

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The hospitality industry is all about making people feel welcome and comfortable when they're away from home. In the industry, people work to provide good experiences for guests, whether they're on vacation, attending events, or just enjoying a meal. It's a big part of the economy and plays a vital role in tourism and leisure activities. The industry also uses technology to make things more convenient, like booking hotels online or using mobile apps for check-ins. People who work in hospitality can have various jobs, from greeting guests at the front desk to cooking delicious meals in the kitchen. It's all about making sure people have a great time when they're away from home. The hospitality industry's multifaceted significance extends far beyond its economic impact. It serves as a cornerstone of economic growth, job creation, and entrepreneurship, offering opportunities for individuals of all backgrounds. Moreover, it fosters cultural exchange, enriching the lives of both travellers and local residents, while simultaneously contributing to community development and crisis response efforts. The industry's diverse career paths, commitment to innovation and sustainability, and its ability to enhance the quality of life for all make it an integral and ever-evolving force in the global economy. As a hub for connection, exploration, and transformation, the hospitality industry continues to shape the way we experience the world.

In the era of globalization, technological advancements and digitalization play crucial roles in shaping economic activities. Globalization and digitalization are closely interconnected, and in today's globalized world, digitalization is rapidly progressing and experiencing exponential growth. This trend has been further accelerated by the COVID-19 pandemic, leading to a significant shift towards virtual interactions and increasing reliance on digital platforms for various activities. The convenience and practicality offered by smartphones have made digital interactions more prevalent.

This transformation enables the creation of digital archives for documents and facilitates easier storage, retrieval, and sharing of information. Digitalization has revolutionized the way we access and consume information, transforming traditional media into digital platforms. These advancements in digital technology have brought about substantial changes in people's lifestyles. Communication, entertainment, shopping, and various other activities have become increasingly digitized and accessible through digital platforms. The ability to connect and engage with others globally, access information instantaneously, and perform tasks remotely has reshaped the way individuals interact and carry out daily tasks.

In summary, the globalization of economic activities and the rapid development of digitalization have led to significant changes in people's lives. The COVID-19 pandemic has further accelerated this trend, making digital interactions and reliance on smartphones more prevalent. Digitalization has transformed traditional media into digital formats, enabling easier access, storage, and sharing of information. As a result, individuals' lifestyles have adapted to these changes, relying more on digital platforms

for various aspects of their daily lives. Globalization and digitalization are closely linked and have led to significant technological advancements in society, particularly in areas such as e-commerce, e-banking, e-wallet, and digital marketing. These developments have transformed the way businesses operate and how individuals engage in economic activities.

The digital economy, enabled by globalization and digitalization, has revolutionized the business landscape. It allows businesses to reach a vast number of potential customers, transcending geographical boundaries. Through e-commerce platforms, businesses can showcase and sell their products or services to a global audience, expanding their customer base and market reach.

This connectivity and accessibility have opened new opportunities for businesses to thrive in the digital era. Digitalization has facilitated the emergence of online banking and e-wallet services, offering convenient and secure financial transactions. Customers can now easily manage their finances, make payments, and conduct transactions online, eliminating the need for physical visits to banks or traditional payment methods. This shift towards digital financial services has made transactions faster, more efficient, and accessible to a wider population. With digitalization, it encourages people's economic growth because digitalization in the era of globalization provides convenience, effectiveness, and efficiency in carrying out various activities, people tend to use technology to find information, make transactions, and even transportation services.

Food is a primary human need with the existence of online platforms that provide food services making it easier for each individual to fulfil their primary needs, saving time and energy. With the percentage of e-commerce and smartphone usage in Indonesia this encourages the level of online shopping in the community. Online food delivery platforms often compete with traditional restaurants and hospitality establishments for customers' dining dollars. Many customers now prefer the convenience of ordering food online and having it delivered to their doorstep, which can divert business away from traditional restaurants. This competition has forced many restaurants to adapt and offer their own delivery services or partner with delivery platforms to remain competitive. Many hospitality businesses have recognized the potential benefits of partnering with online food delivery services. By collaborating with these platforms, restaurants and hotels can expand their reach and tap into a larger customer base. They can also reduce their reliance on in-house dining, which can be particularly important during times of crises like the COVID-19 pandemic when in-person dining may be restricted.

Online food delivery can provide an additional revenue stream for hospitality businesses. Even when a customer chooses to order food for delivery, the restaurant or hotel can generate income without the need for dine-in space or waitstaff. This can be especially valuable during off-peak hours when traditional restaurants may have low foot traffic. For hotels and resorts, offering in-room dining through online food delivery can enhance the overall guest experience. There may be concerns about the quality of food during delivery and the potential influence on the reputation of the hospitality

business. To thrive in this changing landscape, many hospitality businesses have had to adapt and innovate. This includes optimizing their menu items for delivery, investing in efficient delivery logistics, and creating unique promotions and partnerships with delivery platforms. Market trends indicate that the hospitality industry and online food delivery are likely to remain intertwined. Many hospitality businesses view online delivery as an essential part of their overall strategy, and the continued growth of the food delivery industry suggests that this relationship will continue to evolve.

