

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Business is a word that is often heard by society, commonly interpreted as an activity to make money and survive in its literal sense. In today's world, the food and beverage service industry has grown a lot. This matter has spread in all walks of life ranging from hotels, restaurants, industrial canteens, hospital canteens, railroads, airways, all are now part of the food & beverage service industry. Basic function of this industry is to serve food & beverage to people, to cater for various types their needs. The main goal is to achieve customer satisfaction. The customers need to satisfy their needs, including physiological (special dietary needs, economy (the need for the best value for the price paid), social (friendly atmosphere, frankly express feelings), psychological (the need to increase self-esteem), and convenience (the desire of others to do the work). Septiningrum (2021), this need plays a large number of roles for determining factor, responsible for determining various types of service methods in food & beverage service industry.

In the food and beverage business, there are better supported by service or maximum service so that guests feel at home, happy and comfortable. Important to note also the quality of service provided so that guests will be satisfied with the service and the products we serve. From here often there is a problem that is not optimal in good guest service through service person and the variety of menus

served to consumers so as to make discontent for guests. Food and beverage is one of the fields that important and vital in the tourism industry, without the business of this field the tourists will find it difficult to meet the needs eat and drink it. But can't It is also undeniable that competition in the field of it's so tight.

It will be better for food and beverage business managers if you can handle it seriously and professional to go with the flow existing competition. Septiningrum (2021), management is a distinct process consisting of planning, organizing, actuating, and controlling, performed to determine and accomplish stated objectives by the use of human being and other resources. Management is a typical process consisting of planning, organizing, mobilizing and controlling in order to achieve the goals that have been set by using human and other resources.

With the increasing number of culinary businesses that are now increasingly varied and modern, various types of food that exist in every country as well as traditional foods can be easily found which causes competition in the culinary business to be increasingly fierce, because food and beverages are primary human needs which have resulted in the culinary industry becoming a promising business. According to Lupiyoadi (2013) as cited in Atamanegara et al. (2019), service quality is how far the difference between reality and consumer expectations for the services they receive. Therefore, to face this competition, culinary business activists in addition to having good service quality and taste of food, and also providing good service in order to attract customers to visit again at the restaurant.

In terms of the price of a food and beverage product offered by a restaurant, it also has an influence on customer loyalty to return to the restaurant, according to Kotler and Keller (2009) as cited in Permatasari and Wahyuningsih (2020), price is a number of the money charged for a product or service or the sum of all values provided by a customer to benefit from owning or using a product, which is the price that the buyer pays to benefit from the product purchased. But now, more and more people want to enter the culinary industry, causing competition in the food and beverage sector to strive to pursue good service quality, price and location selection.

According to Lupiyoadi (2013) as cited in Permatasari and Wahyuningsih (2020), location is a place related to where the company must be headquartered and carry out operations or activities. Nowadays, many people want to operate in the culinary business because Indonesian people still prioritize time to be with family and friends, who when they gather will choose a comfortable restaurant to chat casually. The culinary business also requires good service quality in order to improve the quality of the restaurant which has a positive impact or a good image of the customer towards the restaurant.

According to Kotler and Keller (2009) as cited in Permatasari and Wahyuningsih (2020), consumer satisfaction is a person's feeling of pleasure or disappointment arising from comparing the product's perceived performance (results) against their expectations. According to Garoda (2021) revealed that marketing is not only talking about products, product prices and distributing products, but also communicating this product to the public so that the product is

known and bought by the public. Which means that promotions can help restaurants to be better known by consumers for the services or products being sold.

Service quality assessed by customers is a level that is felt after buying or being served and compared with customer expectations and desires. The better the service provided to the customer, the better the quality of service perceived by the customer. To assess a service quality, indicators are needed. The service quality assessment indicators according to Tjiptono (2012) are tangible, reliability, responsiveness, attention, accuracy, and empathy. The availability of adequate infrastructure, equipment and personnel can be measured on Tangible indicators, while responsiveness, attention, punctuality, accuracy and care for customers can be assessed on indicators: reliability, responsiveness, attention, accuracy, and empathy.

Price is very decisive in marketing because the price will provide benefits to the company. Therefore, pricing is not done arbitrarily. Companies and customers can also assess whether the price that has been set is in accordance with the wishes of the customer and will provide benefits or not. According to Jusnidar et al. (2020), there are several indicators that can be used to assess prices, including price suitability with product quality, price competition, and suitability for benefits. Customers will of course choose products with good quality and commensurate prices. Instead, companies are constantly looking for strategies so that pricing can increase sales and win the competition without incurring losses.

