

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The restaurant industry in Indonesia has always been an ever-growing and ever-changing industry with numerous participants competing to stand out from their competitors (Salsabila, 2020). The industry is vast with almost no restriction to entry in price, location, or resource aspects. Moreover, the product and service flexibility allows for an extensive range of restaurant types. This results in the numerous various restaurant growing constantly, which try to compete and survive within the industry to gain success. The constant development and competition are the several reasons that support the growth of Indonesia's restaurant industry as they strive for innovation continuously.

The development and competitiveness of the restaurant industry in Indonesia, however, were halted due to the COVID-19 pandemic detected within the country in March 2020. The Coronavirus Disease 2019 (commonly known as COVID-19) itself is a highly contagious respiratory illness that could be transmitted through contact and inhalation of droplets and tiny particles containing SARS-CoV-2 virus breathed out by an infected person (Centers for Disease Control and Prevention, retrieved on 24 November 2021). Due to its infectious characteristic and spreading rate, the Indonesian government issued continuous social distancing measures (such as lockdowns, travel bans, quarantine order, or working-from-home (WFH) impositions) that restrict the movement of people for a long period of time

due to the case numbers which continue to rise acutely day per day (Olivia, Gibson & Nasrudin, 2020). The measure and policy are commonly known as *Pemberlakuan Pembatasan Kegiatan Masyarakat* or PPKM (Community Activities Restrictions Enforcement or CARE). It mentioned how these measures disturb the national economic growth as unemployment rate rises and investment falls due to the slowing down of production rate in activities such as agriculture, transportation, accommodation, and restaurants.

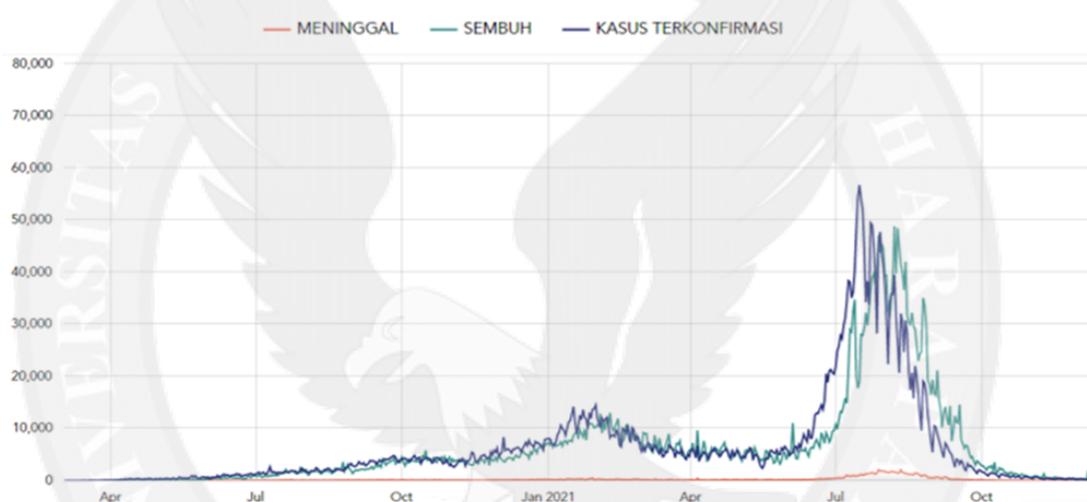


Figure 1. 1 Number of Cases per Day (National)

Source: <https://covid19.go.id> (retrieved on 11 December 2021)

