

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the study

In today's era, the business competition between companies in Indonesia keep growing and getting more intense in the market and one of the business is business in food and beverage industry. The competition not only happened in big city but it also happened in small city. The population of Indonesia keeps increasing every year, which means the needs for food to sustain the necessities of life also continues to increase. Therefore, there are so many types of restaurants in one city and the price of the food depends on the type of restaurant. Because of this globalization, it makes the service industry developing rapidly.

In the current situation, where the coronavirus exists and keeps growing day by day, even now the newest variant of coronavirus appears. Coronavirus first surfaced in China (Wuhan), more precisely at the end of 2019. This coronavirus which most people know as Covid-19 is extremely dangerous virus that can cause disease in humans. This virus is not only detrimental to health side but also affects the economies of countries around the world and one of the countries is Indonesia. This Covid-19 can be said to bring so many troubles to Indonesia starting from health issues, safety, and politics, until the business issues that result in some financial difficulties. This virus causes some the business industry down and one of the industry is food and beverages industry. That's why the owners of the restaurant need to do something extra for the business.

To run a business successfully, especially for business in service industry the organization needs to provide a good service quality. Plus in the restaurant industry, there is a very competitive market, that's why the company needs to provide a good service quality to meet the customer expectation in order to help the restaurant survive in the long term. Therefore, service quality was one of the most important factors in business for service industry.

In the restaurant industry, service quality is an integral aspect of the operation that cannot be separated. The restaurant needs to train their waiters properly because waiters are the ones that will interact with the customers, that's why they play an important role in restaurant. When the service quality meets the customer's expectation, they will give better reviews, and recommend it to people around them, and the probability level of intention to revisit the restaurant will be higher. For the business sides, it makes them get a good reputation, increase their revenue, and of course, the number of customers will increase too.

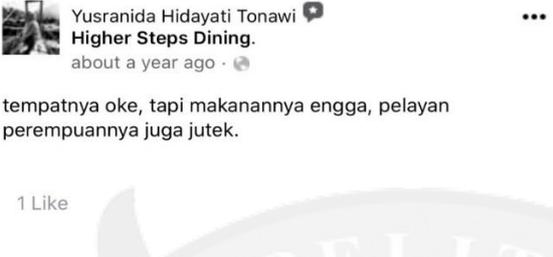
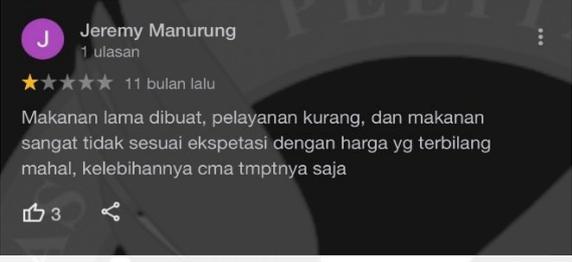
Price also can be considered as one of the most important factors in business for service industry. Price is the amount of money paid by a consumer in exchange for a product or service. Price is one of the most significant factors in the marketing mix, it can be a control and determinant of whether or not a product is accepted by customers because when it comes to the advantages derived from products or services, pricing is one measure of value that is frequently utilized. The price of a product or service is classified as costly or inexpensive depending on the individual's pricing perception which can be influenced by several factors. They will be willing to spend that amount of money when they found out that the

product is reasonable, and suitable and the price matches the product. When the customers feel satisfied with the price of what they got, the level of desire for the customers to buy the product again will be higher.

According to the research conducted by Berliansyah. R (2018), by using SEM analysis the result shows that service quality has a positive and significant effect on customer satisfaction. According to the research conducted by Pribanus and Muhammad (2019), The probability value of price influence on customer satisfaction is less than 0.05, which means that the price has a significant effect on customer satisfaction, and based on the result of the first hypothesis that has been proven it shows that price and customer satisfaction indicates a positive direction.

