

CHAPTER I

INTRODUCTION

1.1 Background of Study

Nowadays, business world has continued to grow rapidly in line with the globalization. These allow each individual or group to access, absorb, and study more information and anything that happened quickly in the world. Besides, this also will affect human behavior that tends to get everything faster in fulfilling their needs and wants in the field of information, technology and even their daily needs such as the fulfillment of food and beverages. However, the more sophisticated the era, the more competition exists in a variety of fields, including the food and beverages sector. From time to time, businesses in the food and beverages tend to increase, both in terms of quantity and quality. It is because the need for food and beverages are basic human needs which makes more sense that the culinary industry is always making the trend as everyone is likely to try something new and unique.

However, not all the growing number of food businesses that are developing will last long, especially in the culinary industry. Most of these industries failed or went bankrupt due to a variety of reasons, including bad locating and high rentals, lack of customer experience, complex menu, lack of allocation of resources, lack of knowledge of food business and operation management, and many more (Gyann, 2021). In order not to lose competition to newcomers, restaurant owner must think of strategy to compete with them not only from competitors but also from newcomers as they may create new customers'

need in the future. To maximize profit potential and preserve business, a suitable plan should be developed based on market research and emphasis on the correct quality of food and services.

Furthermore, every business must be responsive to change and adapt to changing customer behavior. Consequently, businesses must prioritize customer satisfaction as the primary goal. This is because customers who make repeat purchases are influenced by the factor of customer satisfaction. Efforts to retain customers are accomplishments that demonstrate the company's reliability in maintaining the quality of its offerings, both goods and services.

In recent years, Indonesia has shown a growth in the number of food and beverages businesses with foods ranging from traditional to modern cuisine. People's lifestyles are usually more practical, such as consuming fast food. Therefore, this opportunity is used by businesspeople to get involved in the food and beverages business by competing in reaching the needs and desires of customers with the products they offer to make competition in the culinary business world more rigorous, resulting in more choices for customers in choosing products that can be purchased and satisfy their needs, causing customers to be more selective in making a purchase decision. Moreover, the purchasing of products is the main thing that every business owner wants. Purchasing is a part of a person's decision-making process for every purchase that she or he makes. Furthermore, every restaurant owner's main purpose is to keep customers coming back for more. This is because loyal customers have a beneficial influence, such as recommending

a restaurant to their relatives which is more effective for the restaurant that continually seeking new customers (Sentoso, 2019)

Therefore, customer purchase decision is high if the restaurant provides what customer expected. However, not every dine-in food is served in accordance with what customers expect to be or in another world so-called inconsistency. Some may result in different taste due to lack of materials added to the food, lack of fresh food, and so on. Besides, menu diversity, food quality, service quality, satisfactory facilities, location, and pricing are some elements that also can impact customer satisfaction and customer repurchasing intention.

According to Suhartanto (2018), food quality is defined as the ability of an item to provide results or performance that matches or exceeds the customer's wants. Besides, food quality is the most significant aspect of the overall service quality and has positive customer satisfaction and loyalty relationship (Wijaya, 2017). The product being sold in the food industry must match the standard requirements of quality to be defined as great food quality. In this part, food quality is the characteristic of food that is acceptable to be served to customers. The external and internal variables included here such as scale, shape, color, loss, and consistency are the external influences, as appearance often involves texture and flavor meanwhile chemical, physical, and microbial components are the internal influences (Nuryani, 2018). Everything must be clean and hygienic during the manufacturing process.

While price perception is a customer's individual assumption about the range or amount of money needed to acquire or use a product or service (Maulana, 2019). Therefore, it can be assumed that the price is the total value of an item or service delivered in the form of money. Furthermore, the price is the value that is already set by the restaurant owner.

This research is done at *Sop Ikan Istimewa Khas Batam*, Medan. The restaurant was established in 2003 by Mr. Sugianto as the owner of the restaurant. Previously, the Batam fish soup came from the city of Batam and only opened in small stalls. In this case, Mr. Sugianto saw that the stalls were always crowded with people and the queue was always very long. This made Mr. Sugianto saw the opportunity in opening *Sop Ikan Istimewa Khas Batam* in Medan and planning to popularize the food in Indonesia. Their target market is people at least or above 30 such as office workers and parents which will bring their family to dine in at the restaurant. This was known as Mr. Sugianto observed that people of that age no longer like to consume foods with a lot of MSG and cholesterol, which might eventually cause sickness as they age. The main menu of this restaurant is their boneless mackerel fish soup served with the characteristics of clear soup which not only tastes delicious and fresh but also contain no MSG or is cooked with natural ingredients that have rich flavour. Furthermore, it is served with no MSG, making it a tasty and healthy dish for those people.

