

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nowadays, as the business expands quickly, there is high competition among many companies. The culinary industry is one of the industries that are currently quite active. The culinary sector will always stay in trend since there is always an opportunity for those observant enough to identify it. Since food and drink are necessary for everyone, regardless of the season, culinary is always needed. Restaurants are one of them that many businesspeople like, which makes them highly competitive with one another. Because of the proximity, there is intense competition among the restaurants. For example, a restaurant is more than just a place to eat in Medan. Business owners who want to start their restaurant operation are motivated by the lifestyle of people who choose to work or hang out at a restaurant.

However, business owners or investors who want to launch a business in this industry must work harder to set their restaurant apart from competitors. To compete and outperform their rivals, restaurant business owners must develop tactics to attract customers to purchase the offered items or services. Finding a unique restaurant concept with few competitors is one method to

start. The next is innovation and providing outstanding service so that customers are satisfied with the goods and services they have received.

The existence of a new habit created by the current generation attracts competition in the restaurant industry to a new level where it is the best that can survive in the competition. Customers are the most critical factor for a company's development because it can only carry out its business activities with them. Therefore, companies must provide something valuable and give a good impression to customers.

Consumer satisfaction is very influential in the restaurant so that later it will create loyal consumers and a good word of mouth for the image of a restaurant. Several supporting factors, such as price, product quality, and service quality, must be carried out to achieve customer satisfaction.

When consumers want to purchase a product, the price is an element in the transaction since a typical customer is primarily interested in an affordable price. According to Tjiptono, as cited in (Nurliyanti et al., 2022), a price is the amount of money charged to a particular product. Price is given to customers to get a good or service.

Price is a determinant of how much profit will be taken by the restaurant from the sales of its products and services. Setting the price too high will effect sales to decrease, but if the price is too cheap a price will decrease of

the benefit and quality that customer obtained. Customers will choose products with affordable prices that make them feel that the total money spent is comparable to what is offered by a restaurants, so price and customer satisfaction have a strong correlation. However, the phenomena that exists at Kuhi Resto seems that customers feel the price they are charged is too high and not in line with what they actually receive. In addition, the menu pricing doesn't include the 16% for tax and service.

According to Karlina, Rosanto, and Saputra, as cited in (Haryati & Rostiana, 2022), service quality focuses on meeting the needs and desires of consumers and the accuracy of delivery to offset consumer expectations. The way to make consumers loyal to a restaurant is with the services provided, such as tangibles, reliability, responsiveness, assurance, and empathy. Because customers who visit a restaurant intend to purchase both the restaurant's offerings which are products and services, customers will feel happy if they are treated politely, respectfully, and wholeheartedly because this will result in satisfaction. Additionally, Kuhi faced a phenomenon where their service is still unorganized and does not meet the indicators to be considered as successful in running the service. for examples such as their unreliability in managing a large number of guests at once and their responsiveness to customer needs. As a result, customers are surely less satisfied with the quality of service they receive.

When pricing meets expectations, customers want their purchases to perform equally to their expectations. According to Umami et al., as cited in (Santoso, 2021), product quality is a crucial component that influences every customer's decision to buy a product. As product quality improves, customers who want to purchase the product will become more interested. In this restaurant, there is an issue with product quality due to a phenomenon that arises; customers believe that Kuhi Resto's products are inappropriate for sale because the goods utilized are not fresh, which makes the restaurant's offerings less than optimized. This situation makes the product quality of concern for the customers.

Consumer satisfaction is directly impacted by product quality since a product is considered successful if it can satisfy the needs of the customer. Greater quality will also make customers satisfied with the purchase.

Kuhi Resto Medan is a restaurant established on January 29, 2021; the word kuhi is taken from the Gayo language, which means "Where." Kuhi is a restaurant with the concept of modern tropical, located in one of the leading districts in Medan, precisely on Jl. Sei Serayu No.93/95. Kuhi's original goal was to create a friendly and relaxed atmosphere. For those of his visitors who want to organize events like birthday parties, weddings, workshops, and other things at this restaurant, Kuhi also offers facilities.

Since the area was previously just a tiny house with a few houses, the owner was still determining if he wanted to open a restaurant there. He believed it would be challenging to inform the citizens of Medan of the existence of this restaurant. However, after careful planning and training in the culinary world, he can now finally introduce the restaurant to the citizens of Medan. This restaurant is designed with modern minimalism with many black mirror walls and a second-floor building that makes it look different from the restaurants in Medan.

This location is perfect for millennials since it offers many spot photos and a spacious environment. Visitors can sit indoor, outdoor, pool area, and rooftop sections, encouraging comfortable conversation and idea sharing while enjoying food and beverages from Kuhi Resto.