The restaurant industry as a whole is also expected and monitored to adhere to the social distancing measure as restaurant is a common place for large crowd to gather. According to *Surat Edaran Nomor 12 Tahun 2020* (Circular Letter Number 20 Year 2020) from the Indonesian Ministry of Trade, restaurant is required to operate under tight health protocol by screening the health condition of their staffs, prohibiting guests with temperature higher than 37.3°C, preparing health protocol equipment, sterilizing the restaurant space, applying earlier closing time, and managing customer capacity and circulation based on the severity of the zone the

location is located in, ranging from 0% to 75%. Aprillita et al. (2021) mentioned how the condition daunts customers from dining in a restaurant as there are risks of the restaurants not complying with the standard health protocol, and also on how the social distancing measures restrict the restaurant's operation as health protocol equipment requires additional cost knowledge and limiting customer capacity would reduce their effectiveness and profit. In addition, the health protocol intensity changes depending on the spreading and risk conditions and requires restaurant to adjust accordingly at any moment, which could make forecasting for profit or cost extremely difficult.

In such unsteady and constricted state, the restaurant industry's cumulative growth fell from 7.78% in 2019 to 1.58% (Badan Pusat Statistika, retrieved on 26 November 2021). However, compared to the other industries, they still manage to show positive growth, while still maintaining a balanced and steady positive growth throughout the year and the following year. One of the factors that support the further growth is how restaurant's product and service occupy the majority of household consumption expenditure by 16.79% over other consumptions (such as transportation, communication, housing, education, and health consumptions) as economic condition has started to recover (Databoks, retrieved on 26 November 2021). Therefore, the restaurant industry might experience more growth in the upcoming period as there is a consumption demand from the public.

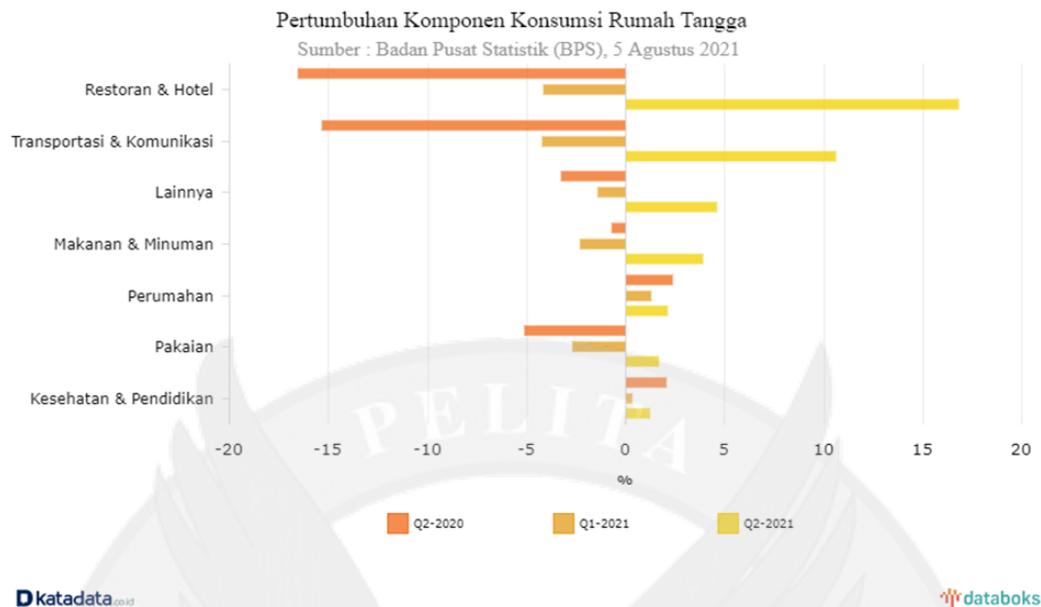


Figure 1. 2 Growth of Household Consumption Component

Source: <https://databoks.katadata.co.id> (retrieved on 26 November 2021)

As PPKM has been loosened due to the drastic fall in confirmed cases and steady vaccination rate, most of the restaurants that survive the severe effects of the pandemic have started to prepare themselves to gain the momentum in operating and growing their business. Customers, who have been adapting to the pandemic situation through online food delivery system, are showing great enthusiasm to dine in restaurant for consumption and leisure purpose (Media Indonesia, retrieved on 14 June 2022). This observation on the customer's desire and movement shows huge potential in the comeback of dine-in restaurants that have been mostly avoided and limited because of the tight PPKM regulation.

