

CHAPTER I

INTRODUCTION

1.1 Background of the study

In the last few years, food and beverage industry has become a huge trend and also become a part of people's lifestyle. According to (Bengul & Guven, 2019) nowadays, people didn't cook and eat their meal at house that often anymore due to their busy working lives. The booming of this industry caused by the changes in customer demands of trying new taste, and eating out habit (Rasal, 2018). Therefore, peoples tend to spend more of their money and time in food and beverage industry. This situation make the F&B industry become one of the business activities that have great opportunities in today's market. In Indonesia, food and beverage industry has become one of the sector that helping the growth of national economy. Especially in a city that has big population and good economy condition, food and beverage business could be the most advantageous business.

Medan is one of the major cities in Indonesia that has big population and good economy condition. According to *Badan Pusat Statistik* (BPS), the population of Medan city in year 2020 has reached 2,43 million peoples or approximately 16% of all North Sumatra residents. This number shows that Medan city is the most populous city in North Sumatra. The Head of BPS North Sumatra, Syech Suhaimi also said that Medan city considered as the economic center of North Sumarta. As

the economic center of North Sumatra, almost all of business industry in Medan grow rapidly including the F&B industry. The growth of F&B industry in Medan can be seen from the increase number of new restaurants business and the increase of customers demand. The restaurant customers in Medan are not only include local medanese but also for domestic tourist and foreign tourist. In addition, the growth of economic and the improvement in living condition make many peoples in Medan considered about what kind of food that they would like to consume and where they would like to eat.

Many peoples viewed restaurant as a great business opportunities because food and beverage are the necessity of human beings that must be fulfilled everyday. But despite restaurants business become one of the most advantageous business in today's market, the growth of this industry caused a highly competitive market where the numbers of competitors are keep increasing. As the numbers of competitors keep increasing, the variety of products and services offered to customers will also increasing. Hence, customers will tend to be more selective in finding the best restaurants that suitable with their preference. From the customer side, the growth of food and beverage industry could be advantageus since there will be more choices of foods and drinks. Conversely from the entrepreneurs side, it could be burdensome since the number of competitor keep increasing. Therefore, each company should be more competitive and show their best products and services to meet what customers needs and wants. To be able to survive in this highly competitive market, entrepreneurs should be able to obtain customers satisfaction. In other word, this situation requires company to find the best strategies

to build customer satisfaction in order to obtain competitive advantage. In order to winning the business competition, every companies should be able to fulfill customer's needs and wants to satisfied the customers. Conversely, if companies fail to meet customers needs and wants, they will most likely hard to survive in the business competition.

According to Khadka & Maharjan (2017), customer satisfaction refer to overall valuation of a company product/service based on customer purchasing experience. He also stated that when a customers are satisfied with a product/services, they tend to be loyal by repurchase product/service, become less sensitive to price, and positively engaged in giving good reccomendation to other customers. Most importantly, the advantages of customer satisfaction could help company to maintaining their business for a long time. A company that fail to obtain customer satisfaction are more likely to go out of their business. Therefore, identifying factors that can positively influence customer satisfaction is a task that every restaurants should focus on. In order to achieve customer satisfaction in a restaurant business, there are several ways that can be implemented especially by providing high food quality and physical environment. Food Quality and Physical environment is the 2 vital factors that restaurants should focus on because most of customers always expecting to eat good food in good environment.

Several past studies has proven that Food Quality and Physical Environment has a positive influence towards customer satisfaction. Ryu et al. in (Hanaysha, 2016) stated that the food quality and the restaurant physical environment is a crucial factors in determining the satisfaction of customers. Food quality is widely

known as an important aspect in every operation of restaurants because it can influence customer satisfaction. When it comes to restaurant context, food quality is categorized as the most important factor since most of people want to try a new taste that can fulfill their craving. Food quality will shows how's the overall performance of restaurant food can fullfill customers desire. Canny and Nasir in (Hanaysha, 2016) stated in their research that food quality had direct positive effect on customer satisfaction. The quality of food in restaurant can determing from taste, color, food appearance, portion, shape, temperature, texture and aroma (Griffin in Yohan and Efendi, 2018). A high quality of food is an important marketing tool that can help companies to satisfy, retaining and ensuring customers positive experience (Hanaysha, 2016).

