

## CHAPTER I

### INTRODUCTION

#### 1.1 Background of the Study

Food is a fundamental need that has to be fulfilled every day. For the body to be able to carry out everyday tasks, food is a source of energy. An individual may experience sickness and even die without consuming food. This illustrates how vital food is for the body, so that food becomes a staple to start the day. The value of food in daily life opens possibilities for people to do food business, such as restaurant, café, bars and other kinds of food business. The food industry has expanded very rapidly so far, as it can be shown by the number of culinary businesses that have arisen. It is no wonder that the rivalry is also becoming more and more intense with the advent of many businessmen selling food. It is at this moment that businessmen must do their utmost to win customers' hearts so that the business can run well.

According to Wannasupchue, et al., (2019), restaurants should be constructed to appeal customers, while the food and beverages should be tasty and accompanied by superb service. Restaurants continue to attract the attention of many people in this increasingly advanced era, as an emerging economy, people's disposable income and personal savings are increasing, prompting customers to spend money on dining out with their family and friends (Islam, et al., 2018). Besides, people prefer to dine in restaurants because they feel more at ease there, particularly for those who do not have the time or energy to prepare meals for their

families because they are too busy working, or even for those who want to prepare dishes to commemorate special occasions. It is far more efficient and economical to dine in a restaurant. From this, it can be seen how critical a restaurant's role in enhancing the quality and quantity of food served to customers, as well as competing with other restaurants to reach as many customers as possible.

In fact, there are hazards and advantages to owning a business that every business owner must consider. In the restaurant business, if the owner is unable to solve the problems at hand, the restaurant will surely go bankrupt and close. Conversely, if the owner can solve the problems and continue to develop his or her restaurant well, success will be attained. From many problems that exist in doing food business, there are 2 possible key problems commonly found, which are price and service quality. Both of these problems are often found when they are not in accordance with customer expectation. This is a very serious thing to be considered and supervised, because it can have a fatal consequence when the problem was not resolved immediately, which will be affected through bad reviews and word-of-mouth that will circulate out there and will decrease the restaurant's profile that led into the decreasing number of customer trust in the business.

Price is one of the most important things that should be focused more for sales (Cristo et al., 2017). People who come to the restaurant would like to pay some amount of money to get the products and services that they expect to afford. Typically, a customer would at first look up for the price before deciding to order it. The expensive food taste that does not meet with the customer expectation will cause the decrease in the customer's desire to return to the restaurant. The customer would

like to think again about coming back to the restaurant if the expectation was not fulfilled. Therefore, the price that is set by the restaurant owner was very influential on customer to come back. Consideration must be done carefully by recognizing the aspects whether the food is worth it in terms of price, portion, taste, and quality of food served.

Beside price, there is also another important part of running a business, which is how they treat their customers. In doing a restaurant business, it is of course directly linked to service, which affect how customer value the business very significantly. From the beginning at any time, service quality is compliance, compatibility and fulfilling customer needs. The quality of the service must be evaluated, and it is the most crucial factor in a service-oriented business (Arifin, et al., 2020). Hence, the service provided by the restaurant to the customer can be tangible and intangible services. For the tangible services, which is the service that can be seen, such as placing orders and do payments. Providing the good tangible services shows that the restaurant value customers and respect the customer satisfaction. While the intangible service was the good performances and achieving customer expectation for the product and service provided. Besides the tangible and intangible services, there are some aspects of service that need to be known and done to satisfy the customer, such as responsiveness, empathy, and reliability. Means that the service given by the employee are the best they could give to make customer being loyal.

Customer loyalty is a good partnership between a customer and an organization that is continuing. The customer loyalty drives the repeat transactions

and inspires other customer to choose the business rather than the other similar business, which is called as competitors. A customer can become loyal if they have already experienced the positive experience that might be the good quality of service, feel valued and respected. Besides the repeat transaction, the recommendation by the loyal customer by the word-of-mouth will be an effective way to increase the growth of the business. Therefore, in order the restaurant owner to maintain and increase the customer loyalty, the aspect of service and product to be provided by the employee to the customer should be watched carefully (Truong et al., 2020).

