

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In the modern era, technological innovations have greatly influenced the development of the tourism industry. The use of mobile devices and the Internet have made it simpler for tourists to plan their journeys and determine their reasons for visiting a new destination. Technology also makes it easier for business people to promote their products and services, enabling them to make themselves visible to potential consumers without having to spend a lot of money on conventional promotional methods.

In the modern business environment, every company strives to expand its market share and compete with its competitors by providing the best customer service, at an affordable price and providing customers with positive experiences. The high level of competition for both similar services and different services causes each company to place customer satisfaction orientation as their main goal. Service quality is a level of excellence that is felt by a person towards a service that is expected from the comparison between the desire and the perceived performance of consumers after the service (Listanto *et al*, 2019).

Supranto (2006) as cited in Apriyani & Sunarti (2017) states that service quality is something that must be done well by service providers where the quality of service perceived by customers comes from a comparison between what is offered by a service company, namely expectations and with their perceptions.

about the performance of the service provider. This becomes an assessment for customers to determine their satisfaction where indicators such as ratings, criticisms, complaints, and surveys can help companies to improve and change their services or products.

Price is an important factor in many customers' buying decisions, as the price at which a company offers its products or services will influence whether you make a purchase and how satisfied the customers are with a given product or service. When prices are set too high, a company may find itself uncompetitive and may lose customers. On the other hand, if the price is set too low, a company might not be able to recover from losses incurred by not charging a competitive price from the onset. Consequently, companies need to identify the optimal price point that will maximize the potential for customer satisfaction and company profits.

In addition to service quality and price, a variety of other factors can affect customers' satisfaction, starting from the tastes and style of the food, the atmosphere or ambiance of the restaurant, the behavior of the staff, and much more. Other than service quality and price, there are a lot of other factors that may affect customer satisfaction starting from the tastes and style of the food, the atmosphere or ambiance of the restaurant, the behavior of the staff, and much more.

The service sector has always contributed greatly to the economy of a country. When highly competitive companies advertise, price their products and compete with each other by using advertising wars, price wars, unfair competition, etc, this negatively affects the service sector and the economy as a whole that could result in a rise in prices to help offset high operational costs. However, if

competition in the market is less or almost non-existent, the price offered by the company can be high if the demand is higher than the supply available in the market.

One of the culinary locations that are quite attractive to residents in Medan is Warung Spesial, Medan. Warung Spesial, Medan was established around March 2019, where the restaurant is located at Jalan Kapten Pattimura No.344, Medan, North Sumatra. The location is on the main road to Berastagi or Sibolangit which is a favorite tourist location in North Sumatra. Besides, Warung Spesial, Medan is located quite close to the University of North Sumatra (USU) which is the largest public university in North Sumatra. Looking at the strategic location, as well as market segmentation, Warung Spesial, Medan has had a stake in the downstream sector of Medan area.

The main target market is middle-income students and young people who are sensitive to price, therefore Warung Spesial, Medan should provide affordable prices, variety of contemporary food items and good quality products. Because the local segmented market trend in the area prefers a comfortable and clean place with a suitable ambiance, a place with affordable price and good facilities such as wi-fi and electrical plugs would be preferable. As customers become increasingly demanding, many culinary establishments offer facilities such as these to meet the needs of their customers. Warung Spesial, Medan is also one of the establishments that provide the facilities. Warung Spesial, Medan views customer satisfaction and experience as important keys to the success of a sustainable business in the culinary field in Medan.

Table 1.1 Number of Transaction

Month \ Year	2020	2021
Jan	2800	1890
Feb	3000	2220
Mar	2150	2430
Apr	2000	2340
May	1560	1980
Jun	1670	1920
Jul	1850	1610
Aug	1700	1590
Sep	1750	1650
Oct	1620	1720
Nov	1870	1780
Dec	2010	1810

Source: Prepared by the Writer (Warung Spesial, Medan, 2022)

