

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this globalization era, the Food and Beverage industry in Indonesia is rapidly expanding. Indonesia has been categorized as the fastest growing country among all ASEAN countries. In Indonesia, restaurant, fast-food restaurant, cafe, bars and food stand becomes the main impetus of culinary business growth (Mordor Intelligence, 2020). Food and Beverage industry is one of the keys in faster growth economic. It means that, Food and Beverage industry in Medan will be a potential for one of the business industries. The Food and Beverage industry are one of the fastest-growing businesses of the culinary sector that is made up of a wide range of elements.

This creates potential for the establishment of a variety of new firms, as well as increased competition. In order to win the rivalry between enterprises, a corporation must be able to adapt to various innovations that occur. Display the greatest products that can match the tastes of customers that are constantly evolving is the way to win the competition. Only companies with a competitive advantage have a chance of surviving. In the face of strong competition, establishing good customer service is one of the initiatives to generate a competitive edge. Customers can be satisfied if the company provides the possible greatest service and companies must be able to preserve customer loyalty (Nurhidayati & Yuliantari, 2018)

But in Indonesia, currently is spread by Covid-19. According to Prakoso (2020), Covid-19 has had the greatest impact on the food and beverage sectors. The government advise not to leave the home and forbidding dining in the entire restaurant or cafe has a significant influence on the F&B business. The prohibition of large-scale social engagement in the community, such as having a gathering during PSBB, resulted to a significant drop in food and beverage sales. Entrepreneurs must meet customer demands in the form of services that make it simpler for people to buy food and drinks, such as using self-delivery services or collaborating with third parties to guarantee the product reaches consumers' hands in good condition, always update in social media and make a promotion. According to Varian (2020), maintaining consumer loyalty throughout the epidemic is critical, and it must be enhanced if company continuity is to be maintained. Changes in consumer behavior are inescapable in the face of this continuous pandemic. A business owner must anticipate and respond to these developments. Customer will loyal to a brand if the needs are fulfilled and it is a responsibility because trust and the experiences they have had while using that brand will lead to loyalty especially in the pandemic situation.

Semanggi Fusion Medan is one of café and restaurants in Medan that sell Indonesian ethnic food, Western food and drink. Opening a physical restaurant and café at Jl. Samanhudi No. 1a. The Supervisor of Semanggi Fusion, Fitri Sinaga believes that in pandemic situation and lacking in loyalty cause the sales of Semanggi Fusion Medan decrease. Semanggi Fusion Medan is facing problem regarding loyalty of the customers. The lacking of loyalty could be seen from the

total annual sales is less than before because the menu that customer ordered is less than before. To keep customer loyalty is very important in this pandemic situation because it can help Semanggi Fusion to continued operate through this pandemic. This information collected from preliminary interviews conducted by the author with the Supervisor of Semanggi Fusion Medan, Fitri Sinaga on 10th August 2021 to find out supporting statements regarding the problem discussed in this research.

With the improved in protocol and menu strategies, Semanggi Fusion Medan trying to impressed more customer and stand up their customer from other competitors but still low number of customers. The table below consists of the total sales of Semanggi Fusion in year 2017 – 2020.

Table 1.1 Semanggi Fusion Total Sales in 2017 - 2020 (in million Rupiah)

	2017	2018	2019	2020
January	105	160	198	200
February	112	165	203	198
March	118	163	200	180
April	120	170	177	169
May	129	167	169	164
June	133	180	158	150
July	135	185	130	144
August	139	175	128	142
September	145	190	160	140
October	147	207	165	150
November	150	205	170	169
December	155	209	165	175
Total	1,588	2,176	2,023	1,981

Source: Preliminary Interview (2021)

There is decrement in annual sales amount in Semanggi Fusion from year 2018 to year 2020, which shows that Semanggi Fusion decrease in potential customer to come again and eat in Semanggi Fusion. In every month, Semanggi

Fusion experienced fluctuating and unstable total sales and cause the total sales of year decrease due to poor reviews from customers. Which sales decrease 7% in 2019 and 9% in 2020 compared to 2018.

The reasons of the important of research about customer loyalty are according to (Salem & Chaichi, 2018) defined customer loyalty as the customers habit of making repeated purchases of the company's items after evaluating and being satisfied with the products. Gaining customer loyalty is key strategies for a restaurant and café because it will link to the restaurant and café sales. From the previous research by Hartanto & Andreani (2019), customer loyalty measured by repurchase intention, positive word of mouth and recommendation. According to Alexandra (2017), customers repeated purchases will boost sales volume which will raise the company's profit. So, customer loyalty will affect the total of sales. If the customer loyalty decrease, the total of sales will decrease.

Here are some reviews from customers from google reviews that shows that the problem that they face is about service quality, price and customer satisfaction.

Figure 1.1 Customers' Complaints



Semanggi Fusion

Jl. Samanhudi No.1a, Hamdan, Medan City, North Sumatra

[Write a review](#)

4.3 ★★★★★ 176 reviews



Andrie Chandra

6 reviews · 2 photos

★★★★★ 6 months ago

Pelayanan PARAH !! Waitress nya tdk ada ramah2 nya, makanan yg di order sdh 1 jam lebih tidak datang2, akhirnya memutuskan utk cancel order makanan dan hanya bayar minum yg juga sangat lama datang nya, sangat tdk rekomen hanya menang tempat !! Pertama dan terakhir ke tempat ini, terimakasih

(Translated by Google)

DIRECT SERVICE !! The waitress was unfriendly, the food ordered had not arrived for more than 1 hour, finally decided to cancel the food order and only pay for the drink which took a very long time to come, really don't recommend only winning places !! First and last to this place, thank you



Semanggi Fusion

Jl. Samanhudi No.1a, Hamdan, Medan City, North Sumatra

[Write a review](#)

4.3 ★★★★★ 176 reviews



Like



Hendro Lim

1 review

★★★★★ 3 months ago

Orders take tooooooo loooonggggg....

