

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this age of globalization, the culinary industry is rapidly increasing, leading to more competition. This may be seen in the variety of new culinary businesses that have sprouted up. People's lives are changing as a result of this modern culture. People are able to do more activities and spend more time outside as a result of the changes in their way of life. People that fall into this category like to dine in establishments of café and restaurants that provide a broad range of food alternatives at reasonable prices. The neighborhood's café and restaurant scene are thriving, yet many of these establishments are forced to close due to lack of customers (Syahroni et al., 2018).

According to Subagiyo (2021), success in the culinary field is influenced by how service providers satisfy customers. Individual customer satisfaction is very difficult to achieve because of the diversity of customers themselves so customer satisfaction is very important for every service provider.

According to Setiawan (2017), many factors determine the success of a business, one of which is price. Pricing is one of the factors that must be considered by an entrepreneur in setting the price of a product or service that is sold or offered because price is all the value given by consumers to benefit from owning or using a product/service. Price has become a major factor influencing consumer choice. Café or restaurant that give high quality and safety standard is

crucial. Customer loyalty may be achieved by ensuring that customers are loyal dengan harga yang dapat mereka beli dan pelayanan yang didapat.

Service quality must be a consideration for all parties involved in the hotel business. The capability to give services is highly valued by customers. Customers will visit a restaurant more frequently if they receive outstanding service in terms of speed and accuracy. Customers who are satisfied with the services provided as a consequence of exceptional service are more likely to remain loyal. Customers' sales can be increased by delivering excellent service quality. A consumer's perception of a business is significantly influenced by the level of customer satisfaction. Customers who have a pleasant experience will almost certainly tell their friends about their experience. Customers will be pleased with the café's service if it is of high quality.

According to Setiawati et al. (2020), service quality depends on a business and its employee's ability to consistently satisfy the needs of customers. This may be done by looking at how customers feel about the services they have got compared to what customers expect from a business service quality.

Ramanathan (2015) in Suryandriyo (2018) stated that at the same time as customers are enjoying their meal, they are having a personal interaction with the waiters. It is essential that waiters can quickly and easily bill customers for their services. Customer dining experiences may be destroyed even if the meal itself is flawless in the eyes of the customer owing to issues such as inaccurate invoicing, excessive payment wait times, and service that unappreciated.

When it comes to the brand image, service quality is critical. The business will benefit from its high standard of customer service. When a business is valued by customers, they are more likely to offer positive feedback and become loyal customers. As a result, the quality of the service given is a critical factor in determining customer satisfaction. Examples of the kinds of services that may be supplied to customers via attitudes and direct actions include conveniences such as speed, ability, and politeness. As stated by Syahroni et al. (2018), service quality is a dynamic situation that is inextricably linked to goods, services, human resources, as well as processes, and the environment.

Better, service quality is some of the most important things in creating customer satisfaction, but understanding how to evaluate it as quality that can be accepted by some consumers is not easy. Customer satisfaction forms the basis of any business or business that is more successful in repeat purchases and customer loyalty (Honey, 2018).

According to Sunyoto (2015) in Winarti et al (2019), customer loyalty is the tendency of customers to choose the organizational value offered over the alternative offerings of competing organizations. The creation of customer loyalty in enjoying the services that have been provided is produced when consumers feel satisfied and believe in the products and services that have been provided.

Customer satisfaction is attained when the desired food quality and service quality are in accordance with accepted reality. Customer's opinions of compliance are based on their knowledge and experience. Customer satisfaction is

a non-negotiable in the restaurant industry. Customer trust and loyalty are predicted to increase as a result of the fulfillment of customer satisfaction.

According to Soetrisno (2018), customers come from a diverse range of backgrounds, and each customer brings their own set of objectives, requirements, aspirations, and also preferences. Hence, customer satisfaction is not always simple to get.

