

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In Indonesia, food and beverage industry is not a new thing in business sectors, mostly restaurant industry is the one that can be found food and beverage industry. According to Atmodjo (2005) cited in Andriani and Permana (2017), there are several types of restaurants such as a'la carte restaurant, table d'hote restaurant, coffee shop, cafeteria or cafe, canteen, continental restaurant, discotheque, fish and chip shop, grill room, night club, pizzeria, pan cake house, pub, snack bar, specialty restaurant, and family type restaurant. Nowadays, the culinary business is the most popular business mostly done by many people (Kaban & Khong, 2022). As food is one of the essential needs for every human in order to survive which means people will always looking for food. Thus, the competition in food and beverage industry is highly competitive.

Therefore, in order to compete with the competitors' customer satisfaction is the important factor that affects the sustainability of a business including restaurant industry because it could occur repurchase intention, customer loyalty, and willingness to recommend to others. The customer satisfaction is a person feeling it can be the pleasure or disappointment that occur after purchasing the product or service known as the result that has been expected by customer (Lestari et al., 2021).

According to Tjiptono and Anastasia (2015:43) cited in Iswandi and Anisya (2020) the indicators to measure customer satisfaction such as interest in repurchasing, customer loyalty, complaint, and willingness to recommend to others. Furthermore, as the customer is satisfied by showing the pleasure feeling with the product or service that the customer has purchased means repurchase intention, loyalty, no complaint, and recommendation to others could be occurring by customer, which could give the company more profit means both parties could have fair advantages, on the contrary if the customer is not satisfied by showing the disappointment feeling there will be only complaint occurs in which the company could not earn more profit and could not compete with the competitors.

Moreover, as the food and beverage industry keep growing the customer always looking for new place to taste new menu instead of staying in one place especially when the customer is not satisfied with the food because talking about culinary is always related to food, this makes food quality is very important determining the restaurant industry to success. Food quality is the quality characteristic that can be accepted by customers (Lestari & Yusuf, 2019). However, every customer has their preference in order to accept the food quality. According to West, Wood and Harger (2006, p.39), Gaman and Sherrington (1996, p.132) and Jones (2000, p.109-110) cited in Susilowati (2018) stated there are several indicators of food quality consist of color, appearance, portion, shape, temperature, texture, aroma, the level of doneness, and taste. Therefore, the good food quality that usually customer can accept is

based on the indicators and if one of the indicators is lacking surely the customer will not feel satisfied.

Moreover, the complaint of the customer will occur the brand of the company itself could fall because giving complaints nowadays is very easy with the help of technology the customers can leave every feedback on the company page on the internet which means the other customers can see it as review which makes the other customers can decide not to purchase it on the company, if it happens, it could make the company experience losses and could not make the business itself sustained. Therefore, the food quality is related to customer satisfaction, whereas according to Augustinus and Iona (2020) as the researchers also stated that food quality has a relationship towards customer satisfaction.

While purchasing a product or service, people will always try to find the nominal price because it is one of the important things before people make purchase decision, price is the amount of the money that has been determined by the company to exchange the product or service to satisfy the customer needs and wants (Worotikan et al., 2021). Therefore, the company needs to maintain the price in order to have stable business performance, there are four indicators of price according to Stanton (1998) cited in Puspitasari and Basuki (2019) such as affordability of price, price competitiveness, price compliance with product quality, and compatibility of prices with the benefits of the products.

The customer is very sensitive to price while purchasing something because it is like human behaviour where before purchasing product or service the customer always thinks it first was worth it or not, even if it is worth but in other company which is the competitors was selling the same product or service with cheaper price surely the customer will purchase to the competitors and if the customer knows it after purchase the product or service with higher price, the customer will feel loss and disappointed which this could make customer not satisfied and the customer itself will have the perception where all the product or service of the company sell is higher than the competitors and in the future, the customer will only purchase the product or service of the competitors instead of the company which this situation makes the company could not able to compete with the competitors. Therefore, price is also related to customer satisfaction where according to Mariansyah and Syarif (2020) as the researchers also stated that price is important factor to determine customer satisfaction.

