

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The development of the Indonesian food industry is very forward-looking in this direction. This is clearly supported by the rapid growth and development of the food business in Indonesia, where more and more companies are opening and growing. One of these companies currently operating in Indonesia is a restaurant and cafe business. The number of restaurant and cafe businesses currently operating in Indonesia creates fierce competition as businesses compete to attract and gain customers. Restaurants and cafes are also evolving into businesses that can be seen and operated as entertainment. Running a restaurant or cafe is not easy as you need a reliable chef and recipes, strategic locations, extraordinary decoration, and friendly waiters (Mayora, 2022).

Urban Indonesian lifestyle changes largely follow current market trends, with office workers expecting healthful foods but having less time or desire to prepare meals at home. From 2020 to 2021, the Indonesian food and beverage business grew by 2.54 percent, reaching IDR 775.1 trillion. According to the Central Statistics Agency (BPS), the national Gross Domestic Product (GDP) of the food and beverage industry at current prices is IDR 1.12 quadrillion in 2021. This amount represents 6.61 percent of the nation's GDP, which reaches IDR 16.97 quadrillion and 38.05 percent of the non-oil and gas processing sector. (source: <https://www.djkn.kemenkeu.go.id/>).

The Republic of Indonesia's Ministry of Industry reports that the third quarter of 2022 saw an increase of 3.57% in the food and beverage sector over the same time in the previous year, which was reported at 3.49%. Even though it was affected by the COVID-19 pandemic, the food and beverage sub-sector was still able to grow and contributed to the growth of the non-oil and gas industry, which reached 4.88%. The non-oil and gas processing industry's GDP for the same period was increased by the food and beverage industry, at 37.82%, making it the sub-sector with the highest GDP contribution. (source: <https://kemenperin.go.id/artikel/23753>).

Because of the food industry's rapid growth, it is able to force business people to innovate and change for the sake of business continuity. Customers are extremely important to business owners, especially restaurant and cafe owners who compete to find out and meet customer needs. Along with the times, the food industry has grown significantly. The restaurant owner initially paid attention only to the food menu, price, and taste. Today's customer expectations are quite different, not only in terms of taste, price, and menu options, but also in terms of location, facilities, staff interaction, and even the appearance of food (Sulfinadia, Suryani, & Tanjung, 2022).

According to Abdullah et al. (2020), one of the most important factors in a customer's decision to purchase food is the quality of the food itself. Quality can mean different things depending on how it is interpreted. Also, the term is unclear for each person or for the same person in different situations. The idea of food

quality was supported by utilitarian standards, which included factors for food cost,

taste, portion size, menu choice, and healthiness options.

Food quality is a key attribute of diners' satisfaction in restaurants. People mostly go to restaurants for food in their leisure time, and quality is always a predominant factor in this. Food quality is a predictor of food safety. It is so common for human beings to be curious about everything that relates to them, i.e., what they wear, what they eat, or what they feel. Food quality in restaurants influences the evaluation of the brand. Higher quality leads to higher customer satisfaction. The level of satisfaction is determined by the customer's assessment of their needs and how they are met. (Mohaydin *et al.*, 2017)

According to Lara (2019), the range of quality assurance systems in the food industry is significantly larger compared to quality control programmers. These contain additional actions in order to avoid food safety risks and quality problems, as well as the inspection, testing, and checking work performed by quality control programmers. The actions combine and relate to one another to create a system. Quality assurance systems are intended to provide management, customers, and government regulatory authorities in the food industry with confidence that the organization is capable of fulfilling the requirements for food quality and food safety.

Service quality is a significant idea for the business because it is essential if customers are to achieve superior value. Service quality is strongly linked to customer satisfaction, loyalty, and even profitability in many kinds of literature.