The location of a company will determine the future of the company since it was founded. Determining the location to start a business is very important and requires consideration of many things. According to Gustiani and Septayuda (2019), there are several indicators that can be used to evaluate whether the location of a business is good or not, namely place, facilities, location and competition for customers. Business locations that are easily accessible, crowded, located in the city center, have spacious and comfortable parking facilities, and security will be a good choice. In addition, the location of the business with other competitors in the same area will increase the occurrence of competition in the same sector so that the company must work hard to attract customers.

Promotion is a step taken to introduce a company's products to the public so as to increase marketing opportunities. Through promotions, customers can find out products in detail, ranging from prices, uses, advantages and other information. Promotional strategies must be considered because promotions must attract the attention of customers to increase sales. According to Firmansyah (2020), there are several indicators that can be used to assess promotions that have been carried out by companies, including sustainability, effects on customers, intensity of promotions and timely promotions. Promotions that are carried out continuously and affect customer buying interest are promotions that every company wants. Promotions must also be delivered at the right time so that they are easy to remember and attract the attention of customers.

Customer satisfaction shows the feelings of customers towards what is provided by a company in terms of products and services. Customers who are

satisfied with the services and products provided by the company will become loyal customers and automatically become recommendations for new customers. Customer satisfaction is an experience felt by customers so that certain indicators are needed to assess customer satisfaction. According to Firmansyah (2018), indicators of customer satisfaction include conformity of expectations, revisit intention, recommend to purchase and loyalty. Services and products that meet customer expectations will make customers satisfied. Satisfied customers will have a large percentage of repeat visits and are willing to pay. Satisfied customers who always come back will become loyal customers.

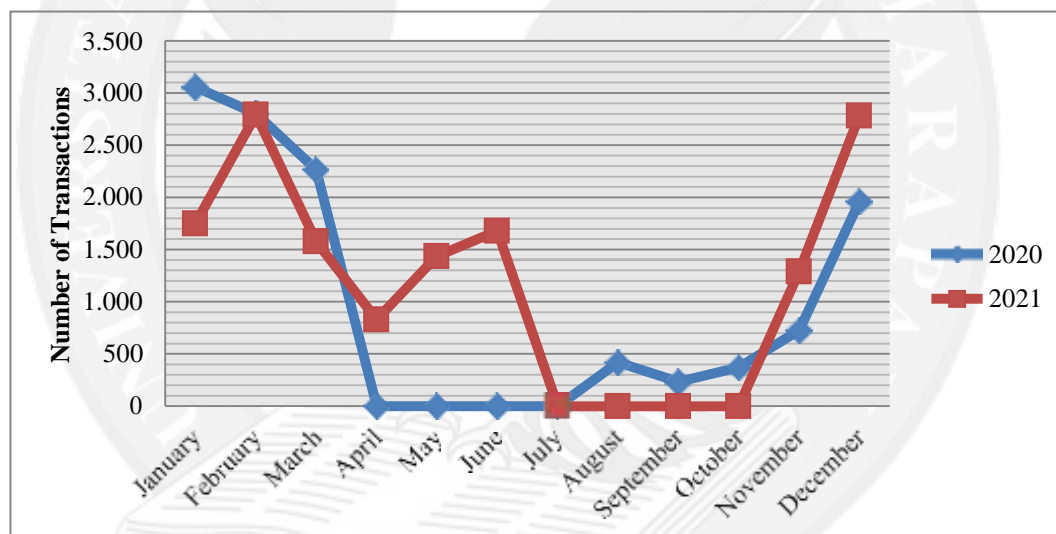
Grand Maximum Seafood Restaurant is one of the culinary businesses that has Chinese food and seafood with a variety of menu options such as steamed Jurung fish, fried haisom mantao, tri combination, ong te mie raja, etc. Grand Maximum Seafood Restaurant is located at Putri Merak Jingga Street Number 2D. In terms of location placement, the Grand Maximum Seafood Restaurant has a large parking area for customers who come to enjoy food at the Grand Maximum Seafood Restaurant. Grand Maximum Seafood Restaurant not only sells Chinese food but also seafood. Grand Maximum Seafood Restaurant also provides room facilities to hold meetings with relatives, family or friends such as birthdays, weddings and business meetings. It is expected that Grand Maximum Seafood Restaurant will be able to understand what Grand Maximum Seafood Restaurant guests expect in terms of service quality, price, promotion and location provided by the restaurant, so as to create satisfaction from Grand Maximum Seafood Restaurant guests.

Although this restaurant is famous, number of transactions in these two years tends to decrease, as shown in table 1.1.

