becoming a new trend among young business people in Bandung. Talking about the complexity of Coffee Shop in Bandung, of course it has the complexity and those are includes the process of Supply Chain of Coffee Shop itself. Not only about Supply Chain, this could be about Marketing talking about how do they market their product which is Coffee in Bandung, Ceha (2017).

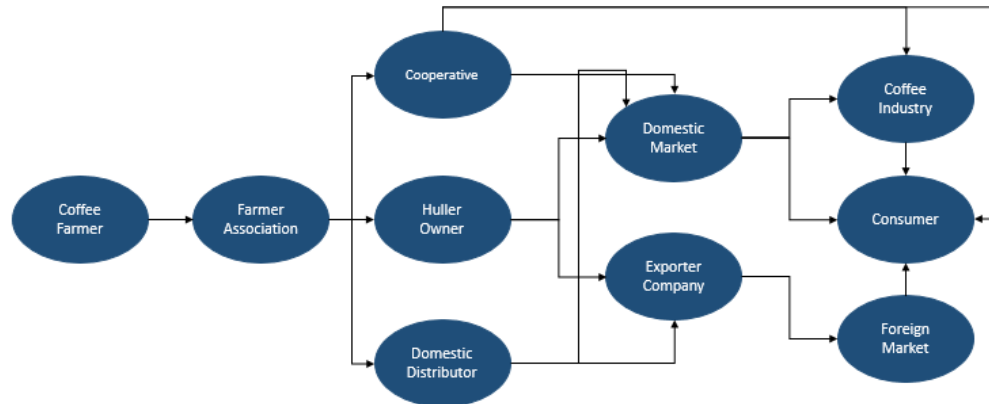
Nowadays people visit coffee shops not only to enjoy coffee, but also to choose coffee shops that have the comfort level to spend leisure time or meet other people. (infobandung, 2016)

### **1.3 Problem Statement**

According to the background of the research, there are many problem for the owner of the coffee shop industry in Bandung. One of them is how to manage their supply chain and sustain the supply chain performance of the company for the product to make competitive advantage for their company since a lot of new comers or starts up business has been developed.

Another problem of Coffe Supply Chain in West Java according to Ceha (2017) resulted that Coffee Supply Chain in West Java kind of Complicated because a lots of third parties in-charge into Coffe Supply Chain.

*Figure 1.1 Coffee Supply Chain in West Java*



*Source: Ceha (2017)*

One of the alternative to survive in the competition by increasing the competitive advantage of the company. According to Rahmawan (2012) Competitive advantages need to be created because it is able to create differentiation against competitors. According to Zaroni (2015), one part of operations management is warmly discussed in competition between companies is supply chain management practices.

Previous research proves that supply chain management practice have relation with competitive advantage, supply chain performance and firm performance. Based on Alshboul (2017) resulted that supply chain management practice have positive relation towards supply chain performance and firm performance in the object of the research is about manufacturing industry.

Another previous research from Widiyanesti and Masyitha (2018) resulted that supply chain management practice and marketing capability have relations towards competitive advantage and firm performance of the hotel in Bandung. Also from Gandhi (2017) stated that supply chain management practice have relations towards supply chain performance and firm performance of the developing country in the research.

After searching the literature, published articles have not been found regarding the effect of supply chain management to firm performance with competitive advantage and supply chain performance as intervening variable. Therefore in this study discuss about the influence of supply chain management practice towards firm performance with competitive advantage and supply chain performance as an intervening variable for the coffee shop in Bandung.

#### **1.4 Research Question**

There are several questions that comes up based on the problem statement and background of the research as follows:

1. Does supply chain management practice have positive aspect through competitive advantage towards the coffee shop in Bandung?

2. Does supply chain management practice have positive aspect through firm performance towards the coffee shop in Bandung?
3. Does supply chain management practice have positive aspect through supply chain performance towards the coffee shop in Bandung?
4. How is the impact of supply chain management practice towards firm performance through competitive advantage on coffee shop in Bandung?
5. How is the impact of supply chain management practice towards firm performance through supply chain performance on coffee shop in Bandung?
6. Does competitive advantage have positive aspect through firm performance towards the coffee shop in Bandung?
7. Does supply chain performance have positive aspect through firm performance towards the coffee shop in Bandung?

## **1.5 Research Objective**

There are several objectives in this research as follows:

1. To know whether supply chain management practice have positive aspect through competitive advantage towards the coffee shop in Bandung.
2. To know whether supply chain management practice have positive aspect through firm performance towards the coffee shop in Bandung.
3. To know whether supply chain management practice have positive aspect through supply chain performance towards the coffee shop in Bandung.
4. To know whether supply chain management practice have an impact towards firm performance through competitive advantage on coffee shop in Bandung.
5. To know whether supply chain management practice have an impact towards firm performance through supply chain performance on coffee shop in Bandung.
6. To know whether competitive advantage have positive aspect through firm performance towards the coffee shop in Bandung.
7. To know whether supply chain performance have positive aspect through firm performance towards the coffee shop in Bandung.

## **1.6 Significant of Study**

This research is expected to be useful for any parties who might want to use this research. The purpose of this research are:

### **1.6.1 Academic Aspects**

For researcher, this research can provide the opportunity to apply the theories that have been learned in classrooms which will increases the knowledge and experience. The result of this research will be able to give the useful information to develop more knowledge in the field that related with the research model.

## **1.6.2 Business Aspects**

For company, this research is expected to give contribution of ideas and references that might be useful to know the competitive advantage of company and provides better product and solutions in terms of knowing which competitive advantage and increasing of firm performance that can be used for the company.

## **1.7 Scope of Study**

This study provides a restriction to maintain consistency purposes of this study, so that the problems encountered are not widespread and more focused discussion.

### **1.7.1 Location and Object of Study**

1. The location of the study is conducted in Bandung, Indonesia.
2. The object of this research is Coffee Shop in Bandung.

### **1.7.2 Time and Period**

The period of this study is during November 2018 – July 2019.

## **1.8 Systematic of Writing**

Systematic of writing in this study are divided into five chapters as follows:

### **Chapter I: Introduction**

This chapter is describing the overview of the research object, research background, problem statement, research objective, scope of research and systematic of writing.

### **Chapter II: Literature Review**

This chapter contains description of literature review, theories related to research with Supply Chain Management Practice, Supply Chain Performance, Competitive Advantage, Firm Performance and solution of the problem, theoretical framework and scope of the study.

### **Chapter III: Research Methodology**

This chapter contains the type of research that been used, the operationalization of each variable and measurement scales, phases of the research, population and sample, data collection validity and reliability test and data analysis techniques.

### **Chapter IV: Research Result and Data Analysis**

This chapter describe the characteristic of respondent, result of research and discussion about the result of research.

### **Chapter V: Conclusion and Suggestion**

This chapter is explaining about the conclusion to answer the problem statement correctly with the result of this research. Then, this chapter is explaining about suggestion that related with the alternative problem solving and recommendation which given by the research towards the object of the research.