Among those is SOHO Capital Medan which is located in Capital Building at the center of Medan City. Established in 2012 as one of pioneer premise in Medan, SOHO Capital Medan is a casual dining restaurant that serves Japanese and Western cuisine, along with an extensive range of alcoholic beverage selection. They open their business starting from 11AM to 12AM, serving lunch, dinner, and night out.

SOHO Capital Medan's dining area is separated into five different venues, which are: Japanese Restaurant, Resto Bar, Wine Lounge, Outdoor Dining, and Capital Lounge.



Figure 1. 3 SOHO Capital Medan's Atmosphere

Source: <https://www.sohocapitalmedan.com> (retrieved on 5 December 2021)

The overall atmosphere in SOHO Capital Medan is aimed to be stylish and unique while remaining relaxed and informal in order to suit any kind of occasion, be it a business meeting, a dinner party, a simple lunch, a vibrant night out, or even a grand-scale celebration.

Some of the factors that boosted SOHO Capital Medan's popularity since its establishment are its unique concept and wine menu, which establish it as one of the most glamorous night-out venues in the city. Therefore, they must maintain their position and popularity in the city as the restaurant industry is competitive, especially when the pandemic situation and protocol limit restaurant operational activity to some extent. SOHO Capital Medan managed to survive the unstable pandemic situation as an up-class restaurant that heavily relies on dine-in food & beverage and service as their specialty with high price even when most of the population are unable to visit restaurant establishment and are under unstable economy. Research is conducted to find what factors could be maintained and

improved to secure survival and promote growth in the upcoming time when the target market is seeking to enjoy and experience restaurant dining again.

For SOHO Capital Medan, there are present prospective competitors due to their similarity in some parts of their concept, pricing range, and overlapping target market. The comparisons of their features are as the following:

Table 1. 1 Comparison of Restaurants

Criteria	SOHO Capital Medan	Bistronomix	Lima Rooftop Bar
Establishment Year	2012	2013	2018
Product Variance	- Japanese and Western Cuisine - Alcoholic Beverage	- Fusion Food (Western and Indonesian Cuisine) - Beer	- Western Food and snacks - Alcoholic Beverage
Price Range	Rp. 100.000 – Rp. 400.000	Rp. 80.000 – Rp. 300.000	Rp. 75.000 – Rp. 350.000
Location	Capital Building, 2 nd Floor, Jl. Putri Hijau No. 1A, Kesawan, Kec. Medan Barat	Jl. Perintis Kemerdekaan, Kesawan, Kec. Medan Barat	Jl. H. Adam Malik No.167, Sei Agul, Kec. Medan Barat
Atmosphere	Stylish and informal atmosphere to suit various occasion and celebration in each of the venues. DJ performance and Acoustic Band are available for entertainment.	Daily rotating performances, such as DJ Performance or Jazz Night, create a jolly atmosphere within the stylish establishment.	Indoor and outdoor dining area that faces the city view. Cozy and relaxing atmosphere with live music performance.

Source: Prepared by Writer (2022)

In maintaining survival and stable growth in the upcoming promising situation, restaurant business need to secure high sales through customer's repurchase intention as they tend to bring in repeat sales and word-of-mouth recommendation to their associates (Desara et al., 2021). Repurchase intention refers to the possibility of a customer purchasing the product and service again on their next visit to the restaurant, which could be grown from positive experience in their current visit (Lin & Chang, 2020). Additionally, they mentioned how this positive experience builds positive views on the product, which would also enhance

their likelihood to spread favorable word-of-mouth to attract more customers. Ma, Qu & Eliwa (2014, as cited in Majid et al., 2018) stated how repeated purchase that turns customer loyal could help in increasing sales growth and providing cost advantage through three main points. Firstly, when customer becomes loyal, they would visit the establishment often and are more open to new products as they have put in their trust. Secondly, loyal customers are less price-sensitive, and there is high chance that they will stay even if there would be any price change. Thirdly, it is more likely for them to recommend the restaurant through positive comments and word-of-mouth marketing, which could attract more new customers to visit and try the dining experience themselves. In addition, Loh & Hassan (2021) found that subjective reference from personal and other's purchase and visiting experience could influence one's repurchase intention the more collectivist the society is.