Beside a high quality of food, physical environment is another important factors that restaurants need in order to obtain customers satisfaction. Especially during this pandemic, every restaurants are required to put more attention on their physical environment such as ; creating more distance between customers to avoid physical contact. According to (Doğdubay & Karan, 2015), the reasons why peoples go to restaurant is to fulfill their physiological needs including; participating in social event or cultural activities, having a good time, and desire to trying a new taste. It shown that the duty of restaurant is not only about providing customers food and beverage but also to provide memorable experience for the customers and help them to get away from their life routines. Physical environment categorized as one of crucial marketing strategy that will help company to give a remarkable experience to their customers by providing a pleasant and comfortable

atmosphere (Canny in Hanaysha, 2016). Beside that, physical environment can influence the first impression of a customer because it is the main factor that customers will experience when they visiting a restaurant. Most of customers nowadays are not only searching for a good food quality in a restaurant but also to find an enjoyable and memorable dining experience. According to Ryu and Han in Hendriyani (2018), the quality of physical environment in restaurant can determining from the facility aesthetics, ambience, lighting, layout, table setting and service staff.

In this highly competitive market, company should make sure that their customers are satisfied with their product/services. Obtaining customer satisfaction is very crucial because it is the key component that help the success of every business. When company have high levels of customer satisfaction, it means company have loyal customers which may increase business profit. According to Masud, Haque, & Azam (2018) customer satisfaction is a key factor that every companies need in order to obtain customers loyalty and business goals. In every fierce business competition, every owners or managers of a restaurants entails an appropriate strategy in order to developing and maintaining their business for the a long term time.

Nelayan Restaurant is categorized as one of the most popular restaurant that located in Medan city. This company was established since 1985 with the name of Restaurant Sari Laut Nelayan and located in Jl. Kumango No. 14, Medan. Until now, Nelayan Restaurant has spread their business into 17 branch located in Medan and Jakarta. In Medan, the location of Nelayan Restaurant is very easy to find since

it located in almost every shopping mall centre including; Thamrin Plaza, Sun Plaza, Centre Point Plaza, Cambridge Plaza and many more. Every branch of Nelayan Restaurant has various types of menus and concepts including Asian Cuisines, Japanese Cuisine, Suki and Steamboat, Pastry and many more. In this research, author will take one of Nelayan Restaurant store that located in Thamrin Plaza, Medan as an object of this study. In addition, the author has taken several picture related with the food quality and physical environment at Nelayan Restaurant Thamrin Plaza, Medan which can be seen below :

Figure 1.1 Nelayan Restaurant





Source : Author (2021)

As a business that has been established for a long time, Nelayan Restaurant has experiencing several problem since the amount of competitors keep increasing. The numbers of competitors are continuously increasing because there are many new entrants that selling the similiar products as what Nelayan Restaurant had. Therefore, customers tend to comparing Nelayan Restaurant with other competitors. If the customers are not satisfied , they might leave and switch to the other competitors. Below are several restaurant in Medan that categorized as the competitor of Nelayan Restaurant Thamrin Plaza, Medan :

Table 1.1 Nelayan Restaurant Competiirors

Name of competitors	Price Range	Variety of Products
Dimsum Ayong Babura	Rp. 10.000 – Rp. 265.000	Beverage, Dimsums, Noodles, Rice, Porridge, Dessert, Steambot, Pork
MamaTjoe Dimsum Restaurant	Rp. 10.000 – Rp. 100.000	Beverage, Dimsums, Rice, Noodles.
Imperial Kitchen & Dimsum	Rp.10.000 – Rp. 150.000	Beverage, Dimsums, Appetizer, Soup, Noodles, Rice, Porridge