The growing number of restaurants in Medan demonstrates that there is indeed an increase in the business sector. This can be seen for many types of restaurants in almost every part of the city. Of course, the restaurant owners must implement their strategy to continue maintaining and enhancing their business by preparing their own features so that customers can feel comfortable continuing to visit the restaurant. Each customer's satisfaction varies greatly, usually depending on their respective personalities, how they judge both in terms of food, cost, quality, and the environment provided to them.

The research object of this research is Rasa Kita Seafood, which is a restaurant that serves a variety of seafood such as fish, shrimp, crab, and the other kind of seafood. This restaurant is in Cemara Asri Complex, Boulevard Raya No. 88 E-F, Medan, North Sumatra. This restaurant has been operational since 2015 and is open every day of the week except Thursday. According to the typical dining hours, this restaurant's food is served at two times, which is during the day

from 10.30 AM to 14.30 PM and at night from 17.30 PM to 21.30 PM. Rasa Kita Seafood offers a range of meals to satisfy one's appetite, particularly the restaurant's special menu, which comprises crab porridge and abalone sauce tofu, which are all claimed to be quite tasty by customers. Here is an overview data of the special menu's price at Rasa Kita Seafood, Medan:

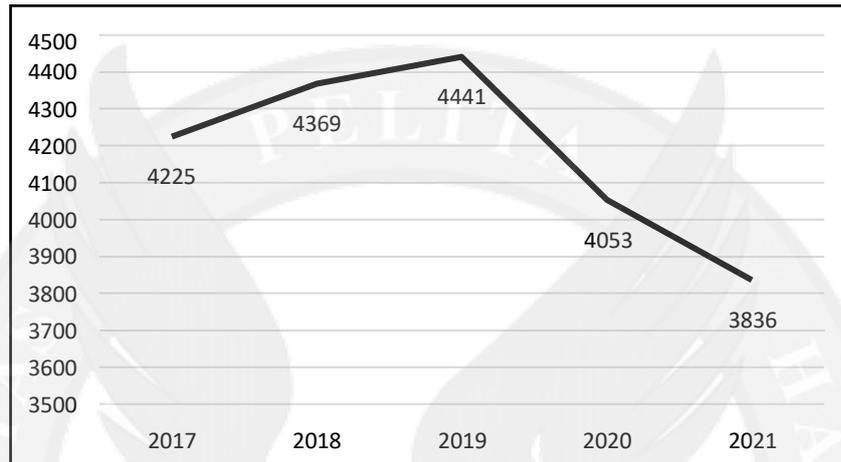
1. Crab Porridge (Rp. 576,000)
2. Abalone Sauce Tofu (Rp. 75,000)
3. Nestum Fried Prawns (Rp. 125,000)
4. Singapore Crispy (Rp. 55,000)
5. Special Hebi Eggplant (Rp. 55,000)

In addition, Rasa Kita Seafood has provided some facilities to keep the customer to be comfortable and would like to come back to eat and spend time there. The restaurant is made up of two shop houses that have been merged into one to provide a spacious and pleasant space with indoor and outdoor alternatives for customers to pick among, with the outdoor option being preferred to enjoy the ambience, especially at night. There is also free Wi-Fi, accept reservations, accept credit cards and e-money payment, member card, provide alcoholic drinks and baby seats is available so that customers do not have to worry while enjoying their food. This restaurant is convenient to reach and has a huge parking lot, making it easier for people that wish to dine there, where it is also located in a complex, which is one of the areas where there are many food businesses that has been known in Medan.