In addition, according to Sianipar (2020) has researched the effects of food quality and price on customer satisfaction in the Food Junction Canteen of Universitas Pelita Harapan Karawaci, the result of the researcher confirm that in restaurant industry, food quality and price become the main criteria for measuring customer satisfaction, many people tend to make comparison between different restaurants either before or after purchase to make a better assessment of the value and the level of the satisfaction of each customer. This makes the author believe food quality and price could achieve the customer satisfaction in order to compete with the competitors where the variable such as

food quality, price, and customer satisfaction match with the problem of the research object in this paper.



**Figure 1.1 Lim's Cafe Kok Tong in Binjai**

Source: Prepared by the author (2021)

Lim's Cafe Kok Tong in Binjai as the research object of this research is owned by Hardy Prasetya Sutanto located in Jl. RA. Kartini No.1 Binjai. This cafe has been operating for 9 years since 2012, the operating time from Monday to Sunday is 8 a.m. until 9 p.m. Lim's Cafe Kok Tong in Binjai has two floors and both have outdoor and indoor sitting place where outdoor usually for the smokers and indoor is for non-smokers. In addition, with various menu and price that Lim's Cafe Kok Tong in Binjai sell, it could attract the young adult until adults, such as breakfast package, main meal, snack, toast, coffee base, tea base, chocolate base, jelly base, float, fruit juice, special drink, and more.

As the customer satisfaction is important in order to compete with the competitors, especially in food and beverage industry, and Lim's Cafe Kok Tong in Binjai has been operating for 9 years in Binjai. It is not easy to maintain the customer satisfaction because as the food and beverage business industry keep growing that include in Binjai there is also another cafe that mostly has the same concept as Lim's Cafe Kok Tong in Binjai include the food and price. Therefore, the author has done some research and interviewed the owner of Lim's Cafe Kok Tong in Binjai and found out some problem which is dissatisfaction or complaint from the customers mostly about the food quality and price.

**Table 1.1 Number of Complaints at Lim's Cafe Kok Tong in Binjai from January to October 2021**

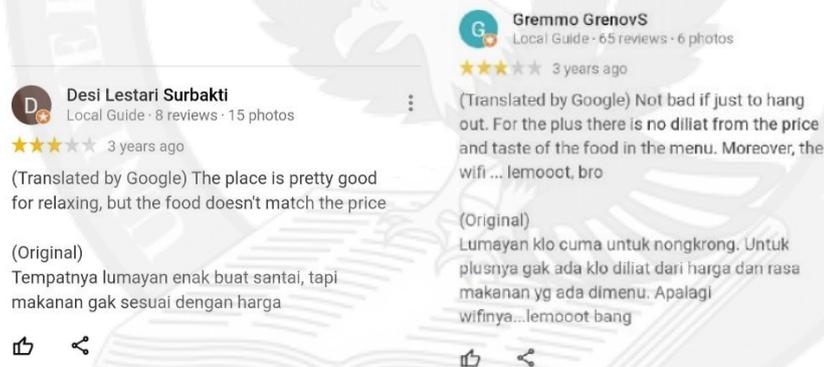
No.	Type of complaint	Frequency (from January to October 2021)
1.	The food is too salty	15
2.	Random food hazard items can be found in the food	8
3.	The food is not cooked well	7
4.	The food is burnt	3
5.	The food does not match the price	2

Source: Lim's Cafe Kok Tong in Binjai (2021)

Based on the interview with the owner of Lim's Cafe Kok Tong in Binjai, the most complaint the owner receives can be seen in the table 1.1 above such as where the food is too salty. This complaint got the highest frequency because every customer has their taste preference in which some people might taste the food to be too salty. On the other hand, random food hazard items can be found in the food, the food is not cooked well, the food is burnt, and the food does not match the price has the lower frequency than the complaint about the food being too salty. As for the price of the food at Lim's Cafe Kok Tong in Binjai, it has variety of price that are mostly different for each food menu, where it is started from Rp.10.000, - to

Rp.30.000, -. However, as each customer has different preferences not only in the taste of the food it is also in the price this makes the complaint occur which is about the food does not match the price, the customer feels dissatisfied because the amount of the money that the customer has willing to spend it does not accord with the taste of the food that the customer has expected.