The aim of offering quality service is to meet the customers' needs. Measuring the quality of service is a better way of finding out if a service is good or bad or if the customer is satisfied. (Sreedhar, 2016)

Many advantages can be achieved through service quality: customer satisfaction, company images, customer loyalty, and a competitive advantage for a company. Service quality efficiency can differ for distinct individuals; for instance, staff can demonstrate greater service quality perceptions than perceived customers, and therefore executives and staff can never find service quality deficiencies. (Al-Ababneh, 2017)

According to Gecit & Kayacan (2017), price is the cost of a good or service. In other words, price is the sum of all the aspects that customers give up in order to enjoy the benefits of using or owning a good or service. Previously, the main indicator of customer choice was price. But in recent decades, non-price elements have grown in significance. However, price continues to play a significant role in determining a company's market share and profitability. Customers may leave the company or spread rumors about it to other customers if they think the prices are too high.

Furthermore, the price depends on what is done or lost to get the product. Customer satisfaction and service providers are closely related in pricing and service quality, as shown by a report analyzing the direct impacts on income and market share for the business, as well as a customer buying behavior report. Pricing will result in determining the final price of a product, which makes

managers need to know the pricing objective, demand curves, likely quantities of all possible prices, and the costs, prices, and offers from competitors.

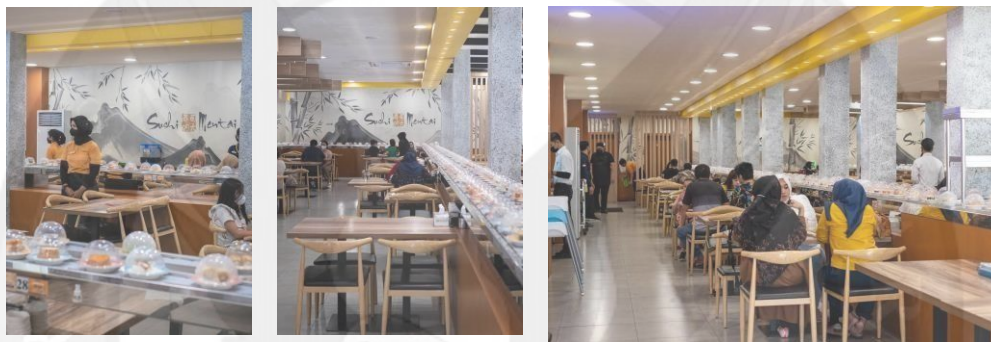
The chosen method of pricing and the final price could be divided into several categories: overpricing (a price that would have a higher risk of losing the sale but be otherwise more profitable at a lower price) and underpricing (a price with a high probability of generating revenue but losing revenue). A revamped pricing strategy is one of the most frequently used pricing strategies because it's capable of influencing customer satisfaction directly (Gecit & Kayacan, 2017).

Some of the most frequently debated ideas in the literature regarding market pricing are the principles of fair pricing. Fair pricing is the price the consumer considers acceptable and reasonable for the products or services. Price fairness is defined as "a customer's judgement and associated emotions of whether the difference between a seller's price and another competitor's price is reasonable, acceptable, or justifiable." The researchers discovered that price equality is not an issue unless the price is unfair, causing resentment and frustration. Therefore, it may cause the seller to take unfavorable steps. A wide variety of price strategies can be used to increase sales while creating a fair perception of prices. However, choosing a pricing strategy is not easy because it directly affects revenue and profit (Gecit & Kayacan, 2017).

Customer trust is increasing in the food industry because food safety and quality measures are fulfilling customers' basic needs and providing them with a worthy meal. A customer is willing to pay extra if he knows that buying a product is safe and of good quality. In this process, communication is a key element for

better consideration of the customer's attitudes, needs, and satisfaction level. (Mohaydin et al., 2017)

Sushi Mentai, which is located on Jalan Dr. Cipto No. 20, Medan City, North Sumatra, is a restaurant in Medan. The restaurant only provides Japanese cuisine, especially sushi. The opening hours is starting at 11:00 AM – 09:00 PM. It also provides VIP room that can be used for meeting room up to 30 persons (include meeting tools, such as: projector and wireless microphone)



**Figure 1.1 The Interior Atmosphere of Sushi Mentai Restaurant**

After doing some observation and short direct interviews with random customers, the writer finds out that:

- a. Some of the customers stated that they don't enjoy the food because the taste is quite common and nothing special compared with the food at other similar restaurants.
- b. Some customers often ask for additional flavorings according to their tastes, for example, chili sauce, chopped chilies, sweet soy sauce, wasabi, and so on. Although this is quite relative depending on the tastes of the customers who come, Sushi Mentai does not provide flavorings or additional seasonings on

the table. For this reason, the customers must ask the waiter to handle this case.

