

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In today's business world, Hospitality industry is one of the industries that develop from time to time and is the most promising industry because it fulfills everyone's basic needs. Tourism, lodging, food and beverage, and recreation are parts of the hospitality industry. The food and beverage industry is the most promising industry in the business world and is also very diverse, ranging from restaurants, cafes, fast food, coffee shops, and many more. It is known that Indonesia is a country that is famous for its diverse and unique culinary tastes because it has abundant natural resources so many foreign tourists are attracted to Indonesian cuisine. However, it turns out that there are still many tourists and Indonesian people who are still not familiar with some of Indonesia's culinary specialties. According to Ardela, as the Committee of Indonesian Culture and Nationalism in Nasir (2021), there are several Indonesian cuisines that are still unknown to many people such as *Mie Atep* which is a typically boiled noodle from Belitung, *Rujak Soto* which is one of the typical foods from East Java, *Bubur Tinutuan*, which is a typical porridge from Manado, and many more.

The challenge currently being faced by the restaurant industry is the spread of the Covid-19 virus which has almost spread throughout the country. Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-Co-V-2) or commonly referred to as Corona Virus or Covid-19 is a virus that attacks the respiratory system, causing

infection in the lungs, so that it can lead to death and can infect anyone regardless of age. The Covid-19 virus was first discovered at the end of December 2019 in the city of Wuhan, China. In a very short period of time, this virus has spread rapidly to almost all countries. The virus can spread through the mouth and nose of an infected person through tiny fluid particles when an infected person sneezes, talks, breathes, and coughs. Not only that, but this virus can also easily spread in closed rooms and in crowded places and can last on the surface of objects so it is not recommended to touch the mouth, eyes, and nose after touching objects that may be contaminated with this virus.

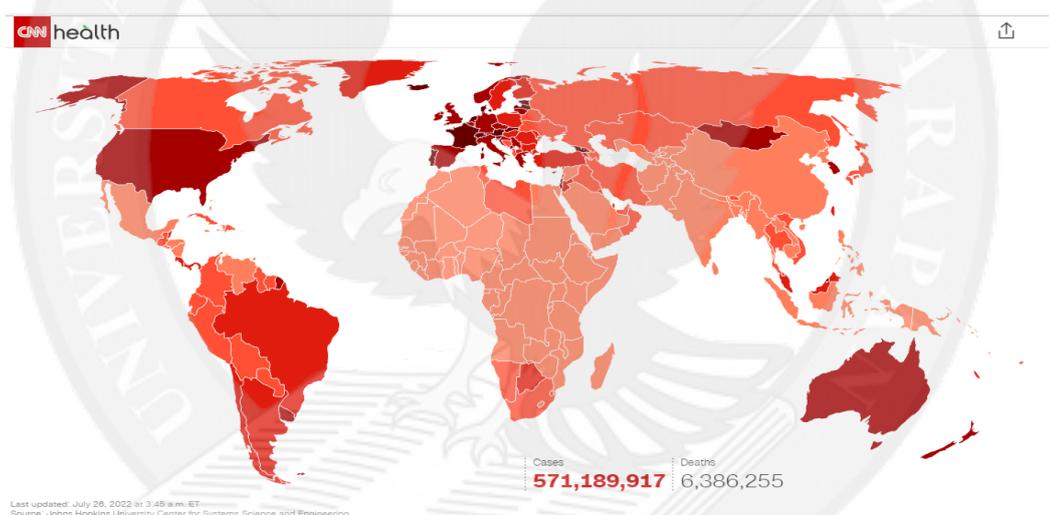


Figure 1.1 Number of Covid-19 Cases

Source: <https://edition.cnn.com/interactive/2020/health/coronavirus-maps-and-cases/> (retrieved on 26 July 2022)

Even in the midst of this very crisis pandemic, of course, all business industries must still operate. The existence of the Covid-19 pandemic has had a significant impact on the restaurant industry, which cause so many restaurants cannot survive during this pandemic. With the government's concern about the increasing spread of Covid-19, the Indonesian government established a policy

called the *Pemberlakuan Pembatasan Kegiatan Masyarakat* (PPKM) or Enforcement of Restrictions on Community Activities which is regulated in *Instruksi Menteri Dalam Negeri Nomor 2 Tahun 2022* (Instruction of the Minister of Home Affairs Number 2 the Year 2022) concerning PPKM levels 1, 2, and 3 in *Sumatra, Nusa Tenggara, Kalimantan, Sulawesi, Maluku, and Papua*.