		Vegetables, Seafood, Desset
Dimsum King Medan	Rp.10.000 – Rp. 135.000	Beverage, Dimsums, Noodles, Rice
Paradise Dynasty	Rp.10.000 – Rp. 270.000	Beverage, Dimsums, Lamien, Noodles, Rice, Soup, Appetizers, Desserts, Hot dishes, XiaoLongBao, Vegetarian
Nelayan Restaurant Thamrin Plaza Medan		
Price Range		Variety of Products
Rp. 10.000 – Rp. 200.000		Beverage, Dimsums, Noodles, Rice, Porridge, Soup, Dessert, Vegetarian, Chicken & Duck

Source : Author (2021)

In order to compete with their competitors, Nelayan Restaurant need to identify the customers reviews and find out whether they are satisfied or not. Recently, there has been quite a number of complain regarding about customer satisfaction in Nelayan Restaurant Thamrin Plaza, Medan. The author has found several complaints by customer in Nelayan Restaurant from gooogle review as seen below :

Figure 1.2 Customers Review

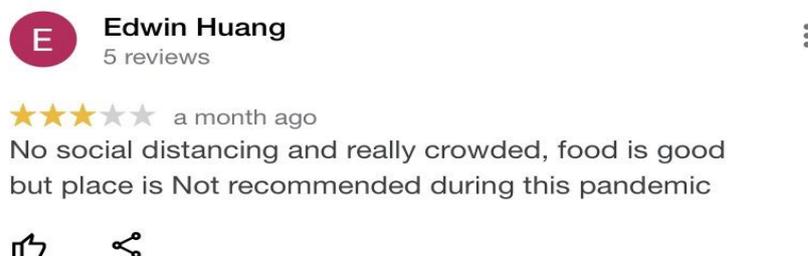


Figure 1.3 Customers Review



Kitty Luo

Local Guide · 9 reviews · 16 photos



★★★★☆ a year ago

(Translated by Google) It doesn't taste good
The portion of the meal is also smaller, unbalanced in price

(Original)

Rasanya sudah tidak seenak dulu
Porsi mkanan juga makin kecil, tidak seimbang dengan harga

In order to identify the main problem that cause customers dissatisfaction, the author decided to do more interview with customers who ever have a dining experience in Nelayan Restaurant Thamrin Plaza Medan. Following is the result of the interview with customers in Nelayan Restaurant Thamrin Plaza Medan by the author :

1. Review from first customer :

The first customer explain that the Food Quality at Nelayan Restaurant Thamrin Plaza is good enough but sometimes the taste and portion is not consistent. Beside that, the first customer also said that they still want to revisit and eat at Nelayan Restaurant Thamrin Plaza Medan but not in frequent time.

2. Review from second customer :

The second customer explain that the Food Quality at Nelayan Restaurant Thamrin Plaza is just normal and they prefer other similiar restaurants food. Beside that, the second customer said that they have no intention to revisit or eat at Nelayan Restaurant Thamrin Plaza

3. Review from third customer :

The third customer explain that the layout of Nelayan Restaurant Thamrin Plaza is too narrow and too crowded. Beside that the customer also mention that the lighting is a bit too dim for elders. The third customer said that they want to revisit the restaurant only when the store is not too crowded.

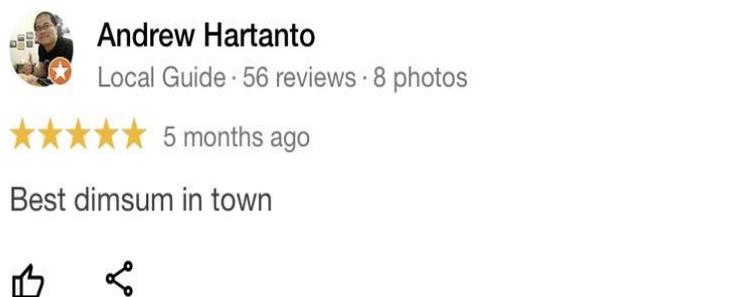
Based on the interview results above, author has identified several problems that Nelayan Restaurant Thamrin Plaza had which are; the inconsistency of food quality, there are customer who's prefer other competitor food, the store is too narrow and crowded, and the lighting is a bit too dim. This several problems may lead to customer dissatisfaction and many disadvantages for Nelayan Restaurant Thamrin Plaza. Lack of customer satisfaction might decreased business sales and profit since customer have no intention to repurchasing product/services that company offered. Beside that, in this highly competitive market, dissatisfied customer can easily leave and switch to another restaurant to fulfilled their needs and wants. Consequently, Nelayan Restaurant Thamrin Plaza, Medan should pay more attention to what factors that need to be fixed and improved in order to compete with other local restaurants.