However, this food can also be consumed by millennials as nowadays, they tend to care about what they consume to stay healthy and younger such as career women while men pursue their career in the fitness industry, in which healthy food

is their top priority. Besides, millennials' choice is sometimes not only healthy but as long as it tastes great, no matter how far or isolated the place is, the restaurant could still be found by the new customers as it may market itself by mouth to mouth. Nevertheless, the food at this restaurant is no longer as outstanding as it was when it first opened. This is due to the fact that the owner who previously tend to monitor the restaurant each day is no longer doing that anymore as everything is run by the system now and manager is being assigned to run the restaurant. The owner even asks the chef to personally cook different kind of foods each day in order to test the consistency in serving the food to the customers. Since the owner rarely monitors restaurant, owner can no longer do this anymore as it may all depend on the chef serving the food to customers. As a consequence, it may result in inconsistency in food quality that is being served to customers such as tasting plain, too salty, or too sweet. If this keeps happening, it may result in losing loyal customers and decrease in sales.

Before interviewing the owner, writer also surveyed by questioning about 10-20 respondents from writer's close friend that like to give some honest review about the restaurant. Not only that, writer also tries to dine in at the restaurant in order to test the food quality. From that survey, writer found that some loyal customers ever ate at the restaurant many years ago and ever try the food recently. According to that loyal customers, the quality of food had changed, it was still can be consumed but little bit plain. Some also said that they had never heard the name of the restaurant as they are not the restaurant's target markets (Millenials). Others said that they have consumed, but not the fish that tasted great but it was another

menu. Finally, the writer's opinions about the food quality are also not too great but still can be consumed.

From the writer's point of view, inconsistency in food quality such as plain, too salty, sweet, and so on may still be tolerated if this happens once in a while. But if this keeps happening and the customers always complain and even affect the sales, this might be a big problem for the restaurant as well. As mentioned previously, food quality is really important as it is not only about customer satisfaction but also may affect customer decision in doing the purchase in the future as they may think twice for dining in again as it may result in the same and have many alternatives for better food quality that are served by other restaurants in Medan. While the price, is not too expensive it is not worth it if the food quality does not bring the appetite when dining in. As a results food quality in this restaurant may be a problem for the bad customers' experience. Here is the number of Google reviews about food quality and price perception as shown in Table 1.1

Table 1.1 Customer Reviews and Ratings towards Sop Ikan Istimewa Khas Batam.

No	Reviews	Rating
1.	Delicious and fresh but expensive	5/5
2.	Taste unique and delicious. The price is kind of expensive but that's ok because I still can buy it for my stomach.	5/5
3.	A very suitable culinary place for family and friends. With a characteristic taste that fits on the tongue. Batam special fish soup full of spices, delicious and nutritious menu. Been here many times and never get bored. Recommended it.	5/5
4.	Places are good, normal temperature not cool. For me the food was ordinary, not bad and good but	4/5

	the price kind of expensive does not suit the taste, but I love the fried chicken.	
5.	The fish soup tastes good, and so does their new menu, fish skin with salted egg. Well, the soup is the highlight of all. You could tell by its restaurant name.	4/5
6.	The menu is quite varied, and the place is comfortable. The service is fast and there is a music video entertainment. But parking is limited, and the price of food is quite expensive.	4/5
7.	Fish soup is the main menu at this restaurant. The taste is almost like the fish soup I used to eat in Batam city (only slightly salty). For other menus that I ordered are also delicious and fit on the tongue. The minus is that not all AC is turned on. So those who sit down to eat feel hot. So, I told the waitress to turn on the fan.	4/5
8.	Quite expensive and the ingredients are not fresh. However, the cooking is pretty good, so it is ok for me.	3/5
9.	Unreasonable price with such a small quantity	3/5
10.	Year ago, came to this restaurant, and the fish soup was so delicious. Recently it was just so so and some food tasted plain as well.	2/5