Higher Steps Dining is a casual dining restaurant. In this restaurant with current situation, they consist of 1 manager, 8 waiters, 2 baristas, 1 cashier , 5 chefs, and 3 dishwashers. The restaurant is suitable for any individuals, families, or groups to enjoy their dine-in at the restaurant. Since this restaurant has a really good concept which is natural concept that gives feeling of cozy atmosphere and also a lot of instagramable place for taking pictures. So, the customer who comes to the restaurant will feel comfortable and happy. Higher Steps Dining restaurant sells so many kinds of food and drink. There is western food, Indonesian food, they also provide food for kids, coffee, tea, juices, etc.

**Tabel 1.1 Customers review Higher Steps Dining at Sunggal**

No	Customers Review	
1		Customer's complain about their services and the taste of the food.
2		Customers complain about their service quality and price of the food.

Source: Google review about Higher Steps Dining

As seen in Table 1.1, which shows customers' complaints about Higher Steps Dining, there is customer who feels the price of the food at Higher Steps Dining can be considered quite expensive. The customer felt the price of the food that the restaurant set is quite expensive because the customer feels that the taste of the food is just standard if compared to the amount of money that they need to spend. In other words, it can be said that the taste of the food is not worth the price. There is also a customer who feels the restaurant's service quality is not good. The problem with the service quality is the restaurant's staff is not friendly, the waiters do not smile, do not greet their customers, and the waiters lack the menu knowledge. If the restaurant side does not handle this problem immediately, it can cause negative impact on the business. It does not only give negative impact on the business but it also gives impact on customer satisfaction. Higher Steps Dining applies charge of service for their restaurant. For sure every customer that

came to the restaurant would like to get the best service from the staff since they need to spend some amount of money for the service charge. When the money that they spend does not meet their expectation, it can impact the intention of the customers to come back to the restaurant.

Based on the phenomena faced by Higher Steps Dining, the writer decided to find out the relationship between service quality, food price, and customer satisfaction in which the writer will write this research of a restaurant entitled **“The Influence Of Service Quality and Food Price Towards Customer Satisfaction at Higher Steps Dining Sunggal”**.

## **1.2 Problem Limitation**

In this research, writer will only focus on discussing their service quality and food price in Higher Steps Dining Sunggal. Where the customer feels the quality of service provided by the staff does not good enough and the price of the food is considered quite expensive. That kind of problem can influence customer satisfaction towards the restaurant. The service quality is the independent variable where it can be analyzed by these dimensions such as tangibles, empathy, assurance, reliability, and responsiveness. Price is the independent variable where it can be analyzed by these dimensions such as affordable, price match with product quality, price competitiveness, and price match with benefits. Customer satisfaction as dependent variable can be analyzed by these dimensions such as service quality, product quality, price, and situational and personal factor.

### **1.3 Problem Formulation**

Based on the background study written above, the writer can take problem formulation as follows:

1. Does service quality influence the customer satisfaction at Higher Steps Dining Sunggal?
2. Does food price influence customer satisfaction at Higher Steps Dining Sunggal?
3. Do service quality and food price influence the customer satisfaction at Higher Steps Dining Sunggal?

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

The following are the objective of the research:

1. To know if service quality influences the customer satisfaction at Higher Steps Dining Sunggal.
2. To know if food price influence the customer satisfaction at Higher Steps Dining Sunggal.
3. To know if service quality and food price influence the customer satisfaction at Higher Steps Dining Sunggal.

### **1.5 Benefits of the Research**

The benefit of doing this research will be divided into two parts, which are:

### **1.5.1 Theoretical Benefits**

1. Give a better understanding of service quality and food price are important in restaurant businesses on customer satisfaction.
2. Hope this research will be able to give knowledge to the readers that conduct the similar topic.

### **1.5.2 Practical Benefit**

This research is expected to help the restaurant improve and give information about the influence of service quality and food price towards customer satisfaction at Higher Steps Dining. Those can make the restaurant increase its profit and gain a better reputation.