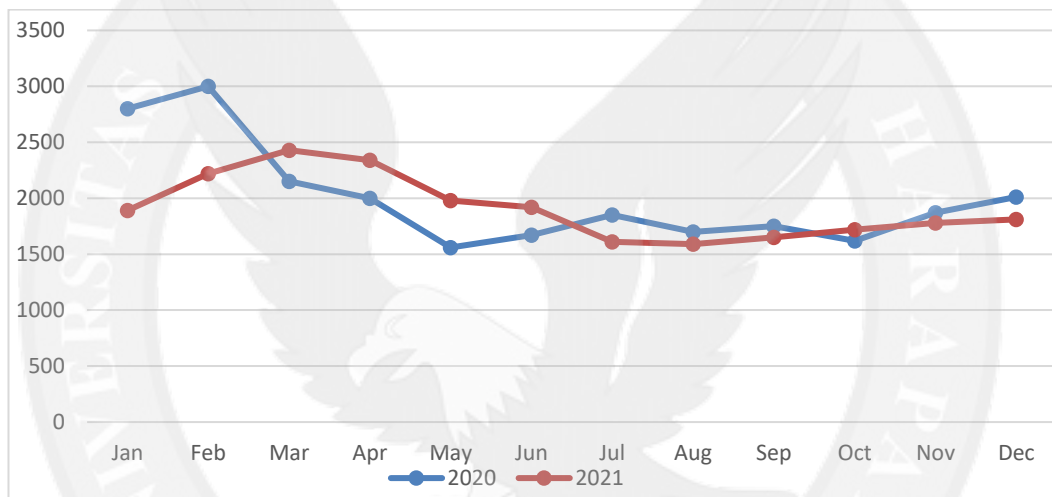


Figure 1.1 Number of Transactions (2020-2021)

Source: Prepared by the writer (Warung Spesial, Medan, 2022)

From the data above we could see that the average of transactions in Warung Spesial, Medan from month to month in 2020 is decreasing. This happens due to management transition and causes negative comments regarding the food taste and the services that the restaurant provides to the customers. In February, this issue has been solved and getting stable. But, in March, the coronavirus pandemic strike and cause the whole industry to experience an extreme drop. But as the number decreased, Warung Spesial, Medan keep improving and start doing promotions at the end of October 2020 to increase the sales where the promotion tells about the

protocol that the restaurant has done to keep the customer safe to visit even in the pandemic situation.

The impact of the promotion keep maintained till 2021 and hit its peak in March 2021. In Mei 2021 the number of people who got infected by the coronavirus increased rapidly and force the government to have an emergency lockdown from July 2021 till the end of September 2021. In this case, Warung Spesial, Medan sales depend on takeaway or online orders such as grab, gojek, etc. When the government imposed a lockdown, operating hours were also limited to 20.00 local time with strict health protocols in an open room with a maximum capacity of 25 percent, one table for a maximum of two people, and a maximum meal time of 30 minutes.

**Table 1.2 Customer's Negative Online Review**

<b>No</b>	<b>Date</b>	<b>Review</b>
1.	2020	Good food but a bit pricey. Cozy and nice place for hangout.
2.	2020	Food and drink are quite delicious, but price a little bit high compare to the similar place. I like the place design, There are outdoor place too and live music at night.
3.	2021	It took so long for the food to be ready! The waiters are unfriendly
4.	October 2021	It's been more than half an hour waiting and then it's said to be empty, even though the children have been hungry since earlier, even the ordered mineral water didn't come out for more than half an hour.
5.	October 2021	The service takes a long time.
6.	October 2021	Restaurant waiters are not friendly

Source: Prepared by the writer (Google Review, 2022)

As the table above, some customers complain about the service quality where the restaurant condition may be a bit busy and the employee was unfriendly which left out bad experience to the customer due to the incomplete order, bad attitude of the waiters and the lateness of information of the food availability. For the price, some might feel a bit pricey for the offered portion. This indicates that it is necessary to conduct further research on whether Warung Spesial, Medan has

met the indicators such as reliability, responsiveness, tangibles, assurance, and empathy in meeting service quality standards to meet customer satisfaction.