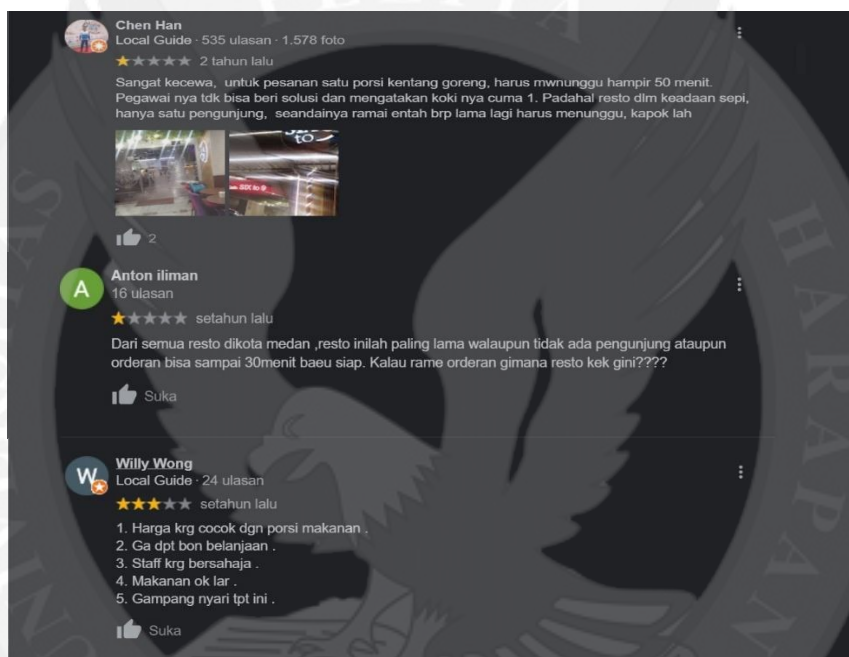


Figure 1.1 Review of Social Media

Source: Six to 9 Café Medan Google Review (2020-2022)

Six to 9 Café Medan is the object of this research because this is one of the cafés at Medan that has been around for a long time and has the potential customers for the research sample. Six to 9 Café is a Western-themed café in Medan. It is located on MH Thamrin Street Number 69. At Six to 9 Café, customer can choose from a wide range of menu options that are common in many western cafes. Six to 9 Cafe Medan is having issues with diminishing customer satisfaction and these customers offer negative comments and do not

suggest it to other customers. As a result, the café's management receives many complaints and recommendations from unsatisfied customers on a variety of issues, including pricing and service quality.

Based on the description above, writer decided to conduct research entitled, **“The Effect of Price Perceived and Service Quality on Customer Loyalty with Customer Satisfaction as Mediating Variable at Six to 9 Café Medan”**.

1.2 Problem Limitation

Problem limitations have been established by the writer in order to prevent any deviations from the research topic such as follows:

1. The research object is only limited to Six to 9 Café Medan.
2. The dependent variable in this research is customer loyalty.
3. The independent variables in this research are price perceived and service quality.
4. The mediating variable in this research is customer satisfaction.
5. The research will focus only on repeated customer in order to find many problems regarding Six to 9 Café Medan.

1.3 Problem Formulation

Based on the previously stated background, the problem formulation in this research is as follows:

1. How is price perceived at Six to 9 Café Medan?

2. How is service quality at Six to 9 Café Medan?
3. How is customer loyalty at Six to 9 Café Medan?
4. How is customer satisfaction at Six to 9 Café Medan?
5. How is price perceived and service quality on customer loyalty with customer satisfaction as mediating variable at Six to 9 Café Medan?

1.4 Objective of the Research

In accordance with the problem formulations that have been described above, the objective of research which supposed to solve the problems that already been found are as follows:

1. To know the effect of price perceived at Six to 9 Café Medan.
2. To know the effect of service quality at Six to 9 Café Medan.
3. To know the effect of customer loyalty at Six to 9 Café Medan.
4. To know the effect of customer satisfaction at Six to 9 Café Medan.
5. To know the effect of price perceived and service quality on customer loyalty with customer satisfaction as mediating variable at Six to 9 Café Medan.

1.5 Benefit of the Research

This research is supposed to be beneficial to all parties involved and the benefits can be divided into two categories, such as:

1.5.1 Theoretical Benefit

1. For readers

The results of this study can be utilized as material to show that there is a relationship between price perceived and service quality on customer loyalty with customer satisfaction as mediating variable that was examined by the writer.

2. For writer

The results of this study can be used as a comparison between the theories learned during the lecture and the reality that occurs in the company or business in order to increase the knowledge of the writer.

3. For other researchers

The results of this study are anticipated to serve as future references for other researchers who study or examine the same concern.

1.5.2 Practical Benefit

1. For Six to 9 Café Medan

The writer hopes that the results of this research will be useful to Six to 9 Café Medan as input or ideas in an attempt to boost customer loyalty and satisfaction by considering price and service quality.

2. For future researchers

The writer hopes that this research might be used by future researchers as a basis for discussion and comparison when selecting an appropriate title.