Hussein (2018) discussed how repurchase intention is directly proportional to customer satisfaction, which could be intensified when pleasant experience for the customer is repeated in every visit the customer. Customer satisfaction itself can be defined as the comparison between a customer's product expectation and reality during the actual dining experience (Kotler et al., 2020) and is considered an important factor for the existence, longevity, and growth of a business. (Kurniawati et al., 2019).

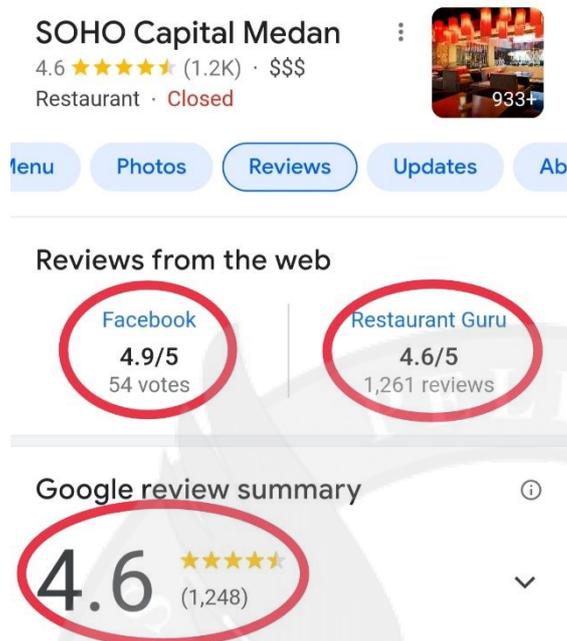


Figure 1. 4 SOHO Capital Medan Star Rating

Source: <https://google.com> (retrieved on 12 December 2021)

As a reference, figure 1.4 shows that SOHO Capital Medan gained the rating of 4.6 stars out of 5.0 stars on Google reviews (1,102 reviews), 4.9 stars out of 5.0 stars (54 votes), and 4.6 stars out of 5.0 stars (1,261 reviews). These reviews are utilized by SOHO Capital Medan's customers to voice their satisfaction and dissatisfaction, in which lower star rating expresses more dissatisfaction and higher star rating expresses more satisfaction during their dining experience. In addition, leaving positive recommendation in such reviews could be considered as an indicator of repeat customers, which could indicate that the majority of customers who gave high ratings have the intention to repurchase from SOHO Capital Medan.

According to Roy (2018), restaurant needs to construct the desired service experience at an emotional level to build and strengthen the sensory point of the service. This means that customer satisfaction may be affected by multiple factors from the customer's experience of visiting and interacting with that particular

product and service. Based on Berliansyah & Suroso's (2018) research on factors influencing customer satisfaction and repurchase intention, food & beverage quality, service quality, place, and price were found to have positive impact on customer satisfaction, which would in turn affect repurchase intention. This study focused on the factors that influence repurchase intention and customer satisfaction, with the factors studied considered to be the basic components of a restaurant business.

Food & Beverage quality in general refers to the overall performance of food and beverage served by a restaurant. According to Rajput & Gahfoor (2020), food & beverage quality is the central and fundamental element of the overall dining experience to satisfy customers as it is the main purpose and expectation of their visit. It has been one of the indispensable factors to influence customer satisfaction in restaurant management research (Mayliza, 2019). Based on Dwaikat et al.'s (2019) research, the factor of food & beverage quality includes taste, variety, freshness, temperature, appearance, and texture. Moreover, Alini et al. (2021) found that income level is positively proportional towards health consciousness, in which people with stable income would prioritize health over their consumer spending. Therefore, as SOHO Capital Medan's market target to focus on the middle and upper-class consumers, health and nutrition factor could be essential in affecting the impact of the overall food & beverage quality towards customer satisfaction,

especially as they are a major concern in a pandemic situation. (Chandra & Siaputra, 2020; Mulyono et al., 2021; Serhan & Serhan, 2019).