**Table 1.3 Price Comparisons**

No	Menu	Price			
		Warung Spesial	The Cups	The Coffee Crowd	Warung Kudeta
1.	Nasi Simangunsong	Rp. 50.500	Rp. 32.000		
2.	Miesop	Rp. 38.500	Rp. 28.000	Rp. 35.200	
3.	Indomie	Rp. 32.500 (With Sausage and egg)	Rp. 17.000 (With egg)	Rp. 22.000	Rp. 27.500 (With Sausage)
4.	Latte	Rp. 37.800	Rp. 25.000		Rp. 25.000

Source: Prepared by the writer (Grab Food, 2022)

Table 1.3 shows that Warung Special Medan charges higher prices than its competitors. For the menu number 1 which is Nasi Simangunsong, Warung Spesial, Medan price is higher Rp. 18.500 than The Cups. For the menu number 2, Miesop, Warung Spesial, Medan price is higher Rp. 10.500 than The Cups and Higher Rp. 3.300 than The Coffee Crowd. Menu number 3 is Indomie, Warung Spesial, Medan offer Indomie with sausage and egg with price Rp. 32.500, The Coffee Crowd offers the Indomie only with price Rp. 22.000 and Warung Kudeta offers Indomie with sausage for Rp. 27.500. The Cups could offer Indomie with egg only with price Rp. 17.000. With the difference of sausage with Warung Spesial, Medan, The Cups Could offer Rp. 15.500 cheaper. For the last menu Latte, Warung Spesial, Medan lead the price with Rp. 37.800 and for The Cups and Warung Kudeta, they offer Latte for only Rp. 25.000 which cheaper Rp, 12.800 then Warung Spesial, Medan.

Based on a review from Google, it can be seen that there was a customer who complain about the pricey products. This needs to be investigated again from the opinions of several customers because the price comparison is considered relative, depending on the target market itself. If the price of the product being



compared by consumers is the price of a roadside stall with minimum facilities, of course, the comparison will seem unfair. In determining whether the customer is satisfied with the price provided, the price given by Warung Spesial Medan must be affordable for most visitors. The price given must also be competitive with similar businesses. Warung Spesial Medan must also be able to adjust prices as the price indicator which are price affordability, price match with product quality, price competitiveness, the suitability of the price with the benefits.

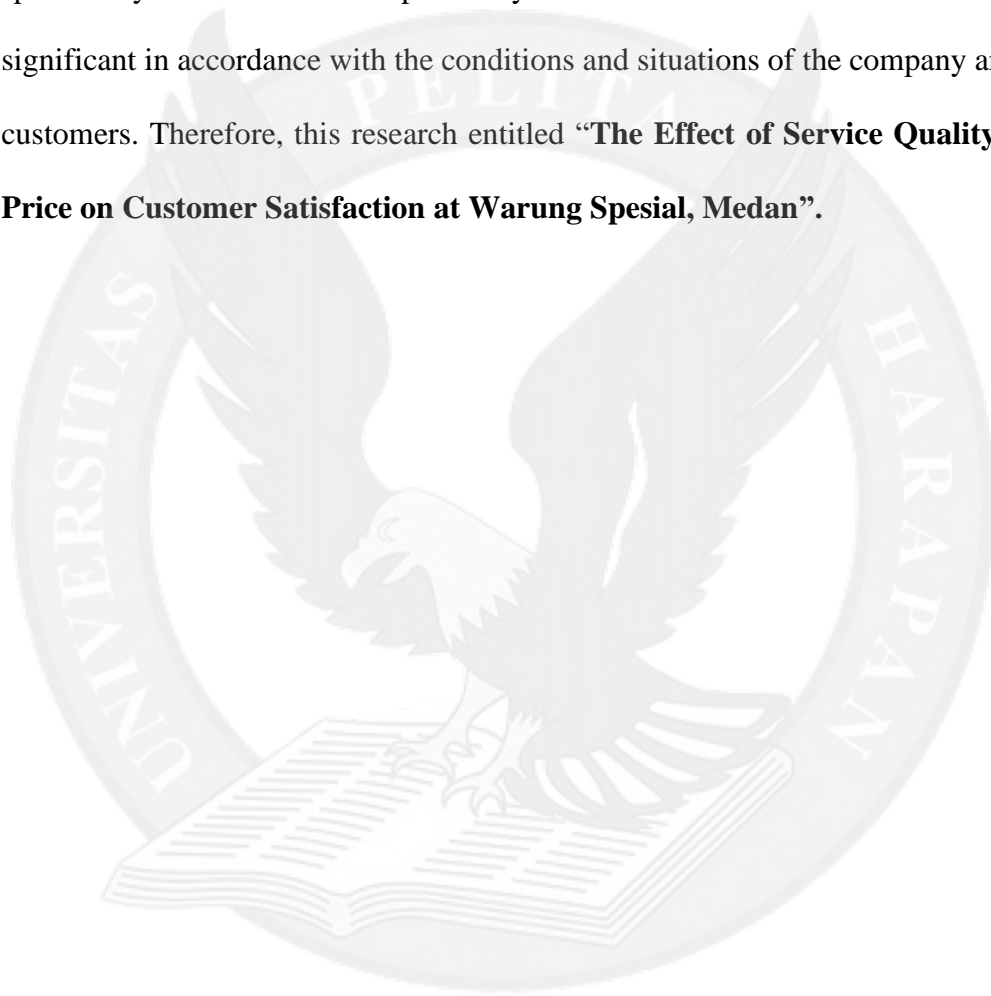
Based on the writer's observations, improvements need to be made in several sectors, especially the price and quality of service at Warung Spesial, Medan. The prices of some menus are not comparable to the portions set by Warung Spesial, Medan. Remembering that the target market of Warung Spesial, Medan is middle-income students and young people who are sensitive to price, of course, the high price does not match the budget of students who generally do not have income. When compared to competitors, the prices set by Warung Spesial, Medan are more expensive.