Furthermore, from the google review the author also found bad review from customers regarding food quality and price at Lim's Cafe Kok Tong in Binjai and it also becomes one dissatisfaction or complaint that author found during the interview with the owner of Lim's Cafe Kok Tong in Binjai such as like the food does not match with the price also about the taste of the food, it can be seen in picture 1.1 below.



**Figure 1.2 Reviews of Lim's Cafe Kok Tong in Binjai**

Source: Google Review

Moreover, if these problems keep occurring it could decline in the number of customers, where the table 1.2 below shows the number of visitors at Lim's Cafe Kok Tong in Binjai from January to October 2021.

**Table 1.2 Number of Visitors at Lim's Cafe Kok Tong in Binjai from January to October 2021**

Month	Number of Visitors	% Change
January	1.115	-
February	1.047	-6,09%
March	1.082	3,34%
April	1.025	-5,26%
May	1.097	7,02%
June	1.062	-3,19%
July	752	-29,19%
August	512	-31,91%
September	495	-3,32%
October	455	-8,08%

Source: Lim's Cafe Kok Tong in Binjai(2021)

The number of visitors at Lim's Cafe Kok Tong in Binjai from January to October 2021 it always not stable, on January the number of visitors was 1.115, in February it was decreased to 6,09% which is 1.047, in March it was increased to 3,34% which is 1.082, on April it was decreased again with 5,26% which is 1.025 and on May it was increased with 7,02% which is 1.097. However, for the last 5 months it keeps decreasing such as June with 3,19% which is 1.062, in July with 29,19% which is 752, in August with 31,91% which is 512, in September with 3.32% which is 495 and in October with 8,08% which is 455. Furthermore, the Covid-19 Pandemic happen, which could become one of the reasons that the number of visitors is not stable and the complaint that occurs at Lim's Cafe Kok Tong in Binjai is also might affect the number of visitors at Lim's Cafe Kok Tong in Binjai.

In addition, when the customer is not satisfied there will be no intention to repurchase, customer loyalty, or recommendation to others because customer satisfaction is the key of the business to success. From the various result of some previous researchers and description data above, the author is interested to study

and do a further research on the problem phenomenon that happens in the research object of this research. Therefore, this research will be done under the title “**The Influence of Food Quality and Price Toward Customer Satisfaction at Lim’s Cafe Kok Tong in Binjai**”.

## **1.2 Problem Limitation**

As it is limited in time and budget, in order to have effective research the author will only focus on the influence of “Food Quality” and “Price” toward “Customer Satisfaction” at Lim’s Cafe Kok Tong in Binjai especially only for the customers that have been visited Lim’s Cafe Kok Tong in Binjai, not including the online food order. The Dependent variable (Y) is customer satisfaction which is the key to business sustainability that including in food and beverage industry. Meanwhile, the independent variables are food quality (X1) and price (X2) this variable has been selected that they influence customer satisfaction especially in food and beverage industry.

Moreover, the food quality will only be limited to color, appearance, portion, shape, temperature, texture, aroma, the level of doneness, and taste as the indicators of food quality according to West, Wood, and Harger (2006, p.39), Gaman and Sherrington (1996, p.132) and Jones (2000, p.109-110) cited in Susilowati (2018), for the price according to Stanton (1998) cited in Puspitasari and Basuki (2019) the indicators will be as affordability of price, price competitiveness, price compliance with product quality, and compatibility of prices with the benefits of the products and for the customer satisfaction the indicators will be interested in repurchasing, customer loyalty, complaint, and

willingness to recommend to others (Tjiptono & Anastasia, 2015:43) cited in (Iswandi & Anisya, 2020).