The government also provides a free vaccination program to the entire community in order to minimize the spread of this virus. The restaurant industry must also adapt by following the policies that have been set by the government, such as providing hand sanitizers to customers, checking the customer's temperature before entering the restaurant, showing evidence of having vaccinated at least the 2nd dose, regularly sanitizing the room, setting a minimum table distance of 1.5 meters and only one hour of eating time in place is permitted.

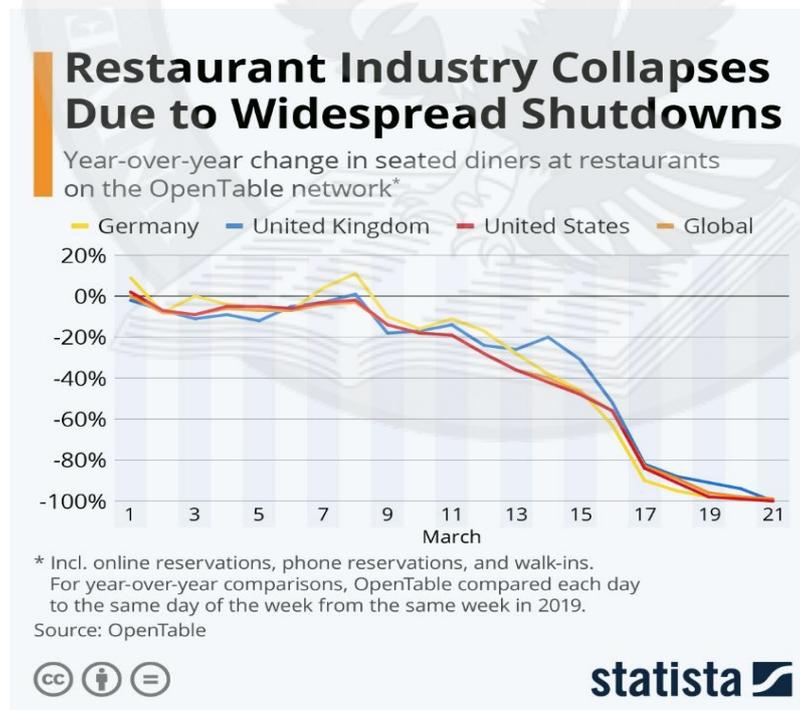


Figure 1.2 The Percentage of Restaurant Industry Collapses Due to Covid-19

Source: <https://www.statista.com/chart/21203/decline-in-restaurant-traffic-due-to-coronavirus/> (retrieved on 26 July 2022)

The PPKM policy has had a significant positive impact on the restaurant industry since its implementation. However, the restaurant industry must consider how to maximize income while minimizing expenses, as many people are experiencing financial difficulties as a result of the pandemic. Because of the economic difficulties, many people chose to save, resulting in a decrease in purchases. The restaurant's profits decreased as a result of the decrease in purchases. As a result, it is critical to be able to adapt and think of ways for restaurants to survive and thrive during this pandemic.

This research is done at Restoran Ria. This company is engaged in the food and beverage field which has the concept of a Family Restaurant. Restoran Ria has been operating since August 3, 1996, which is located on Letjen MT. Haryono Street No. 11-15, Medan, North Sumatra, Indonesia.

According to Tjiptono (Listiya & Annio, 2022), Promotion is a form of marketing communication carried out to disseminate information, influence, persuade, or increase the target market for the company and its products so that people can accept, buy and be loyal to the products offered by the company. Business competition in the food and beverage industry is very tight because as the era and culture develop, new food trends will emerge. This certainly encourages businesspeople who run the food and beverage business to bring out their innovations and ideas in order to survive in this industry. In order to introduce a restaurant widely, of course, one of the efforts that must be done is to do promotions. By doing promotions, restaurants can create Brand Awareness so that products can be recognized by customers and attract customers, and also be able to

compete with other restaurants. Not only promotion, but several other factors also affect the food and beverage business, such as price, location, and facilities.

Restoran Ria is one of the restaurants in Medan with a family restaurant concept that has been quite famous for a long time. Restoran Ria is well-known for its various dishes, where Chinese food is their specialty, and also a popular place that is often used as a wedding venue. However, especially during this pandemic, an increasing number of new restaurants have emerged as competitors for Restoran Ria. Restoran Ria is known to never do promotions on various media platforms, which causes a lack of awareness from consumers about the restaurant. However, in the midst of the pandemic, specifically in April 2020, Restoran Ria decided to conduct promotions on social media platforms such as Instagram in order to reach more customers.



