

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

Globalization causes development and improvement to occur in every layer of society where the changes are marked by the developing mindset of the people and indirectly have an impact on the community in everyday life. The impact of globalization can be seen in the increasing number of emerging goods and services that highlight their respective advantages and uniqueness, providing consumers with a variety of alternative product choices. In contrast to its impact on consumers, changes and development of the times tightens competition for companies due to the high level of competition occurring in the business world.

Teten Masduki, Minister of Cooperatives and Small and Medium Enterprises (UKM), stated that Indonesia's entrepreneurship ratio increased from 3.47% in 2020 to 3.74% of the total population of 274 million people in 2021 (Liputan 6, 2021). Due to the growing number of entrepreneurs, intense competition necessitates businesses to maximize performance in order to compete. Entrepreneurs must have a good marketing strategy and adapt to the ever-changing needs of consumers in order to strive in this increasingly competitive business environment. Understanding the needs, wants, and demands of customers will provide valuable input and insights for businesses in building the most suitable marketing strategies and, thus, generate customer satisfaction (Kotler dan Armstrong, 2018). One of the most favorable business sectors in Indonesia is Food and Beverage Industry as it is

a profitable business and has kept growing even during this Covid-19 situation. Indonesia's restaurant growth is also supported by the data provided by Bappenas (2020), where only three non-oil sectors showed positive growth in July to September 2020 namely the chemical, pharmaceutical and traditional medicine industries with an increment of 15%, base metal industry with an increment of 5.2%, and food and beverage industry with an increment of 0.7%. The increase in of this growth shows restaurants as one of the most favorable businesses in Indonesia.

With this being said, every entrepreneur must have a great responsibility for customer satisfaction. Customer satisfaction is very important in any business activity especially in Food and Beverage Industry as it will affect the company's revenue and reputation in the future both directly and indirectly. Customers tend to be loyal when they have good experiences and it all depends on the quality offered to the customers (Scott, 2017).

The quality offered to customers can be either in terms of food or services. Food Quality refers to the characteristics of a food or beverage that are perceived by customers and can meet their expectations. To determine food quality, sensory attribute will play the major role. When it comes to the Food and Beverages industry, food quality is fundamental since it is the core value that is being offered to customers. Therefore, food quality is not something that can be overlooked by any businesses diving in this industry.

Service quality can also be a key success factor for the company. Service quality also has a close relationship with customer satisfaction because it

encourages customers to establish relationships with companies. In a long period of time, this allows businesses to well understand the expectations and needs of customers so that companies can maximize customer experiences that are still deemed to be unpleasant.

One company that pays attention to customer satisfaction is PT Maju Ramen Utama, a company that manages a restaurant in Medan namely Marutama Ramen and Nabe or better known as Marutama. This business provides a special menu of "Ramen Noodles" which is available with wide variations and authentic menus originated from Japan. One remarkable aspect that makes this business stands out from the other competitors is the fact that Marutama offers authentic Japanese Nabe—or also known as Japanese Hot Pot. In addition, when compared to other competitors with similar menus, Marutama provides customers with diverse selection of starting from Shio, Miso, Shoyu to Black Garlic. This option can encourage better customer satisfaction as they can choose the Ramen soup according to their respective preferences and taste.

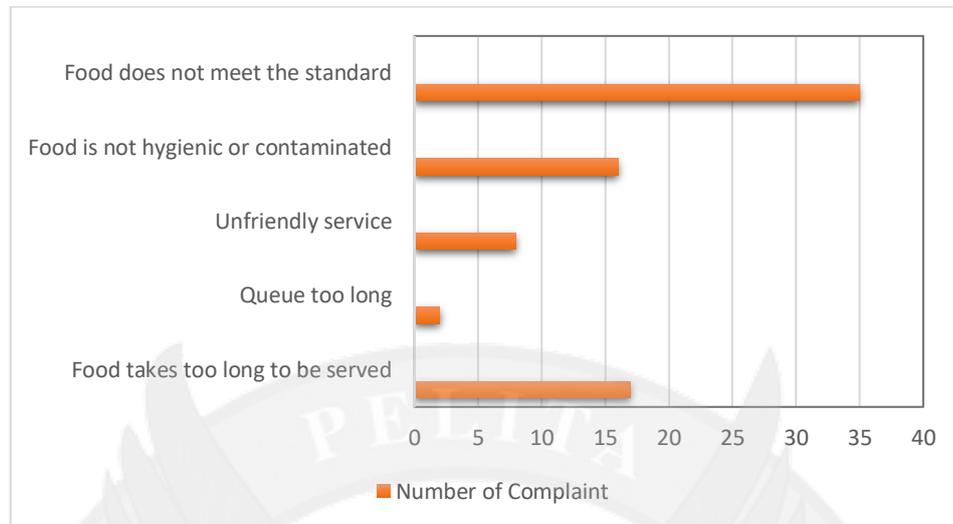
Despite having a competitive advantage and being one of the pioneers in the Ramen sector in Medan, Marutama still faces issues when it comes to customer satisfaction. This can be seen from Figure 1.1 below that there was dramatically increase in customer complaints. These complaints are gathered from Marutama via Instagram Direct Message, Customer Care's Google Form and also complaints received on the spot as staffs visit customer's table from July – December 2021.