**Table 1.1 Number of Transactions of Grand Maximum Seafood Restaurant during 2020 and 2021**

No.	Month	2020	2021
1.	January	3,057	1,748
2.	February	2,802	2,792
3.	March	2,265	1,577
4.	April	-	831
5.	May	-	1,437
6.	June	-	1,681
7.	July	-	-
8.	August	420	-
9.	September	232	-
10.	October	369	-
11.	November	725	1,289
12.	December	1,957	2,782

Source: Prepared by the Writer (Grand Maximum Seafood Restaurant, 2022)



**Figure 1.1 Graph of Number of Transactions of Grand Maximum Seafood Restaurant during 2020 and 2021**

Source: Prepared by the Writer (Grand Maximum Seafood Restaurant, 2022)

The number of transactions in 2020 was seen to decrease from January to September and again increased at the end of the year. Grand Maximum Seafood Restaurant will not operate from April to July 2020 due to government policies regarding restrictions on community activities and preventing the spread of COVID-19 due to eating in restaurants. The number of transactions in 2021 has

increased and decreased. This happened because the PPKM began to be implemented in the city of Medan and was adjusted to the increase in the number of Covid-19 patients. This restaurant will not operate again from July to October 2021 due to the implementation of PPKM level 4 in the city of Medan. The number of transactions began to increase in November until the end of 2021 due to the easing of PPKM to level 3 in the city of Medan so that restaurants can start operating normally by maintaining health protocols.

Grand Maximum Seafood Restaurant, Medan has reviewed by more than 423 customers on Google Review and its rating is 4.5 of 5. There are some comments from customers that show their satisfaction as seen in Table 1.2.

**Table 1.2 Customers Review about Grand Maximum Seafood Restaurant, Medan**

No.	Year	Comments
1.	2021	When we know a Table cost IDR 1.5 million, we quite shock because from 7 menu, only 2 menu is delicious enough: fried rice and steam fish. The projector also can't be used, we sit at corner side and can't see anything except the building wall. I park my car inside the building and also been charged for 10 K IDR, seriously ? The other Chinese Restaurant nearby is more worth than here.
2.	2020	The air conditioner is not cold enough. limited parking space, especially when it's crowded.
3.	2020	Food was not that good and it's quite expensive. Rice wasn't even cooked well.
4.	2020	Food is served for quite a long time, served one by one with a long lag between menus. fish like not freshly cooked.
5.	2019	Good location, good food, clean place, but the price is a little expensive but according to the quality of the food.
6.	2019	Good and steady food, it's just a small location and less parking space.
7.	2020	Reasonable price, just one or two are a bit expensive. But, i didn't really like the indoor. When i was there, the air conditioner didn't work well even though the waiter had turned it cooler.
8.	2020	Good food, friendly staff but unprofessional. please improve the professionalism of the staff.

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

Many customers complain that the price of food at the Grand Maximum Seafood Restaurant is quite expensive. This high price is also not worth the quality of the taste of the food. although there are some customers who praise the food there is good, but everyone's taste perception is different. The location of this



restaurant is indeed strategic, but this restaurant is relatively small and does not have an adequate parking area, especially when it is crowded. In addition, there are also customers who complain of unprofessional staff.

Based on what was written previously, the writer agrees that there are problems regarding service quality, price, location and promotion at Grand Maximum Seafood Restaurant. The author has also made personal observations about the quality of service, price, location and promotion of this restaurant as shown in Table 1.3

**Table 1.3 Personal Observation about Grand Maximum Seafood Restaurant, Medan.**

No.	Aspects	Indicators	Observation
1.	Service quality	Reliability	Waiters are slow in serving food, food is served one by one and there is a long pause between menus.
		Responsiveness	The waiters are friendly enough, but not responsive, especially if it's rush hour and there are a lot of customers.
		Tangibles	Customers are served quite well even though the infrastructure is not sufficient.
		Attention	Customers must reserve a place in advance so they can be served, especially if the conditions are crowded with customers.
		Accuracy	Waiters serve food to order, but sometimes it doesn't match customer expectations.
		Empathy	Some customers could not be served because the place was full and there was nothing the waiter could do.
2.	Price	Match with product quality	Food prices are quite expensive and for some the menu does not match the tastes of customers.
		Competitiveness	Restaurants set food prices according to market prices, but there are some menus that are quite expensive and some are fairly cheap.
		Match with benefit	The price of the food is not comparable to the distinctive taste of the menu.
3.	Location	Place	The restaurant does not stands in a strategic place and quite narrow.
		Facilities	The facilities provided by the restaurant such as air conditioning, chairs and dining tables, and parking spaces are not available in sufficient quantities.