Figure 1. 5 Examples of SOHO Capital Medan's Menu

Source: <https://www.sohocapitalmedan.com> (retrieved on 6 December 2021)

SOHO Capital Medan offers various types of food and beverage, ranging from Asian Fusion cuisine to Western cuisine, along with selections of alcoholic and non-alcoholic beverages. The quality of the food and beverage served to the customers comes with the standard SOHO Capital Medan has set for the taste, texture, freshness, appearance, and hygiene.

Service quality is the service received by the customer to form a judgment on the quality of their experience (Prastiwi, 2018). Therefore, service quality provided by a restaurant needs to be optimized based on the standard of operation as it would form the customer's view of the restaurant image. It would be necessary for restaurant business to observe the response of their customers in receiving service as the service quality is a factor measured subjectively and emotionally within a restaurant quality as a whole, where warm and sincere service is preferable to customers (Yi et al., 2018). In addition, amidst the pandemic situation, the health consciousness in public has grown as body with weak immune system is found to

be more vulnerable to COVID-19 infection (Kementerian Kesehatan Republik Indonesia, retrieved on 1 December 2021). In general, the public become more mindful about their hygiene state, including physical sanitation and consumer choice. Based on previous research by Karagiannis & Andrinou (2021), hygiene and staff professionalism that abides by health protocol to protect health safety are evaluated to be important factors in service quality and customer satisfaction. The employees themselves are considered one of the principal factors in determining the safety of restaurant's overall quality through sanitary operational and executional procedure. Hence, service quality would impact customer satisfaction as the fundamental of service quality which customer would perceive is the interaction between the restaurant employee and customer which would occur during the whole dining experience from start to finish (Anjarsari et al., 2018).

The employees in SOHO Capital Medan who is responsible for providing service to the customers have followed the training procedure to work based on the Standard Operating Procedure (SOP) created by the restaurant business. Each employee has also been provided with uniform and expected to look after their appearance (cleanliness and tidiness) to prepare themselves when appearing in front of the customers. Additionally, the employees would also need to abide by the health protocol, such as wearing protective equipment or maintaining safe distance, while providing customer service.

Place refers to the location where restaurant business operates to deliver their product and service to their customers, and reversely also the location where customer reaches, find and purchase product and service (Sudari et al., 2019). Setiawati et al. (2020) found that place influences customer satisfaction, where the more strategic the restaurant is located, the more satisfied the customer would be. A strategic place that appeals to the customers could be based on the accessibility, surrounding environment, and transport facility (Yang et al., 2018). This could mean that customer would be satisfied if the restaurant is located in a safe and pleasing environment, where they could access in and out comfortably using the transport of their choice.



Figure 1. 6 Capital Building

Source: <https://google.com> (retrieved on 12 December 2021)

SOHO Capital Medan itself is located in the Capital Building, which is one of the well-known multifunctional building in Medan City as it has been around for a decade. It is located in the center of the Medan City near various city landmarks, such as Kantor Pos Medan (Medan Post Office), Kesawan District with its historical

building, Grand City Hall Medan, and Podomoro City. Due to being in the city center which has supporting transport facilities, it is close to various commerce and entertainment location, and residential area.