**Figure 1.1 Number of Customer Complain in Marutama from July-December 2021**

Source: PT Maju Ramen Utama (2021)

As shown in Figure 1.1 above, the most significant increase was in October, when there were 13 more complaints than the previous month, September. However, there was a slight decrease in the number of complaints in November compared to the previous month of four complaints. However, an increase of up to six complaints occurred in December, making it the month with the highest number of complaints. The month-to-month increasing complaints indicated that Marutama is still struggle to satisfied their customer because quality provided by Marutama did not meet their customers standard and expectations. If not handled, it has the potential to have a negative, perhaps fatal, impact on Marutama's image. Customers who are disappointed with Marutama's quality may spread poor word of mouth, causing people to be discouraged in visiting Marutama.



**Figure 1.2 Complaints from Marutama's Customer from July-December 2021**

Source: PT Maju Ramen Utama (2021)

Furthermore, as seen in Figure 1.2 above, these complaints are generally regarding food as well as service quality of Marutama. Firstly, it can be seen that many customers complain regarding the food served by Marutama which does not meet the standard and tend to be inconsistent. For example, the soup is sometimes complained to be a bit salty but there are also times when the soup is slightly bland. Still regarding the soup, there are also times when it is complained to be slightly thin, but there are also times when it is too thick and rich. There are some other food-related complaints such as *tamago* served overcooked or even the ice cream served is melted. Customers also quite frequently complain about food hygiene, claiming that their food has been contaminated with tiny hairs, chicken feathers, and small insects. For instances the complaint by “E” through Instagram Direct Message, which is attached in Appendix A, that discusses about an inedible object similar to a rope chewed while eating Tamago Ramen.

Moreover, it appears that customers also often complain about the Service Quality as seen in Figure 1.2. Lots of customers complain that the server is not reliable because it takes too long time for their food to be served. Since Marutama offers a handful of menus where customers can freely ask for refills—*ocha* or Nabe soup for example, Marutama's staff are often overwhelmed by the refill requests. This explains why a bunch of customers are left unresponded by the staffs. Some other service-related complaints also come from the tangible aspect of service that includes long queue lines. Payment area for Marutama is done in the outlet's entrance and the problem arises when customers did not stay in queue line properly. Not to mention, Marutama's staffs fail to manage an orderly queuing line.

As a result, the cashier is unable to input the bills according to the order. Another complaint is also received through Customer Care's Google Form, as attached in Appendix B, expressing about customer's disappointment on Marutama's service, specifically about the server's responsiveness and assurance because when the complaining customer is not responded by waiters upon asking for *ocha* refill. The customer then calls the waiter back but, in return, receives unpleasant treatment which is being yelled by the waiter.

Description above is relevant to the results of research conducted by Carolina (2019) stating that there is a positive influence between food quality towards customer satisfaction, and service quality also has positive influence on customer satisfaction. Likewise, research conducted by Hidayat et al (2020) also demonstrates that service quality and food quality have an influence on customer satisfaction both partially and simultaneously.

Therefore, the writer decides to further study this phenomenon through the research with the title of **“The Influence of Food Quality and Service Quality towards Customer Satisfaction at PT Maju Ramen Utama, Medan”**.

## **1.2 Problem Limitation**

There are many factors that can affect customer satisfaction such as prices, product quality, design, service quality and others (Sood, 2017), however, due to the constraints of time, this research will have some limitations that focus on two independent variables which are Food Quality (as part of the Product Quality) and Service Quality along with one dependent variable which is Customer Satisfaction at PT Maju Ramen Utama by using information gathered by the writer.

Each variable is supported by different indicators. Firstly, the indicator for Food Quality (X1) includes color, appearance, portion, shape, temperature, texture, aroma, taste and level of doneness while the indicators of Service Quality (X2) include tangibles, reliability, responsiveness, assurance, and empathy Lestari (2020) and lastly, the indicators for Customer Satisfaction includes overall customer satisfaction, confirmation of expectation, repurchase intention and willingness to recommend (Sukmawati, 2017).

## **1.3 Problem Formulation**

Based on the background study above, the problem formulation are as follows:

- A. Does food quality have influence towards customer satisfaction at PT Maju Ramen Utama?
- B. Does service quality have influence towards customer satisfaction at PT Maju Ramen Utama?
- C. Do food quality and service quality have influence towards customer satisfaction at PT Maju Ramen Utama?

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

The objectives of this research are as follows:

- A. To analyze the influence of food quality towards customer satisfaction at PT Maju Ramen Utama.
- B. To analyze the influence of service quality towards customer satisfaction at PT Maju Ramen Utama.
- C. To analyze the influence of food quality and service quality towards customer satisfaction at PT Maju Ramen Utama.

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

The benefit of the research can be found below from Theoretical Benefit and Practical Benefit which are as follows:

##### **1.5.1 Theoretical Benefit**

To strengthen the theory and understanding about Food Quality and Service Quality on Customer Satisfaction. The results are expected to clarify and update the

academic understanding and perception on the influence of Food Quality and Service Quality on Customer Satisfaction.

### **1.5.2 Practical Benefit**

The research also provide practical benefit for parties as follows:

A. For the company

The results of this research are expected to be a source of input for companies to find out which factors are most dominant in determining customer satisfaction so that the company can make strategic decisions in the future, particularly regarding the factors that influence consumer attitudes toward customer satisfaction in PT Ramen Maju Utama

B. For writer

To expand knowledge, gain experiences and obtain various insights from research results that can be beneficial for future use during career life, especially in applying the theory of Food Quality, Service Quality and their effects on Customer Satisfaction.

C. For other researchers

The results of this research are expected to be a source of reference and information for other researchers who are studying similar topics in the future.