**Table 1.1 Number of Transactions per year in Rasa Kita Seafood, Medan**

Year	Number of Transactions per year
2017	4225
2018	4369
2019	4441
2020	4053
2021	3836

Source: Rasa Kita Seafood, Medan (2022)



**Figure 1.1 Number of Transactions per year in Rasa Kita Seafood, Medan**  
Source: Rasa Kita Seafood, Medan (2022)

Based on the table shown above, it can be observed that the number of customers to Rasa Kita Seafood increased from 2017 to 2019, showing that the business is expanding. However, in 2020, it fell precipitously from the previous year, and this trend continued to 2021. The decline in the number of customers was also affected by the Covid-19 pandemic which affected many people, which raised concerns among customers about dining food in restaurants. Of course, this reduction implies that the business is experiencing issues that must be addressed promptly. Furthermore, here are some other restaurants in Medan that also sell seafood, which is shown below:

**Table 1.2 Other Seafood Restaurants in Medan**

<b>Name of Restaurant</b>	<b>Address</b>
Rasa Seafood	Komplek Cemara Asri, Jl. Boulevard Raya No. 8A-GHI
Marco Seafood	Komplek Cemara Asri, Jl. Cemara Boulevard Blok H1 No. 131/133
Jumbo Seafood	Jl. Putri Hijau No. 8A-D
Wajir Seafood	Jl. Kol Sugiono No. 31
Lembur Kuring	Jl. T. Amir Hamzah No. 85
Hawwi Seafood	Jl. Orion No. 81-83
Waringin Seafood	Jl. Mayang No. 2

Source: Prepared by the Writer (2022)

With so many seafood restaurants in Medan, Rasa Kita Seafood faces stiff competition in many aspects, especially in pricing. The following table compares the prices of dishes at Rasa Kita Seafood, Medan and Rasa Seafood which are both located in Cemara Asri Complex, as follow:

**Table 1.3 The Comparison of Food Price at Rasa Kita Seafood and Rasa Seafood**

<b>Menu</b>	<b>Rasa Kita Seafood Food Price</b>	<b>Rasa Seafood Food Price</b>
Nestum Fried Prawns	Rp. 125,000	Rp. 81,000
Cap Cay	Rp. 55,000	Rp. 41,000
Salted Egg Prawns	Rp. 85,000	Rp. 81,000
Salted Fish Bean Sprouts	Rp. 32,000	Rp. 27,000
Seaweed Soup	Rp. 40,000	Rp. 41,000

Source: Prepared by the Writer (2022)

After conducting a direct interview on 18<sup>th</sup> November 2021 with the restaurant's owner of Rasa Kita Seafood, Medan, Mr. Beny Bustman, he revealed that there have been complaints regarding the price of seafood, especially the crabs, which was thought to be higher than that of other restaurants. Customers are hesitant to returning to this restaurant because of the price issue. The service provided by the employee of Rasa Kita Seafood was also become the focus of this research because there are some complaints about the service quality that make the customer did not enjoy the food and time in the restaurant, such as waiters are less responsive, the food served takes a long time, and the peak atmosphere within the restaurant. Complaints about service quality seem like a minor problem. But actually,

things like this trigger sales and customer's interest to come back to dining at the restaurant. So that it really needs to be considered to maintain the consistency of the trust that the customer has given. The writer collect data from Google Review and below are some customers' reviews of the restaurant from the past few years, as follow:

**Table 1.4 Customer's Reviews on Google Review**

No.	Customer Reviews	Year	Rating
1.	"The food are great, but too long to serve".	2018	2 stars
2.	"One of the worst experiences I had in Medan. The food takes forever to come out. We waited almost 1.5 hours without any food delivered to our table. The kitchen seems to be very chaotic and the owner really doesn't let us go and keep saying 10 more minutes. Luckily the food is actually quite tasty. Their specialty in Crab porridge and that I can recommended. Be aware before coming to this restaurant, maybe check first if they are not that busy and you can come in".	2018	1 star
3.	"Nice seafood but a little bit expensive".	2019	4 stars
4.	"The food have a good taste, the service is too slow".	2019	3 stars
5.	"Good taste, but wait so long".	2019	4 stars
6.	"Love the fried chicken and thumbs up to the porridge although it took a while to get the food out. Long queue, not recommended on weekends".	2020	4 stars
7.	" <i>Pelayanan kurang, makanan ok</i> ".	2020	5 stars
8.	" <i>Parkiran luas buanget, tapi tetap ga bisa parkir jika jam sibuk, karna sekeliling area usaha juga. Pelayanan cepat tanggap dan ramah. Makanan disajikan sesuai dengan foto di menu, jadi ga kerasa di bohongi. Trus rasanya enak dan favoritnya, bubur kepiting (ENAK). Suasana kalau rame panas, sempit, ribut karna ruangan terbuka dan bisa bergema suaranya</i> ".	2020	4 stars
9.	" <i>Ada beberapa karyawan kurang ramah (pelit senyum)</i> "	2021	1 star
10.	"One of the restaurants in Cemara Asri complex that offers delicious seafood delicacies. It offers fresh seafood and some other non-seafood menu. Queue is expected during meals time. Recommended menu is crab porridge and fish skin salted egg. They also serve beverages and beers. Payment can be made by cash and electronic payments. Parking is at road side".	2022	5 stars