Figure 1.3 Restoran Ria Social Media Platform

Source: <https://instagram.com/restoranriamedan?igshid=YmMyMTA2M2Y=> (retrieved on 27 July 2022)



Figure 1.4 Restoran Ria Posts on Social Media

Source: <https://instagram.com/restoranriamedan?igshid=YmMyMTA2M2Y=> (retrieved on 27 July 2022)

Based on Figure 1.3 and Figure 1.4, it can be seen that Restoran Ria create an Instagram account in order to provide information to customers about their menus and package programs offered. Restoran Ria is known to rarely do promotions, it can be seen in Figure 1.3 which shows that Restoran Ria has only posted 51 photos on their Instagram account since 2020, indicating a low frequency of promotions. Furthermore, the number of followers of Restoran Ria's Instagram account only reached 2,060 followers, from April 2020 to July 2022. This demonstrates that customer awareness of Restoran Ria's products is very low, one of the reasons being the frequency with which promotions are carried out, which has the potential to affect restaurant sales.

According to Kotler and Armstrong (Cindy et al., 2021), price is the sum of all the values given to the customer for the product or service received or used by the customer. Pricing is very important to consider because it differentiates it from

competitors. In order for restaurants to be able to market their products, it is very important to set the right price. Setting the right price is able to attract the attention of customers and can improve marketing performance.

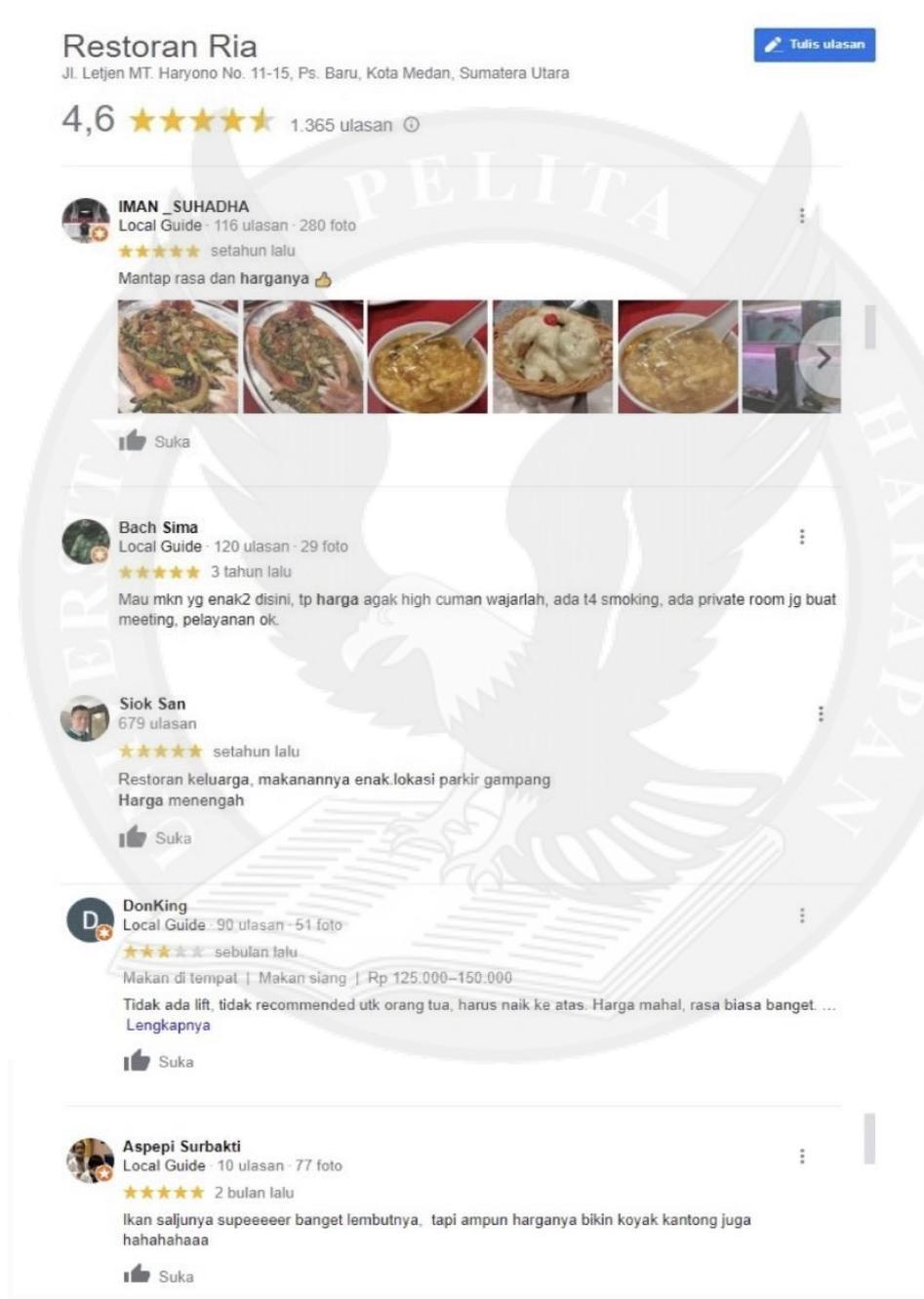


Figure 1.5 Google Review on Price in Restoran Ria
Source: Google Review (2022)