Here are some reviews from Google Reviews about Sushi Mentai Restaurant for the last year.



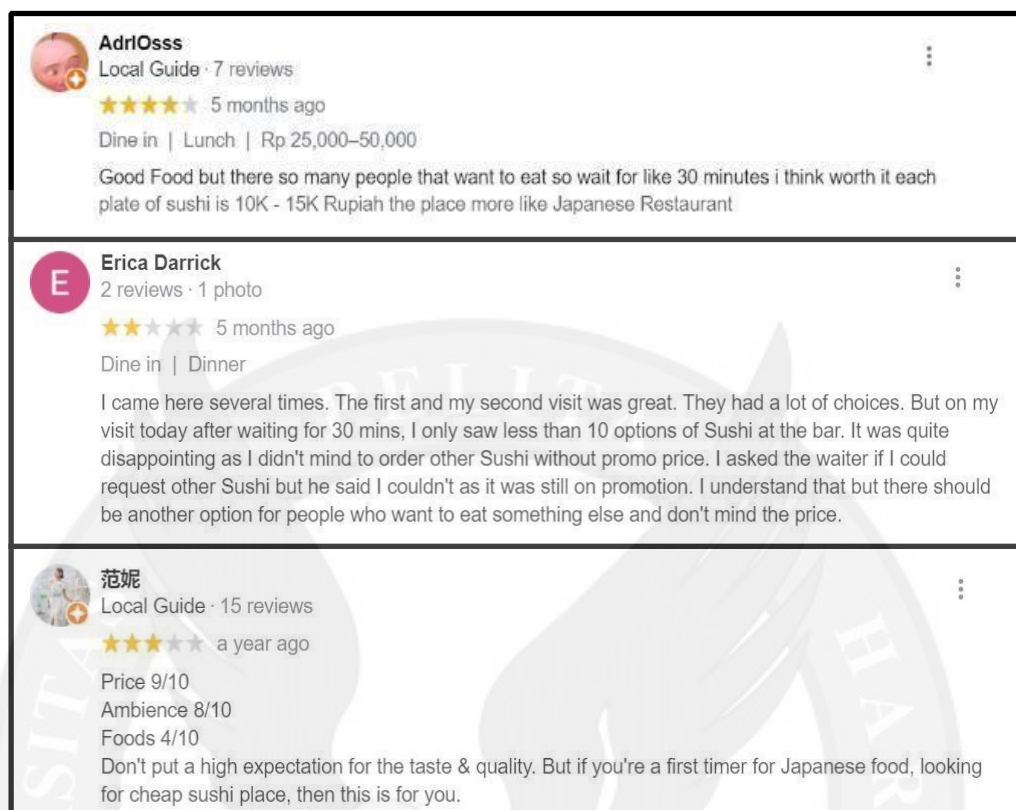
**Kevin Huang**  
Local Guide · 211 reviews · 17 photos  
★★★★☆ 7 months ago  
Dine in | Dinner | Rp 100,000–125,000  
A budget sushi restaurant. The price is aligned with the price. If you love fish more than rice, than this place is not for you. The portion of rice is bigger than the fish and the sauce is overloaded. But, always remember the price.  
Note: Their toilet is cleaner than restaurant. You can see small flies flying around

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Local Guide · 33 reviews · 386 photos  
★★★★☆ 2 years ago  
Affordable sushi, but the taste is just fine. The sushi choices are not many, but with their super long sushi conveyor belt, the sushi goes round nonstop. The yellow plate is 10k, red 13k and blue 15k. The food in the menu is much more pricey. Service is good. Restaurant is huge. Overall everything is ok.

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**Nabila Pindya**  
Local Guide · 348 reviews · 246 photos  
★★★★☆ 6 months ago  
Dine in | Brunch | Rp 50,000–75,000  
Come to this place when they have promotions “10k/plate” for all place colors. It has good taste for that price. But unfortunately, during my visit, they didn't serve the salmon.



