

CHAPTER I

INTRODUCTION

1.1. Background of Study

The development of the restaurant and café businesses keeps increasing and becoming increasingly diverse. After the Covid-19 pandemic, businesses that had declined finally returned to normal, albeit gradually. This also triggered business competition that has increased again with the presence of cafes and restaurants that are expanding and opening new businesses after the pandemic. As one of the big cities in Indonesia, Medan City has many variations of culinary and restaurants at this time, making the competition between restaurants and cafes increasingly fierce and varied in presenting choices for people in the city of Medan.

The restaurant and café businesses are businesses that prioritize the service and menus served to customers. With the development of today's business, the ability to achieve customer satisfaction is needed as the main thing in business. Customer satisfaction is a measure and expectation of customers towards the service received. To maintain high customer satisfaction, it is necessary to have the quality of service, price and quality of food served to customers.

Service quality is seen as a crucial success factor in contemporary service organizations and a condition for obtaining a lasting competitive advantage. Thus, a company needs to enhance their service quality to win over its competitors and gain competitive advantages. Good service quality is an effort a company must

have since it is closely related to customer satisfaction and purchase decisions. According to Solimun and Fernandes (2018), the effects of service quality on customer loyalty can be either enhanced or undermined by customer satisfaction.

Price is an essential component of a product, as it will affect profits. Not only has it affected the company side, but it also affects the consumers. Price becomes one of the considerations for consumers to buy a product or a service, so it needs special considerations to determine the price of a product/service. A product's or service's fair pricing is determined by supply and demand; these two opposing forces are continually attempting to attain equilibrium.

Food quality is food quality in terms of taste, appearance, cleanliness, and quality of raw materials used in serving food. A good assessment of the food quality is indispensable for cafés and restaurants to have a good image of food in customers' eyes. According to Mohaydin (2017), consumers think that if they pay a premium price for a product, the quality and service will match their expectations.

PT Opal Coffee Indonesia (Opal Coffee) focus more on the downstream of the coffee business value chain, which is to provide the added value of green coffee beans that will be processed into roasted coffee beans to become the coffee drink itself. PT Opal Coffee Indonesia also distributes its brand: Opal Coffee Drip Coffee products, and Kalita brewing equipment, to significant retailers in Indonesia, such as Aeon Supermarket, Grand Lucky, Farmers / Ranch Market, Papaya, etc. For the city of Medan, currently, Opal Coffee is located at Jalan Amir

Hamzah No 56C and Komplek Cemara Asri Boulevard Raya Blok A1 – 60 Medan.

Customer satisfaction is the main thing considered in Opal Coffee's business activities. Customer satisfaction at Opal Coffee is different from the expectations of consumers. Here are some reviews from google about consumer satisfaction as follows.

Table 1.1
Rating from customers at Google Reviews

Rating	Name	Review Results
1 stars/ 2 months ago	Darma Wijaya	The taste of the food is tasteless. the dabu-dabu fish tastes weird. the coffee is not okay. the first and the last
1 stars/ 6 months ago	Berutu Channel	The service is not good.... interested in consumers who have cars than the usual "please improve the service
1 stars/ 1 year ago	Bachtiar Effendy	Super old and expensive food. Village fried rice using 45 minutes of anger just came out. Do not come here.
1 stars/ 2 months ago	Sudarman	Ordered food was prepared very slowly. Please fix the service again. For an expensive class of cafes and restaurants, so disappointing.
1 stars/ 5 months ago	Slamet Riyadi	Slow food served when crowded, and slow employees in providing service when needed

Source: Opal Coffee Medan, 2022

Based on reviews from google, there are still many complaints from customers about their satisfaction with visiting Opal Coffee. This can be seen from the complaints filed on google and shows that customer satisfaction at Opal Coffee is not reasonable.

Regarding the quality of service at Opal Coffee, it is still experiencing customer complaints. This can be seen from the number of service complaints that occur at this time is still high because the services provided still need to be faster and unable to meet the expectations of customers who visit Opal Coffee. This can be seen from the number of complaints received by Opal Coffee management that

are received directly through the suggestion box and WhatsApp media. Here is the data on service complaints from Opal Coffee.

Table 1.2
Complaint Data of Customers from Opal Coffee

Months	Number of Complaints	Reasons of Complaints
January	8	<ol style="list-style-type: none"> 1. Slow service from employees 2. The long-ordered menu is finished when the restaurant is busy 3. Employees who are not responsive in answering customer questions 4. Unfriendly employees 5. Unresponsive employees when serve customers 6. Tasteless food 7. Poor dining area management
February	9	
March	10	
April	8	
May	7	
June	8	
July	9	
August	8	
September	8	
October	8	
November	9	
December	12	

Source: Opal Coffee Medan, 2022

The table shows that every month there are complaints from customers about unsatisfactory service and food quality. Many factors cause customers to be unsatisfied, but the main thing is that the café does not meet the customer's expectations. Service complaints occur because employees lack an excellent response in providing services and make customers feel less comfortable. In addition, unresponsive service from employees also occurs when conditions are crowded, the food menu ordered by guests is considered quite long by consumers in serving, tasteless food, and food is cold and tasteless. The late response shows that employees cannot provide good service to consumers. Usually, the food and beverage only take 15 minutes to be served, but the customers must wait more than 30 minutes for their food and beverages. This shows that with the complaints submitted, Opal Coffee has not been able to provide good service to customers.