The price in Restoran Ria can be said to be in the upper range because their target market includes middle- and upper-class customers. Known as a restaurant with a family restaurant concept, of course, the food served has a large portion so the price determined by Restoran Ria is also in the upper range. Based on Figure 1.5, some customers criticized that the price at Restoran Ria is too high, while others thought it was reasonable. Not only that, but some customers said that the prices at Restoran Ria were in line with the quality of the food they received, while others said that the prices were too high in comparison to the taste of the food they received. This can have an impact on restaurant sales because the review shows that price has a significant influence on purchasing decisions.

According to Tjiptono (Robby & Syifa, 2020), location is a variety of company activities to make the products produced or sold affordable and available to the target market, in this case, related to how to deliver products or services to customers and where the strategic location is. Location is the most important thing to consider because it has a huge influence on the future success of a business or company, particularly a restaurant. A strategic location can assist a business to be notified by customers so that it can increase sales. Not only that, but the location chosen must also make customers feel at ease because it can influence the customer's purchase decision. In other words, location is one of the most important factors for the success of a restaurant, business, or company.

Restoran Ria

★★★★☆ 15 ulasan

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Figure 1.6 Google Review on Location in Restoran Ria

Source: Google Review (2022)

Restoran Ria's location is very strategic because it is located in the middle of the city, so customers will not have any difficulty reaching the restaurant. However, based on Figure 1.6, a lot of customers stated that Restoran Ria does not provide a large parking area for customers, making it difficult for customers to find a parking space where customers need to park their vehicles outside the company. Not only that, but the location of Restoran Ria is said to have quite severe traffic jams because it is traversed by many vehicles and also has a train route, so traffic jams are quite frequent, which can hinder customer access to the restaurant.

According to Kotler in Apriyadi (2017), facilities are everything that is physical equipment and is provided by the service seller to support customer

comfort. So, facilities are physical resources that exist before a service can be offered to customers. A restaurant must be able to provide the best facilities for customers in order to be able to achieve customer satisfaction which can also affect the customer purchase decision. If customers are satisfied, then this can benefit the restaurant because it creates customer loyalty, and have a positive impact on customer purchase decision and the restaurant's reputation will improve.

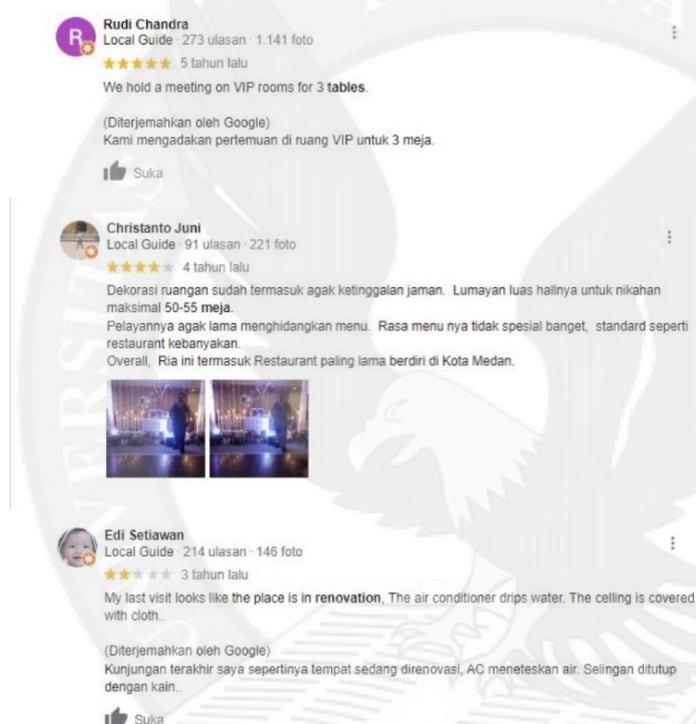


Figure 1.7 Google Review on Facilities in Restoran Ria

Source: Google Review (2022)

