

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Medan is the third-largest city in Indonesia after the capital city of Indonesia and Surabaya, Medan city is one of the most interesting tourist objects by domestic tourists, tourists who are often known or interested in Medan, namely Lake Toba, Medan city was founded by the Guru Patimpus Sembiring Pelawi in 1590. Medan city has a distinctive characteristic of the Karo tribe or can be said by residents are Batak people.

The location of the city of Medan is very strategic, which is located between the Deli River and the Babura River, where the river can be a cross-trade route by the surrounding community which is widely used, which is located in Belawan Harbor, this port is a tourist gateway and can trade goods or services. From both export and import in Indonesia, from a geographical point of view is the gateway to western Indonesia. Trade or it can be said as a business, many businesses are being pioneered or developing in the city of Medan, this city can be a good opportunity for entrepreneurs to open a business in the city of Medan with various types and different variations, such as property, printing to photocopying business. That way appears where the competition in the business.

The food industry and restaurant is growing rapidly every year, even every day creating competition between every restaurant. Every company

needs to be the leader to produce the best products that they have in order to improve their value to meet customers' needs. If the company fails to deliver creative ideas for the products and services, then they are out from the competition.

In the hospitality and tourism industry, it is closely related to products that are not real and cannot be seen, but can be felt is usually related to the manner, when in hotels customers often feel that from a staff who provide services to customers, where in the hotel rate. It can see the pros and cons of the services provided to customers, objects that are not seen usually occur in the surrounding environment, the facilities and atmosphere of the business and the hotel are directly received by the customer, therefore a driver must create a good atmosphere, safe and comfortable, so that makes customers will return to do business with the hotel again and the plus value can increase the enthusiasm of these customers and can make the hotel profits increase and the brand is also good in society.

In an era of increasingly tighter business competition and many have the potential in today's business, guiding entrepreneurs as sellers of the uniqueness of products that have added value in every service business, thus making customers want to choose a product, not just a matter of servants which is given to customers, but the small thing that business owner usually forget is the hospitality to customers, this is what other competitors often

forget. typically, hospitality ranges from middle managers to bottom staff without exception.

According to Sheriff et al, (2015), where a company can survive in the long term, what is needed by a company, cafe, or restaurant in a very competitive business environment is to meet customer needs or expectations. Customer control is very important for the company. Cafe and restaurant due to loyalty from the customer, so that the costs are quite low for business.

The price depends on several factors from the way to get the item and how to store it from a product. Service satisfaction is one of the factors that can determine prices, not only that, from the cafe concept, it also determines the price of these goods, it can be seen from analyzing the direct impact on income on the market, reports on customer buying behavior. Pricing is, in a sense, the final stage of the price of an item that is ready to be distributed to the public, a manager must be able to make reports such as price setting objectives, demand curve, the quantity of price, cost of transport of goods and competitive supply.

Usually, several methods can look at to determine the final price of an item first: a price that is too high (excess price), the price, in this case, can have a high risk of losing the buyer because the price is given is very large and the seller and get a little profit from these goods, the second is a low price where we get a low price from the distribution and we sell the item according to the market so that get a profit that can be in the sufficient

group and usually quite a lot of demand is attracted by the community. The price adjustment strategy is usually said to be the way to attract customers from the price desired by the company and can also affect customer satisfaction directly.

Some of the most commonly debated things around prices in the market are the principle of price fairness, where price fairness is a price that is fixed by the distribution according to the customer so that the customer can receive the price set and can be applied by the customer fairly for his product and the service can be said according to the price it deserves.

Meanwhile, maximizing the quality of service offered by a company increases work experience and also minimizes unpleasant work experiences. Improving the quality of service in a company is very important and cannot be separated. All parties are interconnected with each other in the company, from leadership to the employee. That way, they become an inseparable part of efforts to improve service quality which is realized by customer satisfaction.

Customer satisfaction is the result of feelings or experiences that customers have done when testing a product or service. According to Kasmir (2017), customer satisfaction is the feeling of someone who has provided our goods or services. This means what customers want according to what they want or the expectations they want in accordance with reality, expectations and reality are determined by the level of satisfaction.

Satisfaction is a reaction that is cognitive or affective in response to prolonged encounters. When the perception of a product or service can be beyond our expectations. From several experts, customer satisfaction can become or create customer loyalty and long-term relationships with companies and customers.