Regarding the price of the menu offered by Opal Coffee at this time, it still complains that it is expensive by customers. This can be seen from the price and menu comparison compared to the Kok Tong café which is also located around Jalan Amir Hamzah. To see the price of the menu presented in the price list of the following menu.

Table 1.3
List price of Menu

Menu at Opal Coffee	Price	Menu at Kok Tong Amir Hamzah	Price
Salmon Steak	Rp 200.000	<i>Kwetiau Goreng Seafood</i>	Rp 31.818
Fettucine D Salmon	Rp 75.000	<i>Indomie Matah</i>	Rp 20.000
Spicy Tuna Edamame Spaghetti	Rp 65.000	<i>Kwetiau Siram Sapi</i>	Rp 38.000
Salmon Bulgogi	Rp 200.000	<i>Mie Gomak</i>	Rp 31.818
Crispy Edamame	Rp 35.000	<i>Mie Siram Hongkong</i>	Rp 31.818
Espresso	Rp 30.000	Espresso	Rp 20.000
Americano	Rp 30.000	Americano	Rp 18.000
Avocado Freeze Affogato	Rp 48.000	Avocado Coffee	Rp 28.000

Source: Opal Coffee Medan, 2022

From some of the menu prices at Opal Coffee, the prices offered vary and start from 30,000. However, in terms of the price offered by Opal Coffee at this time, it is still considered expensive by several other customers who visit compared to similar café competitors in the Amir Hamzah area. This shows that price adjustments are still needed for consumers on the food menu.

Regarding the quality of the food served by Opal Coffee, customers still get complaints. All these lead to numerous consumer complaints, starting with the service that is not responsive, slow in serving food to the customers and the lack of employees during holidays and weekends that cause the employees to be overwhelmed with the customers. Here are some complaints filed by consumers related to the quality of food at Opal Coffee.



Figure 1.1 Complaints about food quality at Opal Coffee (2022)

Source: Google Reviews (2022)

From the reviews given by customers regarding the quality of food from Opal Coffee, having a taste that customers judge is still salty and tasteless, and the taste of coffee, which is the main menu, is considered too standard compared to the price offered. This is a consideration for customers to the quality of the food served so that it makes customers feel dissatisfied with the menu served.

Due of time constraints, the writer will only concentrate on three major variables: Service Quality, Price, and Food Quality. Additionally, the author understood that Service Quality, Price, and Food Quality impact the dependent variable known as Customer Satisfaction. This study will concentrate on Opal Coffee Amir Hamzah Branch, Medan realizing that their service quality, pricing, and food quality have an impact on customer satisfaction. Therefore, the author is

interested in conducting research with the title of "**The Effect of Service Quality, Price, and Food Quality towards Customer Satisfaction at Opal Coffee Amir Hamzah Branch, Medan**"

1.2. Problem Limitation

Due to the limited occasion and expenditure, this research will be conducted at Opal Coffee that located at Jalan Amir Hamzah No 56C, from August 2022 to October 2022 about the coffee menu that will cover relevant problems including service quality, price, and food quality which will be conducted as survey. For the problem limitation already chooses by writer where there are some independent variables (Variable X) consist of service quality, price, and food quality and dependent variable (Variable Y) consists of customer satisfaction. The price indicators are: list price, discounts, allowances, payment period, credit terms from Kotler and Keller in Taslim (2021). The indicator of food quality from Karki & Panthi (2018) which: smell of the food is enticing, the food is nutritious, the food is delicious, and the food is fresh. The indicator of service quality from Tjiptono and Chandra (2019) which: reliability, responsiveness, assurance, empathy, tangibility. The indicator of customer satisfaction from Agustin and Maolana, (2020), customer satisfaction as the dependent variables which is about: expectation, performance, comparison, and experience.

1.3. Problem Formulation

In accordance with the research at Opal Coffee Medan, the problem formulation of this research as per below:

1. Does service quality have partial effect towards customer satisfaction at Opal Coffee Amir Hamzah Branch, Medan?
2. Does price have partial effect towards customer satisfaction of coffee at Opal Coffee Amir Hamzah Branch, Medan?
3. Does food quality have partial effect towards on customer satisfaction of coffee at Opal Coffee Amir Hamzah Branch, Medan?
4. Do service quality, price, and food quality simultaneously have an effect on customer satisfaction at Opal Coffee Amir Hamzah Branch, Medan?

1.4. Objective of the Research

The objective for this research is to find out about:

1. To describe the service quality at Opal Coffee Amir Hamzah Branch, Medan.
2. To describe the price at Opal Coffee Amir Hamzah Branch, Medan.
3. To describe the food quality at Opal Coffee Amir Hamzah Branch, Medan.
4. To describe the simultaneously effect of service quality, price, and food quality towards customer satisfaction at Opal Coffee Amir Hamzah Branch, Medan.

1.5. Benefit of the Research

Benefits of this research can be listed as follow:

1.5.1 Theoretical Benefit

The results of this research are expected to contribute to the existing theories relevant with service quality, price, and food quality towards customer satisfaction.

1.5.2 Practical Benefit

The practical benefit of this research as follow:

- a. According to the writer, the findings of this study will add to the intriguing hypotheses about the relationship between service quality, pricing, and food quality on customer satisfaction.
- b. For Opal Coffee Amir Hamzah Branch, Medan, the purpose of this study is to determine if the survey conducted would increase customer satisfaction at Opal Coffee Amir Hamzah Branch, Medan.
- c. To serve as guidance for other researchers to do further research that is consistent with this study.