Many people acknowledge that Restoran Ria's facilities and services are good. This restaurant has many private rooms or usually known as a VIP rooms, so if customers are not comfortable sitting in an open and crowded dining area, they can request to sit in a VIP room. Each table has one to two waiters who are available to assist customers at all times. Restoran Ria's table settings and food utensils are also very complete and of high quality. Restoran Ria also provides a dining room

that has karaoke facilities. However, according to the Google review shown in figure 1.7, the consumer thinks that the interior design of Restoran Ria is outdated and looks old-fashioned compared to other restaurants, especially in the current era where many restaurants have very good interior designs. Furthermore, Restoran Ria is known to perform minor renovations that cause the air conditioner to drip water, making customers uncomfortable. If the customer receives poor service, it will undoubtedly harm the restaurant's image and reduce the customer's desire to make a purchase.

According to Sangadji (Aprillia & Sri, 2020), the customer purchase decision is an assessment and selection process carried out by customers by considering several alternative choices and then deciding on one product. It is important for restaurants to pay attention to all aspects that can influence customer purchase decisions, where restaurants must be able to compete and be superior to competitors.

Restoran Ria should maintain the customer purchase decision in order that the customer wants to make purchase the company's product regularly. The number of customers in year 2016-2021 can be seen as follows:

Table 1.1 The Number of Customer in 2016-2021

Year	Number of Customers
2016	26101
2017	16902
2018	16331
2019	15926
2020	6488
2021	7558

Source: Restoran Ria (2022)

There is a decrease in the number of customers, which indicates that the customer doesn't interested in making transactions with Restoran Ria which

definitely affect the sales of Restoran Ria. A very drastic decline occurred in the number of customers in 2020, and then experienced a slight increase in 2021. The decreasing number of customers can be caused by the impact of the Covid-19 pandemic because the beginning of 2020 was a time when cases of the spread of the Covid-19 virus occurred in Indonesia are increasing rapidly. As a result, it is suspected that promotion, price, location, and facilities influence customer purchase decisions at Restoran Ria.

Based on the description above, the writer wants to conduct the research with the title **“THE INFLUENCE OF PROMOTION, PRICE, LOCATION, AND FACILITIES ON CUSTOMER PURCHASE DECISION AT RESTORAN RIA MEDAN”**.

1.2 Problem Limitation

The writer determines problem limitation on promotion, price, location, and facilities as an independent variable and customer purchase decision as a dependent variable. The research is done at Restoran Ria Medan at Letjen MT. Haryono Street No. 11-15, Medan, North Sumatra, Indonesia.

1.3 Problem Formulation

Based on the observation that is done by the writer during the preliminary research in the company, the writer has formulated the following questions to be answered in this study:

1. Does promotion have a partial influence on customer purchase decision at Restoran Ria, Medan?
2. Does price have a partial influence on customer purchase decision at Restoran Ria, Medan?
3. Does location have a partial influence on customer purchase decision at Restoran Ria, Medan?
4. Do facilities have a partial influence on customer purchase decision at Restoran Ria, Medan?
5. Do promotion, price, location, and facilities have a simultaneous influence on customer purchase decision at Restoran Ria, Medan?

1.4 The objective of the Research

The objective of this research is as follows:

1. To examine whether promotion has a partial influence on customer purchase decision at Restoran Ria, Medan.
2. To determine whether price has a partial influence on customer purchase decision at Restoran Ria, Medan.
3. To discover whether location has a partial influence on customer purchase decision at Restoran Ria, Medan.
4. To analyze whether facilities have a partial influence on customer purchase decision at Restoran Ria, Medan.
5. To know whether promotion, price, location, and facilities have a simultaneous influence on customer purchase decision at Restoran Ria, Medan.

1.5 The benefit of the Research

There are two types of benefits resulting from the research of Promotion, Price, Location, and Facilities that can influence Customers' Purchase Decision at Restoran Ria, Medan, namely:

1.5.1 Theoretical Benefit

The theoretical benefit of this research is to prove whether promotion, price, location, and facilities will impact customer purchase decision at Restoran Ria, Medan. This research is to gain more knowledge related to the theories about promotion, price, location, facilities, and the relationship of the variables.

1.5.2 Practical Benefit

The practical benefit of doing this research is as follows:

1. For the writer, the research gives the writer broader insight and knowledge about the promotion, price, location, and facilities on the customer purchase decision.
2. For the company, the research is expected to be used as a guide for the company and as advice about customer purchase decision based on promotion, price, location, and company facilities.
3. For other researchers, this research can be used as a reference for other researchers who are conducting research related to issues of promotion, price, location, and facilities to customer purchase decision.