Customer satisfaction is arguably important in evaluating client satisfaction from the results of the assessment and also monitoring the level of client satisfaction, satisfaction can be considered one of the main factors that direct consumers or tend to return purchases. In addition, customer satisfaction management is a vital process that is used in the input. From the customers themselves, usually collected by collecting customer feedback in the form of comments or conducting a survey using a questionnaire.

Furthermore, an important process in entering can be used or assisted with customer satisfaction management from the customer himself, input can be done by collecting customer feedback usually in the form of comments and complaints or questions. Can use the approach by distributing questionnaires.

From the economic analysis, that a year ago or so the demand curve fell downwards, due to the virus spreading in the Medan area, not only the Medan area was affected, but almost all of Indonesia and the whole world were affected.

The region must have new regulations to prevent the virus. As time goes by, it is getting lower day by day, so economic growth is getting better. Although growth has not been able to follow or get used to it before the pandemic. Therefore, citizens must comply with the existing regulations in the government, from the data the author saw this month that the government confirms vaccines by working with all industries, such as companies if not vaccines will lay off. Although it can be said to be forced, it gives good benefits to the region, thus providing growth but which is improving.

According to the theory of economic analysis or microeconomics, claims that relatively cheap goods have more demand or buyers than relatively expensive goods. The ability of customers to pay for each good is relatively the same, which distinguishes the target market, where the greater the market surplus and the better market satisfaction. Price can be one of the quality predictors that directs consumers to subjectively judge where higher-priced goods create greater market satisfaction.

In this study, the author decided to research and make Amergency Cafe the object of this research which is located on Jalan Dazam Raya no 52, Central Petisah in Medan city, North Sumatra, this cafe has a quite interesting concept where the cafe can enjoy various types of drinking amer, games, and dim sum, Amergency Cafe is selling various types of Amer in Medan city and also the first cafe to sell amer in Medan city, the target market of Amergency Cafe is parents and teenagers aged 17+, with this

study, researchers want to analyze the effect of price and service on customer satisfaction at Amergency Cafe Medan.

Based on the preliminary research, it can be found that there is an ongoing problem related to customer satisfaction. From the results of interviews with the owners of Amergency Cafe, it can be seen from the data that there has been a decrease in customers in the last eight months as follows:

**Table 1.1 Number of Amergency Customer (Dec 2020 – Aug 2021)**

| Months   | Number of customers  |
|----------|----------------------|
| December | 429                  |
| January  | 358 (Decline 19%)    |
| February | 312 (Decline 13,7%)  |
| March    | 327 (Decline 13, 1%) |
| April    | 267 (Decline 16%)    |
| May      | 236 (Decline 18%)    |
| June     | 285 ( Decline 15 %)  |
| Julay    | 339 (Decline 12.6%)  |
| August   | 387 (Decline 11.%)   |

**Source: Amergency Cafe (2020)**

The table above shows that customers are declining compared to august 2020. Therefore, To find out the issued customer is declining, the researcher conduct a preliminary customer interview has visited Amergency Cafe.

Based on the observation at Amergency cafe, Medan, the price offered by Amergency cafe, it looks like the price is higher than Cafe R, which offers the same menu, the price comparision can be seen in the table below.

**Table 1.2 The Price Comparison Some Common Drink Menu**

| Menu name           | Amergency cafe Medan | Cafe R        |
|---------------------|----------------------|---------------|
| ABIDIN GOLD (AMER)  | Rp. 250.000,-        | Rp. 200.000,- |
| BINTANG (AMER )     | Rp. 160.000,-        | Rp. 145.000,- |
| HAWAIIAN AMER       | Rp. 180.000,-        | Rp. 170.000,- |
| PURE GOLD           | Rp. 39.000,-         | Rp. 37.000,-  |
| ABIDIN WHITE (AMER) | Rp. 170.000,-        | Rp. 150.000,- |

**Source: Emergency Cafe (2020)**

The data above shows that the price offered by Emergency is overall higher than Cafe R for the same menu name, higher prices offered by Emergency can be by several factors, for example, it tastes more delicious or image of the cafe brand. This can be the influence of customer satisfaction who come to the Emergency cafe based on the data, the higher price can affect customer satisfaction. This statement is in line with the finding of Wantara & Tambrin (2019), which stated the price has a significant and positive impact on customer satisfaction.