### **1.3 Problem Formulation**

Based on the background of study, the problem formulation of the problem in this research is as follows:

1. How does the food quality at Lim's Cafe Kok Tong in Binjai?
2. What does the price at Lim's Cafe Kok Tong in Binjai?
3. How satisfied are customers of Lim's Cafe Kok Tong in Binjai?
4. Does food quality influence toward customer satisfaction at Lim's Cafe Kok Tong in Binjai?
5. Does price influence toward customer satisfaction at Lim's Cafe Kok Tong in Binjai?
6. Do food quality and price simultaneously influence toward customer satisfaction at Lim's Cafe Kok Tong in Binjai?

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

From the problem formulation above, the objectives of this paper are:

1. To access the quality of food at Lim's Cafe Kok Tong in Binjai.
2. To describe the price at Lim's Cafe Kok Tong in Binjai.
3. To discover whether customers are satisfied with Lim's Cafe Kok Tong in Binjai.
4. To investigate whether food quality influences customer satisfaction at Lim's Cafe Kok Tong in Binjai.

5. To describe price influence customer satisfaction at Lim's Cafe Kok Tong in Binjai.
6. To investigate food quality and price have simultaneously influenced toward customer satisfaction at Lim's Cafe Kok Tong in Binjai.

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

The benefit of conducting this research is divided into two kinds of benefit, which are theoretical benefit and practical benefit.

#### **1.5.1 Theoretical Benefit**

1. For author and readers

This research will help the author and readers to gain more knowledge about the influence of food quality and price toward customer satisfaction at Lim's Cafe Kok Tong in Binjai theoretically.

2. For Lim's Cafe Kok Tong in Binjai and more similar companies

This research will help Lim's Cafe Kok Tong in Binjai along with other people who are interested or going to do similar business with the research object of this research which Lim's Cafe Kok Tong in Binjai to have better understanding of the general information of food quality, price, and customer satisfaction.

3. For Future researchers

This research can be used as additional reference material for future research.

### **1.5.2 Practical Benefit**

1. For Lim's Cafe Kok Tong in Binjai and more similar companies

The result of this research is expected to help Lim's Cafe Kok Tong in Binjai and other similar companies that are having the same problems with Lim's Cafe Kok Tong Binjai to do some improvements in food quality and price in order to gain customer satisfaction.

2. For future researchers

The result of this research is expected to help future research to gain additional source of the information related to food quality and price toward customer satisfaction.

## **1.6 Research Outlines**

### **Chapter 1: Introduction**

In this chapter the research problem is introduced to the reader, it starts from background information that defines the issues and important terms related to the research topic in order to determine the research objectives that are examined in the greater depth to help understand the research problem.

### **Chapter 2: Literature Review**

This chapter concludes all the important studies and findings on the research topic that have been published and this study state what has already been studied previously. This chapter also includes clear explanation theory that is related to the research problem such as the explanation of why it is significant and how the modeling efforts addressed the hypothesis to be tested.

### **Chapter 3: Research Methods**

This chapter describes the full detailed technical and scientific method of data collection that include research design, population target and characteristics, sampling plan, instrumentation of data collection, statistical tools and data treatment.

### **Chapter 4: Data Analysis**

This chapter describes the research findings in the tables and the pictures, include a detailed explanation of the generated research results and a discussion of how the data results findings are related to the theory and previous researchers provided at the beginning of the study and this chapters the discussion is a sort of comprehensive discussion and it is ought to address the research questions.

### **Chapter 5: Conclusion**

This chapter consists of the summary of research, the conclusions and recommendation that may be used to advance the study of the research topic through theoretical, methodological and substantive contributions that might be important to overcome the limitations of existing empirical evidence in the future.