The food and drinks offered by Kuhi Resto are expensive because they not only provide food and beverages but also sell the place. Because Kuhi restaurant carries the theme of Fancy restaurant. The menu offered ranges from Rp. 35.000 – Rp. 200,000. This restaurant offers complete facilities, free WIFI, spot photos, outdoor and indoor areas, and live music on weekends.

But even though Kuhi already has various facilities and interesting menu variations, unfortunately, Kuhi Resto received a rating of 3.8 stars from 288

Google reviewers, some of whom had complaints. Here are some Google reviews for the restaurant that can be input for the restaurant.

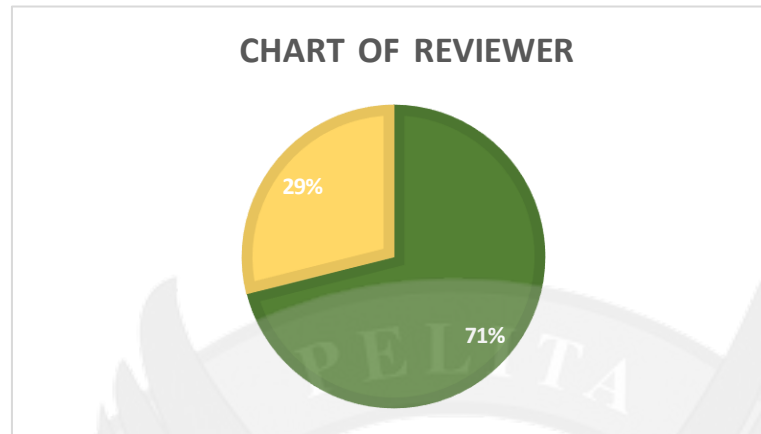


**Table 1.1 Compilation of Negative Guest Review at Kuhi Resto Medan**

<b>Time of Visit</b>	<b>Review</b>
April 2022	Just close the business; the service is terrible because it takes a long time.
April 2022	The coffee is not good enough, and the service is not polite.
September 2022	The food is terrible. Omg, I can't even eat that. I ordered pasta with salmon, and you know what? The smell is really bad.
September 2022	There are few employees so if you want to order food, it is abit difficult and long because it serves other visitors. And theVegetables for curry noodles are not fresh.
September 2022	The location is nice, but the meals and coffee don't taste perfect for the price
October 2022	The location is fine; however, sadly, the waiters don't understand what is on the menu. When I asked what their favourite meal was, they were unable to respond. Overall, the food is disappointing and simply basic.
November 2022	Waiters are less responsive if customers request a bill or adda menu.
November 2022	The place is okay, the food is not recommended, in my opinion, theprice is too expensive.
December 2022	The service is impolite, and there was never any indication ofthe minimum spend requirement from the start of the reservation.
December 2022	The serving of the food is so long,
January 2023	Pricey, and the service and food are very bad. Order "Mie Aceh" and "Gyudon," but it tasted terrible. I sat for like 5 min, and there were like 7-10 waiters, but no one noticed mypresence. I tried to call one of them, but they seemed busy while the guests were not more than five tables. Also, many taxes to pay. so yeah, my conclusion? WILL NOT be coming here anymore. The price is not worth it for what they serve.
January 2023	The price is quite expensive plus the price on the menu does not includetaxes too, the drinks are not good, hopefully it can be improved again.
January 2023	The price is quite pricey, the restaurant is not ready with the explosion of visitors

Source: Google Review (2023)

The writer created the diagram above based on reviews from visitors who rated it under three stars. The yellow chart from 287 reviews can be seen of these 83 users, or 29% of visitors left reviews with less than three stars.



**Figure 1. 1 Chart of Reviewer**

Source: Prepared by the writer (2023)

Based on the previous Google review, it can be concluded that the majority of customer complaints are directed at waiters who are perceived as being less quick and responsive when serving customers, as well as inconsistent food and beverage products that are well considered for their taste and quality of ingredients. The quality of service and the quality of products provided by the restaurant are not in accordance with the price given to visitors.

Due to the many customer complaints related to prices, service quality and product quality offered by Kuhi Resto is not in accordance with what is offered, therefore the writer makes comparisons with nearby restaurants that share a similar concept. The following can be seen from the price and menu comparison between Kuhi Resto and Dimigo Restaurant:



**Table 1.2 List Price of Menu Comparison**

<b>Menu at Kuhi Resto</b>	<b>Price</b>	<b>Menu at Dimigo</b>	<b>Price</b>
Nasi ayam bakar	Rp.45.000	Nasi ayam bakar	Rp.28.000
Sop buntut	Rp.135.000	Nasi sop buntut bakar	Rp.60.000
Pasta aglio e'olio	Rp.50.000	Pasta aglio e'olio smoke beef	Rp.47.000
Ice latte	Rp.45.000	Coffee latte	Rp.34.000
Virgin apple mojito	Rp.40.000	Virgin mojito	Rp.33.000

Source: Prepared by the writer (2023)

As the price given on the Kuhi Resto menu does not include the 16 percent tax, it is obvious that the restaurant offers a more expensive product than Dimigo. Considering this, Kuhi Resto's pricing still has to be adjusted.