For the quality of service itself, the waiters are sometimes less responsive and less reliable. For example, when food or drinks have been ordered but have not been served and the additional sauce requested by the customer has not arrived.

Both of these problems can have an impact on the visiting experience of customers. When consumers are dissatisfied with the services and products they receive, the possibility of the customers revisiting will be reduced. In other words, it can directly reduce customer satisfaction. The likelihood of consumers coming

back will be higher if consumers feel the price paid by them is in accordance with the products and services they receive.

Based on the description and background information above, the writer is interested in exploring more clearly the things that affect customer satisfaction, specifically those factors that positively affect customer satisfaction and can be significant in accordance with the conditions and situations of the company and its customers. Therefore, this research entitled “**The Effect of Service Quality and Price on Customer Satisfaction at Warung Spesial, Medan**”.





## 1.2 Problem Limitation

To avoid deviation from the topic, the writer set some problem limitation by focusing on service quality and price as the independent variable and customer satisfaction as the dependent variable. Furthermore, this research will only take place in Warung Spesial, Medan.

The indicator in service quality according to Irawan (2005) as cited in Apriyani & Sunarti (2017) are: reliability, responsiveness, tangibles, assurance, and empathy.

The indicator in price according to Stanton (1998) as cited in Rasyid & Indah (2018) are: price affordability, price match with product quality, price competitiveness, the suitability of the price with the benefits.

The indicator in customer satisfaction according to Tjiptono (2009) as cited in Indrasari (2019) are: conformity of expectations, interest in revisiting, willingness to recommend.

## 1.3 Problem Formulation

Based on the background study above, the writer can formulated research question as follow:

- a. Does service quality have partial effect on customer satisfaction at Warung Spesial, Medan?
- b. Does price have partial effect on customer satisfaction at Warung Spesial, Medan?

- c. Do service quality and price have simultaneous effect on customer satisfaction at Warung Spesial, Medan?

#### **1.4 Objective of the Research**

Based on the problem formulation mentioned previously, the objective of this study are as follows:

- a. To evaluate whether service quality has partial effect on customer satisfaction at Warung Spesial, Medan.
- b. To analyze whether price has partial effect on customer satisfaction at Warung Spesial, Medan.
- c. To investigate whether service quality and price have simultaneous effect on customer satisfaction at Warung Spesial, Medan.

#### **1.5 Benefit of the Research**

The benefit of this research will be divided in to two which are:

##### **1.5.1 Theoretical Benefit**

By completing this research, the writer expects the result to contribute to the academic or theories, especially relevant to the variable which are the service quality, price, and the effect on customer satisfaction.

### 1.5.2 Practical Benefit

Each research is expected to be able to provide benefits to the parties directly involved as well as all parties who will read it. The benefits expected from this research are:

a. For the writer

The purpose of this research is to provide additional information and application of knowledge that has been gained during the lecture period, especially regarding the variables which are price, service quality, and customer satisfaction.

b. For Warung Spesial, Medan

It is hoped that it can provide positive input for evaluation materials to make improvements and provide a solution of the problem.

c. For other researchers

The results of this study are expected to be reference research to whom conduct similar topic or variable.