Source: Google Review (2022)

Based on the description above, the writer is interested in analyzing the influence given by the customer regarding price changes and also the quality service that is provided by Rasa Kita Seafood. This research is expected to be able to determine the factors that affect customer loyalty. Therefore, this research was

taken with the title **“The Influence of Price and Service Quality towards Customer Loyalty at Rasa Kita Seafood, Medan”**.

## **1.2 Problem Limitation**

As what is written in the background of the study, the writer would like to do a limitation to focusing on the problem itself. The research is limited by researching Price, Service Quality and Customer Loyalty at Rasa Kita Seafood, Medan. In this research, the writer set price as the first independent variable (X1) and service quality as the second independent variable, followed by customer loyalty as the dependent variable (Y). The writer wanted to do research for what will be influenced on the customer loyalty by the changes of price and service quality at Rasa Kita Seafood, Medan. Due to Covid-19, the questionnaire will be distributed online via Google Form, and the number of diners eating at restaurant has reduced during this research time due restrictions in public areas, resulting in insufficient data collection. Furthermore, the writer limits the respondents to those who have made at least three purchases for food and are above 17 years old.

## **1.3 Problem Formulation**

To analyze whether how the price and service quality affect the customer loyalty as Rasa Kita Seafood, Medan. Therefore, the writer formulates some research questions, as follows:

- a. Does Price partially have influence towards Customer Loyalty at Rasa Kita Seafood, Medan?

- b. Does Service Quality partially have influence towards Customer Loyalty at Rasa Kita Seafood, Medan?
- c. Do Price and Service Quality simultaneously have influence towards Customer Loyalty at Rasa Kita Seafood, Medan?

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

The objective of this research is to determine the influence of price and service quality on customer loyalty at Rasa Kita Seafood, Medan, as follows:

- a. To identify the partially influence of Price towards Customer Loyalty at Rasa Kita Seafood, Medan.
- b. To identify the partially influence of Service Quality towards Customer Loyalty at Rasa Kita Seafood, Medan.
- c. To identify the influence of Price and Service Quality simultaneously towards Customer Loyalty at Rasa Kita Seafood, Medan.

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

There are some benefits from the research of customer loyalty as a factor of Price and Service Quality towards Customer Loyalty at Rasa Kita Seafood, Medan, as follows:

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

By doing this research, the writer hopes that the theory of hospitality industry, especially for the price and service quality theory that has been learned during the study in the university, can be better understood. Furthermore, the writer

also hopes that this research will help people to understand more about how the influence of price and service quality towards customer loyalty is, and even can be the guidelines for readers to calculate the services to be provided to the customers.

### **1.5.2 Practical Benefit**

a. For Authors

This research is expected to help the authors in doing business, to know what should be done to gain customer loyalty through many factors.

b. For company

This research is expected to optimize the return of services given to customers and balance the regular price to be in line with what customer expect, be a helpful input. In addition, it has become a material consideration to undertake further preparation to serve customers.

c. For Future Researchers

This research is expected to increase knowledge and become a reference for researcher to do research with the similar title. In addition, to enrich knowledge so that the research to be carried out is more complete and make the researcher much easier.