Price is the monetary value or reward attached to a product which is required to be provided by the customer in exchange for satisfying and fulfilling their needs (Karki & Panthi, 2018). Indriana et al. (2021) mentioned that price plays a role in affecting customer satisfaction based on their fairness, where it involves comparison of the actual price with the product or service, previous price before any change, or other competitor's price. If the customer is satisfied with the fairness of the menu price they are paying, it could even lead to repurchase from the restaurant (Özdemir-güzel & Baş, 2020). In addition, Ahmed et al. (2020) suggested that it was crucial for business to strategize their price to be in line with their target market's financial condition as price fairness act as a reliable predictor of customer satisfaction. Dihta's (2019) research revealed that price is indirectly proportional to customer satisfaction, in which the higher the price the customers pay, the less satisfied they are with their dining experience, and vice versa.



Figure 1. 7 SOHO Capital Medan Price Range

Source: <https://google.com> (retrieved on 12 December 2021)



Figure 1. 8 Example of SOHO Capital Medan's Menu Price

Source: <https://www.sohocapitalmedan.com> (retrieved on 14 June 2022)

The menu price in SOHO Capital Medan could be considered to be in the upper range as their target market covers the middle-class and upper-class customer. In addition, the price could be evaluated as fair with the type of food & beverage, service, location, atmosphere, and facilities they provided for the customer's dining experience. Their price could also be considered competitive among other restaurants with similar positioning as they believe they are competent in serving product, service, and atmosphere value that are equal to the price value they charge.

Therefore, based on the stated problems and previous researches, this research journal entitled: "THE INFLUENCE OF FOOD & BEVERAGE QUALITY, SERVICE QUALITY, PLACE, AND PRICE ON CUSTOMER SATISFACTION AND REPURCHASE INTENTION AT SOHO CAPITAL MEDAN" will focus on learning the impact of food & beverage quality, service quality, place, and price on customer satisfaction towards repurchase intention in the restaurant.

1.2 Problem Limitation

Writer has decided on several limitations to be implemented in the research to focus on completing the purpose of the study. One of the limitations concerns the research variable, which is 'Food & Beverage Quality', 'Service Quality', 'Place', and 'Price' as the independent variables, 'Customer Satisfaction' as the intervening variable, and 'Repurchase Intention' as the dependent variable. The research would be conducted in SOHO Capital Medan's Resto Bar dining area on the 2nd floor of Capital Building, focusing on the customers that have visited and purchased from SOHO Capital Medan's Resto Bar.

1.3 Problem Formulation

The problem formulation of the research could be summed as the following:

1. Does food & beverage quality have significant influence on customer satisfaction of SOHO Capital Medan's customers?
2. Does service quality have significant influence on customer satisfaction of SOHO Capital Medan's customers?
3. Does place have significant influence on customer satisfaction of SOHO Capital Medan's customers?
4. Does price have significant influence on customer satisfaction of SOHO Capital Medan's customers?
5. Does customer satisfaction have significant influence on repurchase intention of SOHO Capital Medan's customers?

1.4 Objective of the Research

The purpose of this study is:

1. To determine the significant influence of food & beverage quality on customer satisfaction of SOHO Capital Medan's customers
2. To determine the significant influence of service quality on customer satisfaction of SOHO Capital Medan's customers
3. To determine the significant influence of place on customer satisfaction of SOHO Capital Medan's customers
4. To determine the significant influence of price on customer satisfaction of SOHO Capital Medan's customers
5. To determine the significant influence of customer satisfaction on repurchase intention of SOHO Capital Medan's customers

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The methodology and results from this research are expected to provide more comprehension and knowledge on the impact of a restaurant's food & beverage quality, service quality, place, and price on repurchase intention with customer satisfaction as the intervening variable. Moreover, it could also serve as a reference to future researchers interested in conducting researches on the same matters and problems.

1.5.2 Practical Benefit

1. For the company, SOHO Capital Medan

This research is expected to give an insight to SOHO Capital Medan on how their food & beverage quality, service quality, place, and price could influence customer satisfaction and repurchase intention. The research could be a reference for future decision-making, rule application, and problem-solving that would affect the restaurant's condition, especially towards customer satisfaction and repurchase intention.

2. For future researchers

The results of this research could work as an updated knowledge to the current information on similar topic.