Like

Source: Google Reviews (2021)

In order to gain attention and retain customers, the restaurant and café must be able to survive in the current competitive environment and always strive to give pleasing services (Ningtias & Budiarti, 2017). Service quality is an assessment of how well a delivered service conforms to the customer expectations. Service business operators often assess the service quality provided to their customers in order to improve their service, to quickly identify problems, and to better assess customers satisfaction. According to Rahmawati & Widiastuti (2019), the higher the quality of service, the better the satisfaction felt by the customer which leads to the creation of customer loyalty. According to Ginting (2018), the number of customers has a major influence on the selling of services by survival firms, because customers are a source of income for services company. The greater the company's

sales, the more profit the company can receive. The less business customers, on the other hand, the less profit the business can receive. According to previous research by Alexandra (2017), Arianto (2017), Nalendra (2018), Ningtias & Budiarti (2017) shows that service quality has positive and significantly influence towards customer loyalty.

Table 1.2 Fusion Café in Medan

No	Name of Café	Year of Established	Number of Outlets	Price Range
1	Semanggi Fusion	2017	1	Rp. 18,000 - Rp. 130.000
2	The Thirty Six	2013	1	Rp. 20,000 - Rp. 120.000
3	Pilastro	2013	2	Rp. 17,000 - Rp. 180.000
4	Lekker	2013	2	Rp. 12,000 - Rp. 90,000

Source: www.crazfood.com, www.makanmana.net, www.komosjourney.wordpress.com (2021)

Based on the table 1.2, shows that Semanggi Fusion Medan price range are in the middle position between the competitors. Price is also an important factor in attracting consumers' attention that has been set is not too expensive or not too cheap then the customer can conclude that the price is in accordance with the expected price (Siregar & Fadillah, 2017). If the price is too high or too low and the price is not accordance with the expected price, customer will not feel satisfied and do not want to come anymore. Companies must be able to design the right marketing strategy in order to achieve company goals. Pricing selections are critical in determining how much a service is valued by consumers as well as in the process of creating consumer loyalty levels (Nalendra, 2018). According to previous research conducting by Alexandra (2017), Arianto (2017), Nalendra (2018), Ningtias & Budiarti (2017), Winata & Fiqri (2017) shows that price have positive and significant influence towards customer loyalty.

According to Kotler & Keller (2010) cited in Jumawan (2018), defines

customer satisfaction as ‘a person's joy or dissatisfaction as a result of comparing a product's perceived performance or outcome to his or her expectations. If the customer experience is positive, the customer will return and become loyal. As a result, improving service quality is critical to increasing customer happiness. According to Nalendra (2018), when consumers receive satisfaction from a brand, they will be loyal or loyal to that brand. According to previous research by Alexandra (2017), Arianto (2017), Nalendra (2018), Ningtias & Budiarti (2017) shows that customer satisfaction has positive and significantly influence towards customer loyalty.

Based on the background of the research, the writer decided to write in the form of final paper entitled **“The Influence of Service Quality, Price and Customer Satisfaction towards Customer Loyalty at Semanggi Fusion, Medan”**. This research is hoped to be able to give positive impact to the readers and also Semanggi Fusion Medan and give more understanding about the influence of service quality, price and customer satisfaction towards customer loyalty.

1.2 Problem Limitation

In order to be more focused on this research and the limited sources, the writer determines limitation on this study to service quality, price and customer satisfaction as independent variable and customer loyalty as dependent variable. The sample taken are limited to potential customers on the age of 18 to 50 years old which is according to the target market of Semanggi Fusion Medan. Moreover, the author will as well limit the research object where the research will only take place

in Semanggi Fusion Medan from July 2021 to October 2021.

1.3 Problem Formulation

From the background of the study that have been defined, there's three problems that would be discussed in this research, which is:

1. Does service quality significantly influence customer loyalty at Semanggi Fusion Medan?
2. Does price significantly influence customer loyalty at Semanggi Fusion Medan?
3. Does customer satisfaction significantly influence customer loyalty at Semanggi Fusion Medan?
4. Does service quality, price and customer satisfaction simultaneously influence customer loyalty at Semanggi Fusion Medan?

1.4 Objective to Research

From the problem formulation, we can conclude the objective of this research, which are:

1. To know whether there is significant influence of service quality towards customer loyalty at Semanggi Fusion Medan.
2. To know whether there is significant influence of price towards customer loyalty at Semanggi Fusion Medan.
3. To know whether there is significant influence of customer satisfaction towards customer loyalty at Semanggi Fusion Medan.

4. To know whether there is simultaneous influence of service quality, price and customer towards customer loyalty at Semanggi Fusion Medan.

1.5 Benefit of the research

1.5.1 Theoretical benefit

This research is useful for readers especially about hospitality industry. Also adds insight for readers who are not majoring in hospitality. It can also be used as a reference for restaurant and café to develop strategies to improve service quality, price and customer satisfaction to gain customer loyalty.

1.5.2 Practical Benefit

1. For Semanggi Fusion Medan

The results of this research are expected to give solution and recommendation to Semanggi Fusion Medan problems that occur which is about customer loyalty.

2. For Future Researchers

The results of this research are expected to increase knowledge and experience as well as making one of the requirements for obtaining a (S-1) Management literature degree at Universitas Pelita Harapan in Medan and add insight into service quality, price and customer satisfaction on consumer loyalty to the Semanggi Fusion Medan.

3. For Investor

The results of this research are expected to become library

knowledge and references for further researchers related to the variables that being used in this research