		Location	The restaurant stands in a location that is not easily accessible to customers.
		Competition for customers	The restaurant has many close competitors with the same type of cuisine.
4.	Promotion	Carried out promotion continuously	The restaurant does not carry out ongoing promotions.
		Can affect customers	The promotions offered can only attract the attention of customers for certain events.
		Can be seen intensely	The restaurant does not carry out intensive promotions.
		At the right time	Restaurants don't always do promotions at the right time.

Source: Prepared by the Writer (2022)

Quality of service, price, location and promotion are important things for all restaurants that will have an impact on customer satisfaction, which means the main key to the success of a restaurant business is to meet the expectations of consumers with the products or services provided by the restaurant.

Based on the background of the study, the authors are interested in conducting research with the title, **“The Influence of Service Quality, Price, Location, and Promotion on Customer Satisfaction at Grand Maximum Seafood Restaurant, Medan.”**

## 1.2 Problem Limitation

Due to limited resources, knowledge and abilities, the writer will limit the problem to focus more on analyzing the influence of service quality, price, location, promotion as independent variables and customer satisfaction as dependent variables. The limitations of the problems will be discussed by the researches in this study are:

- a. Research is limited to customers who have visited Grand Maximum Seafood Restaurant, Medan.
- b. The data for analysis will be collected by using questionnaires.
- c. For service quality variable, the indicators are tangible, reliability, responsiveness, attention, accuracy, and empathy (Tjiptono, 2012). For price variable, the indicators are price match with product quality, price competitiveness, price match with benefits (Jusnidar et al, 2020). For location variable, the indicators are place, facilities, location, and competition for customers (Permatasari and Wahyuningsih, 2020). For promotion variable, the indicators are cafe carry out promotion continuously, promotion carried out by cafes can affect customers, cafe promotion can be seen intensely, cafe promotion at the right time (Setyandi and Satrio, 2018). For customer satisfaction variable, the indicators are conformity of expectations, revisit intention, recommend to purchase, and loyalty (Tjiptono and Diana, 2019).

### **1.3 Problem Formulation**

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

- a. Does service quality have partial influence on customer satisfaction at Grand Maximum Seafood Restaurant, Medan?
- b. Does price have partial influence on customer satisfaction at Grand Maximum Seafood Restaurant, Medan?
- c. Does location have partial influence on customer satisfaction at Grand

Maximum Seafood Restaurant, Medan?

- d. Does promotion have partial influence on customer satisfaction at Grand Maximum Seafood Restaurant, Medan?
- e. Do service quality, price, location and promotion have simultaneous influence on customer satisfaction in Grand Maximum Seafood Restaurant, Medan?

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

Based on the problem formulation that has been described, this research has the following objectives:

- a. To assess whether service quality has partial influence on customer satisfaction at Grand Maximum Seafood Restaurant, Medan.
- b. To describe whether price has partial influence on customer satisfaction at Grand Maximum Seafood Restaurant, Medan.
- c. To explain whether location has partial influence on customer satisfaction at Grand Maximum Seafood Restaurant, Medan.
- d. To analyze whether promotion has partial influence on customer satisfaction at Grand Maximum Seafood Restaurant, Medan.
- e. To investigate whether service quality, price, location, and promotion have simultaneous influence on customer satisfaction at Grand Maximum Seafood Restaurant, Medan.

## **1.5 Benefit of Research**

From this benefit of research will be divided into two, which are:

### **1.5.1 Theoretical Benefit**

It is hoped that the results of the completion of this research can be used to understand the effect of service quality, price, location and promotion that will impact customer satisfaction better, can also be used as research input, and be useful for the development of existing theories especially those relevant with the variables.

### **1.5.2 Practical Benefit**

The following are practical benefit of this research:

a. For the writer

To gain knowledge on service quality, price, location, promotion, and customer satisfaction as well as how they are being influenced by each other. This is to improve and add to overall information on hospitality management study program.

b. For Grand Maximum Seafood Restaurant, Medan

To give insight about the importance of service quality, price, location, and promotion, also how to use their potentials as tools of marketing. To improve food and beverage services, work performance, and product quality to be taken into consideration in formulating future promotional strategies.

c. For Universitas Pelita Harapan

To be used as a reference and reading material for hospitality management study program, especially for students at Universitas Pelita Harapan.

d. For other researchers

To be able to act as a basis, source or comparison of information for other researchers that are interested in doing relevant research.