**Figure 1.2 Google Review about Sushi Mentai Restaurant**

Based on the above observations, the writer concludes that the main reason why customers come to Sushi Mentai Restaurant is just for its large dining room, good service quality, and fair price and not because of the quality of its food.

The business of Japanese restaurants is growing in Medan. Instead of Sushi Mentai Restaurant, there are so many other Japanese-style restaurant that can be considered as the competitors, such as: Sushi Hero, Sushi Tei, Genki Sushi, Hachi Sushi Express, etc.

This research is important as it focuses on a specific restaurant to examine the relationship between service quality, food quality, and price on customer satisfaction. By considering the local context, this research provides practical



insights for Sushi Mentai Restaurant and similar establishments in enhancing customer satisfaction and making informed decisions. The comprehensive evaluation of these dimensions enables a holistic understanding of customer satisfaction and its determinants, while the findings have managerial implications for resource allocation and improvement strategies.

This research acknowledges the intense competition within the restaurant industry and aims to provide valuable insights for Sushi Mentai Restaurant and similar establishments to effectively navigate this competitive landscape. By understanding how service quality, food quality, and price influence customer satisfaction, restaurant managers can make informed decisions to differentiate their offerings, attract customers, and gain a competitive advantage.

In this study, the researcher wants to analyze the influence of service quality, food quality, and price towards customer satisfaction and write about it in this research entitled **"The Influence of Service Quality, Food Quality, and Price Towards Customer Satisfaction at Sushi Mentai Restaurant on Jalan Dr. Cipto Medan."**

## **1.2 Problem Limitation**

The scope of research is limited as follows for more easily collected and processed data:

1. There are so many Japanese-style restaurants in Medan. This study is limited to one Japanese-style restaurant, Sushi Mentai, which is located on Jalan Dr. Cipto No. 20, Medan City, North Sumatra.

2. The independent variables are service quality, food quality, and price.
3. The dependent variable is customer satisfaction.

### **1.3 Problem Formulation**

Based on the description of the background of the study above, the problem formulations in this study are as follows:

1. Does service quality have a significant influence toward customer satisfaction at Sushi Mentai Restaurant on Jalan Dr. Cipto Medan?
2. Does food quality have a significant influence toward customer satisfaction at Sushi Mentai Restaurant on Jalan Dr. Cipto Medan?
3. Does price have a significant influence toward customer satisfaction at Sushi Mentai Restaurant on Jalan Dr. Cipto Medan?
4. Do service quality, food quality, and price simultaneously have a significant influence toward customer satisfaction at Sushi Mentai Restaurant on Jalan Dr. Cipto Medan?

### **1.4 Research Objective**

Based on the research formulation stated above, the research objective in this study is as follows:

1. To analyze whether service quality has a significant influence toward customer satisfaction at Sushi Mentai Restaurant on Jalan Dr. Cipto Medan.
2. To analyze whether food quality has a significant influence toward customer satisfaction at Sushi Mentai Restaurant on Jalan Dr. Cipto Medan.

3. To analyze whether the price has a significant influence toward customer satisfaction at Sushi Mentai Restaurant on Jalan Dr. Cipto Medan.
4. To analyze whether service quality, food quality, and price simultaneously have a significant influence toward customer satisfaction at Sushi Mentai Restaurant on Jalan Dr. Cipto Medan.

## **1.5 Benefit of the Research**

### **1.5.1 Theoretical Benefit**

Theoretically, the results of this study are expected to be useful to strengthen the theory in business and management, especially about the influence of service quality, food quality, and price towards customer satisfaction in the food and beverages sector industry.

### **1.5.2 Practical Benefit**

Based on the research objective, the research is expected to generate practical benefits as follows :

a. For the writer

This research can provide an overview and knowledge about business and management, especially about the influence of service quality, food quality, and price towards customer satisfaction in the food and beverages industry.

b. For the company

This research is expected to be used as a suggestion to give more attention to service quality, food quality, and price to increase the level of customer satisfaction.

c. For the future researchers

The results of this research are expected to be used as a source of references for those concerned with conducting related research in the future.