Additionally, the writer compares the quality of service at Kuhi Resto with the Dimigo restaurant. The following comparative results were obtained from

Google reviews:

**Table 1.3 Service Quality Comparison**

<b>Date</b>	<b>Review</b>
Dec 2023	The restaurant provides a swimming pool and DJ performance, and the area is nice and clean. The food seems to be of restaurant quality and therefore is priced reasonably. The service is also excellent.
Jun 2023	The food is delicious, the place is comfortable, it's great to invite the family... the service is also friendly
Dec 2023	When I came here on New Year's Eve, I was disappointed. For about two hours, I waited to exchange meal vouchers. To be honest, this was my first visit, but the service was far from excellent.

Source: Prepared by the writer (2023)

The Dimigo restaurant offers pretty much similar service to Kuhi Resto. In slow times, they can maximize their current service by providing excellent customer service; however, when the restaurant is hosting an event and has a

large number of customers at once, they become overwhelmed and are unable to deliver excellent service, which leaves customers disappointed.

The next element to be compared through the evaluations gathered is the perceived quality of the products by consumers, as the price offered is cheaper and the service is relatively similar to Kuhi Resto. Here are a few survey results from consumer reviews about the quality of the products left on Dimigo:

**Table 1.4 Product Quality Comparison**

Date	Review
Nov 2023	It's good to be warmly welcomed and the food is delicious and the drinks are delicious, plus the atmosphere is good to see the tree is steady
Dec 2023	During the afternoon, I ate oxtail soup at Dimigo its so fresh.

Source: Prepared by the writer (2023)

The average customer review for the Dimigo restaurant is good, and very few people have negative reviews about the product quality offered there, according to the data.

After comparing the two restaurants and according to the given description, the writer is interested in researching the following topic: **“The Effect Of Price, Service Quality And Product Quality On Customer Satisfaction At Kuhi Resto Medan.**

## 1.2 Problem Limitation

The scope of this research is limited so that researchers are more focused and easier to find, collect, and manage existing data where the data of this

research is in Kuhi Resto Medan, which is located in Jl. Sei Serayu No. 93/95 Babura Sunggal, Kota Medan, Sumatera Utara 20154.

The three independent variables, price (X1), service quality (X2), and product quality (X3), are highlighted in this quantitative study, with a concentration on the dependent variable, customer satisfaction (Y). The suitability of price for quality and the suitability of price for benefits are indicators used to measure price variables. Reliability, responsiveness, tangibles, assurances, and empathy will be the only indicators used to measure service quality; performance, conformance to specification, aesthetics, and perceived quality will be used as indicators of product quality. While the indicators for determining customer satisfaction will only be faithful, buying a new product, trying a new variation, and recommending a product or company,

### **1.3 Problem Formulation**

The guidelines of this research problem are as follows, based on the background and limits of the above problems:

1. Does price have an effect on customer satisfaction at Kuhi Resto Medan?
2. Does service quality have an effect on customer satisfaction at Kuhi Resto Medan?

3. Does product quality have an effect on customer satisfaction at Kuhi Resto Medan?
4. Does price, service quality, and product quality simultaneously have an effect on customer satisfaction at Kuhi Resto Medan?

#### **1.4 The objective of the Research**

The goal of this research is as follows, based on the formulation of the problems that have been submitted:

1. To find out whether price has an effect on customer satisfaction at Kuhi Resto Medan.
2. To find out whether service quality has an effect on customer satisfaction at Kuhi Resto Medan.
3. To find out whether product quality has an effect on customer satisfaction at Kuhi Resto Medan.
4. To analyse whether price, service quality, and product quality simultaneously have an effect on customer satisfaction at Kuhi Resto Medan.

#### **1.5 The benefits of the Research**

The findings of this study are likely to be used as critical sources of information considerations in determining the service quality and product quality of customer satisfaction.

### **1.5.1 Theoretical Benefits**

The results of this study are expected to provide benefits in the form of a theoretical framework on consumer behaviour and aspects that affect consumers to achieve satisfaction with services and can be considered in further research.

### **1.5.2 Practical Benefits**

The following are some concrete benefits of conducting this research:

1. This research provides the writer with new information and perspective on the factors that affect customer satisfaction.
2. The company expects to use the results of this study as a reference to discover how price, service quality, and product quality can affect customer satisfaction.
3. This research will serve as a basis and source material for future research on the subject of customer satisfaction.