Besides price, the writer also found that there is also another problem that reason is coming from the preliminary interview which the writer has conducted beforehand.

**Table 1.3 Complaints frequency in (December 2020 –August 2021)**

| No                                  | Complaints                                       | Frequency |
|-------------------------------------|--|-----------|
| 1                                   | Facilities not as expected                       | 2         |
| 2                                   | The price doesn't accordance the benefit         | 3         |
| 3                                   | Prices are quite competitive                     | 8         |
| 4                                   | Employee didn't give full attention to customers | 3         |
| 5                                   | Employees are not polite                         | 2         |
| 6                                   | taste does not match expectations                | 3         |
| 7                                   | Employee response slow                           | 4         |
| 8                                   | the facilities provided dirty conditions         | 2         |
| <b>Total complaints in 8 months</b> |  | <b>27</b> |

**Source: Amergency Cafe**

From the data in December 2020 – August 2021, it can be seen the Amergency Cafe has routinely complained in the last 9 months. This can be seen from the number of complaints that occur each month and show complaints from service quality. Various complaints raised by the service to the cafe cause visiting customers to feel uncomfortable in enjoying the menus and services that are served.

The problem of service quality is still found in complaints from customer data as seen in table 1.3 who visit the emergency cafe that, the existing facilities are beyond the expectations of customers, employee service still has to be considered from courtesy and how to serve customers better based on customers expectation. So the author conducts special interviews with customers who visited Amergency Cafe and found the phenomenon of problem service quality at Amergency Cafe. According to the visitor with the initials "A", the service offered by Amergency Cafe has

decreased, as a result, it is not satisfactory. Even so, service also important role in reducing customers at Amergency Cafe.

Based on the observation data, the author is interested in conducting research with the title "**The Influence of Price and Service Quality towards Customer Satisfaction at Amergency Café, Medan.**"

## **1.2 Problem Limitation**

A cafe is a place where people pay to relax, sit down and eat the food served in the cafe. so that the research conducted by this researcher is focused and easy to collect data, the scope of the research is limited as follows. This study is only in the Amergency which is located on Jalan Dazam Raya No. 52, in the city of Medan, North Sumatra Province. The independent variable in this study is the price and service quality with indicators. Indicators for price: Affordability price, price suitability with product quality, Compatibility prices with product benefit, and price competitiveness( Salma, 2016 ). Indicator for service quality: Tangible, Reliability, Responsiveness, Assurance and the last Empathy (Tefera & Govender,2017 ). The dependent variable is customer satisfaction with indicators: suitability of expectations, interest in returning to visit, and willingness to recommend (Afilia, 2016)

### **1.3 Problem Formulation**

From the background study above, the author formulates the problems such as:

1. How is the Price implemented at Amergency Café, Medan?
2. How is the Service quality at Amergency Café, Medan?
3. How is the customer satisfaction at Amergency Café, Medan?
4. Does the price has partially influence customer satisfaction at Amergency Café, Medan?
5. Does the service quality has partially influence customer satisfaction at Amergency Café, Medan?
6. Do Price and Service quality have simultaneously influence customer satisfaction at Amergency Café, Medan?

### **1.4 The objective of the Research**

The purpose of doing this research :

1. To describe the price implemented at Amergency Café, Medan.
2. To describe the service quality at Amergency Café, Medan.
3. To describe the customer satisfaction implemented at Amergency Café, Medan.
4. To analyze whether the price has partially influenced customer satisfaction at Amergency Cafe, Medan.
5. To analyze whether the service quality has partially influenced customer satisfaction at Amergency Cafe, Medan.

6. To analyze whether the price and service quality have simultaneous influence towards customer satisfaction at Amergency Café, Medan.

## **1.5 The benefit of the Research**

### **1.5.1 Theoretical Benefit**

The results of this study can be used or considered as a reference for further research or in the future, especially about the influence of price and service quality on customer satisfaction.

### **1.5.2 Practical Benefit**

1. For the writer

This research can inform other cafes about the effect of price and service quality on customer satisfaction in a cafe and restaurant in the future.

2. For the company

This research can serve as a guideline to be more careful in providing prices to customers and providing appropriate prices and service quality to meet customer satisfaction.

3. For the other researchers

The results of this research can be a source to determine prices for the future or conduct related research in the future