Despite there are several complain regarding the customer satisfaction in Nelayan Restaurant Thamrin Plaza, the author also found several compliments or positive reviews by customer from gooogle review as seen below :

Figure 1.4 Customers Review



Figure 1.5 Customers Review



Based on the figure above, the author has identified that several customers in Nelayan Restaurant Thamrin Plaza, Medan are giving their positive reviews and show that they are satisfied with the food quality and the physical environment. This kind of satisfied customers and positive review are very important since it can convince and influence the readers to visit and dining at Nelayan Restaurant Thamrin Plaza, Medan. According to Kim, Ng, & Kim in Hutabarat, D.L (2018) research, in order to obtaining customer satisfaction, company needs to identify what is the vital factors that able to influence customer perception and expectation. Jimmy and Sugiono in (Santoso, 2016) stated that Food quality have significant and positive impact towards customer satisfaction. The other important factors in determining satisfaction of the customer is the quality of the physical environment.

The reason is because comfortable physical environment have a positive impact on consumer interest in making future purchase (Marinkovic et al., 2015)

Based on the description of the research background above, the author interested in doing research with title **“The Influence of Food Quality and Physical Environment towards Customers Satisfaction at Nelayan Restaurant Thamrin Plaza in Medan“**.

1.2 Problem limitation

Due to the time and knowledge limitation that the author has, this research will only focus on how is the influence of Food Quality and Physical Environment towards customer satisfaction at Nelayan Restaurant Thamrin Plaza Medan. There may be more aspects / variables that could be included based on other literature. The author will also limit the Food Quality (X1) variable with the indicators by Griffin in Yohan & Efendi (2018) which include; taste, color, food appearance, portion, shape, temperature, texture and aroma. For Physical Environment (X2) variable, author will limit the indicator by Ryu and Han in Hendriyani (2018) which include; facility aesthetics, ambience, lighting, layout, temperature, table setting, and service staff. And as for Customer satisfaction (Y1) variable, author will limit the indicator by Tjiptono in Suhartanto (2018) which include; product quality, service quality, emotion, price and cost. Furthermore, the results of this research cannot be generalized to other types of restaurant including fast food restaurants / fine dining restaurants.

1.3 Problem Formulation

Based on the background of study above, the author will take several problems identification as follow :

1. Does Food Quality have positive and significant influence towards Customers Satisfaction in Nelayan Restaurant Thamrin Plaza, Medan?
2. Does Physical Environment have positive and significant influence towards Customers Satisfaction in Nelayan Restaurant Thamrin Plaza, Medan?
3. Does Food Quality and Physical Environment have positive and significant influence towards Customers Satisfaction in Nelayan Restaurant Thamrin Plaza, Medan ?

1.4 Objectives of the research

Based on the background of study above, the objective in doing this research is including :

1. To find out whether there is a positive and significant influence of Food quality towards Customers Satisfaction at Nelayan Restaurant Thamrin Plaza, Medan
2. To find out whether there is a positive and significant influence of Physical Environment towards Customers Satisfaction at Nelayan Restaurant Thamrin Plaza, Medan
3. To find out whether there is a positive and significant influence of Food Quality and Physical Environment towards Customers Satisfaction at Nelayan Restaurant Thamrin Plaza, Medan

1.5 Benefits of the research

The objectives of this research is important for both theoretically and practically. Theoretically, the result of this research designed to explain the influence of Food Quality and Physical environment towards Customer Satisfaction in restaurant. It also useful for restaurant owner or manager to understanding the phenomena, and assessment of customer about Food Quality and Physical Environment. Practically, this research provide several insights about the important role of Food Quality and Physical Environment towards Customer Satisfaction. It is hoped that the results of this research can be used to help restaurants to increased the revenue and market share by identifying the right way to satisfied and retain their customers. Moreover, this study offer several information to restaurant who plan to improve their food quality and physical environment.