Source: Prepared by the Writer (Sop Ikan Istimewa Khas Batam, 2022)

In per year 2021, the world was grieving because of the corona virus that has emerged since the end of 2019 until an undetermined time when this virus will end. This influences all business sector, especially the restaurant industry. Although it has gotten better, still there has been a decline in sales because everyone is afraid to leave the house for a while and chooses to dine at home. This also affects *Sop Ikan Istimewa Khas Batam* and causes them to experience a decrease in sales as per 2021 as listed below:

Table 1.2 Sales Data of Sop Ikan Istimewa Khas Batam Restaurant from January – June 2021

Month	Sales Amount	Percentage (%)
January	IDR 71.153.000	-
February	IDR 69.120.000	-2,85%
March	IDR 57.345.000	-17,03%
April	IDR 50.234.000	-12,4%
May	IDR 51.055.000	1,63%
June	IDR 42.232.000	-17,28%

Source: Prepared by the Writer (Sop Ikan Istimewa Khas Batam, 2022)

As can see from the table above, there is a decrease in sales of *Sop Ikan Istimewa Khas Batam* restaurant from January to June 2021. It is because the pandemic is still ongoing and has had a huge impact on the restaurant. Though it is allowed for people for entering the public place, everyone is still afraid as many people died during the pandemic in 2020. According to Kompas.com, as of 27 December of 2020 number of people's death was 21.237 in Indonesia.

As a result, the writer is interested in doing research at *Sop Ikan Istimewa Khas Batam* restaurant with the title: **“The Effect of Food Quality and Price Perception towards Customers Repurchase Intention at Sop Ikan Istimewa Khas Batam, Medan.”**

1.2 Problem Limitation

Due to the limited availability of time and resources needed to do research, this research was only limited to food quality (X1) and price perception (X2) as independent variables and customer repurchase intention (Y) as dependent variable at *Sop Ikan Istimewa Khas Batam*, Medan. The entire research will be conducted with *Sop Ikan Istimewa Khas Batam*, Medan as the research object within the

duration of January to June 2021. Eventually, the target of this research will be those of *Sop Ikan Istimewa Khas Batam* customers.

1.3 Problem Formulation

Based on the background of study that is already mentioned above, the writer can take problem identification as follows:

1. Does food quality correlate with customer repurchase intention at *Sop Ikan Istimewa Khas Batam, Medan*?
2. Does price perception correlate with customer repurchase intention at *Sop Ikan Istimewa Khas Batam, Medan*?
3. Is there any effect between food quality and price perception towards customer repurchase intention at *Sop Ikan Istimewa Khas Batam, Medan*?

1.4 Objective of Research

The purpose of this research, according to the background of study and problem formulation, which was written above is:

1. To analyze the correlation between food quality with customer repurchase intention at *Sop Ikan Istimewa Khas Batam, Medan*.
2. To analyze the correlation of price perception with customer repurchase intention at *Sop Ikan Istimewa Khas Batam, Medan*.
3. To find out the effect of food quality and price perception towards customer repurchase intention at *Sop Ikan Istimewa Khas Batam, Medan*.

1.5 Benefit of Research

Based on the research objectives, this research is expected to have both direct and indirect educational benefits. The following are the benefits of this research:

1.5.1 Theoretical Benefit

This research can be used to enhance an understanding of food quality and price perception in the restaurant industry, especially on customer repurchase intention at *Sop Ikan Istimewa Khas Batam*, Medan. Besides, this research can also be used as a guidance for further research in the education industry in the field of restaurant and food quality as well as price perception with the hope of providing comprehensive insights into the actual business climate to meet repurchase intention of customers.

1.5.2 Practical Benefit

The following are the practical benefits offered:

1. For the writer, it provides a clearer understanding of the study of food quality and price perception that affect customer repurchases intention and its relationship in real-life settings at *Sop Ikan Istimewa Khas Batam*, Medan.
2. For the restaurant itself, it offers in-depth analysis to understand the drives of customer repurchase intention, which can then be a source of improving the food quality and price perception in the restaurant.

3. For the future researchers, it is expected to bring additional references in learning the effect of food quality and price perception towards customer repurchase intention.