The relationship between the hospitality industry and online food delivery is a dynamic one, marked by both competition and collaboration. How businesses navigate this relationship will depend on their specific circumstances, market conditions, and their ability to adapt to changing consumer preferences.

Medan city is one of the most populous cities in North Sumatra because it is the capital of the island of North Sumatra as reported by the central statistics agency on Sunday 15 May 2022 Medan city has 2.4 million inhabitants. with the population density of Medan city e-commerce is one of the choices of the community to achieve efficiency and effectiveness in carrying out economic activities including during the Covid-19 pandemic; therefore, food delivery services are a solution for the community to meet primary needs wherever and whenever they are.

With the existence of online food services indirectly encouraging UMKM in the city of Medan and its surroundings, many customers prefer to order food online also because it is supported by the promotions provided as well as practicality and can choose a more varied menu not only through 1 restaurant. since 2021 during the Covid-

19 pandemic Shopeefood has become one of the pioneers of online food delivery services in Indonesia with many attractive and relatively cheap promos making Shopeefood one of the competitors of several other applications such as Gofood and Grabfood.

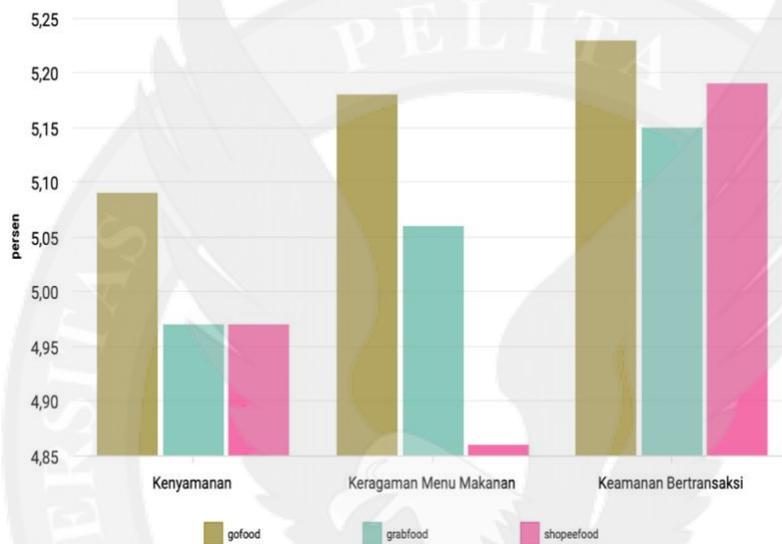


Figure 1.1 Online Food Delivery Graph

Source: Adi Ahdiat, databoks (2022)

According to the southeast strategic survey, the leading service app in Indonesia is Gofood then Shopeefood. The survey asked respondents' opinions on the quality of food delivery services from three aspects, namely convenience, menu diversity, and security in transactions. from the survey, it can be seen that Gofood excels in diversity, convenience, and transaction security. but Shopeefood also almost has a balanced score of convenience and transaction security.



Figure 1.2 Online Food Delivery Statistic
Source: Tenggara Service

Can be seen through the graph according to a survey conducted by Southeast Services on several online food order service applications in terms of convenience, prices after discounts, and a diverse menu, respondents consider ShopeeFood to offer food choices at the most competitive prices after discounts and promotions.

- Akun Kamu tidak dapat dipulihkan.
- Akun Kakak dibekukan karena terindikasi kejanggalan pada transaksi Shopee Food Kamu.
- Untuk menciptakan pengalaman transaksi yang menyenangkan disarankan untuk mempelajari kembali Syarat Layanan yang berlaku pada [link berikut](#).



Figure 1.3 ShopeeFood Customer Service Complaint
Source: Media Konsumen

The problem of ShopeeFood customer service can be seen through figure 1.3, unprofessionalism in responding to consumers in detail in the problems written on the consumer media website; consumers explain that there is an error from ShopeeFood on its customer service in writing ShopeeFood usernames besides the unprofessionalism

of customer service and the lack of understanding of ShopeeFood regulations by the customer service.



Figure 1.4 ShopeeFood Customer Service Complaint

Source: Media Konsumen

Can be seen in figure 1.4 the problem above is a problem related to the service quality variable (X1), Experienced by consumers is the mistake of the ShopeeFood seller in providing products that have been ordered by consumers, so the response from ShopeeFood in the complaint is to provide compensation vouchers for the losses experienced.



Figure 1.5 ShopeeFood Promotion Complaint

Source: TransOnline

From figure 1.5 the problem is related with price (X2) and promotion (X3), Consumers have raised concerns about the diminishing value of the ShopeeFood promo since its initial launch. According to these consumers, the availability of service

promos has become less frequent compared to earlier times. Initially, ShopeeFood promos could offer discounts of up to 60 percent; however, presently, these promotions have declined, reaching a maximum of 55 percent or even lower.



Figure 1.6 ShopeeFood Promotion Complaint
Source: Media Konsumen

Figure 1.6 talk about Consumers complain about promotion (X3) variable from ShopeeFood's that cannot be used because the voucher is not eligible, and the voucher meets the daily limit while according to consumers the voucher is still available and meets the requirements for using the voucher.

From some of the problems that arise in ShopeeFood that are felt by consumers, it can be concluded that, the timeliness of handling problems experienced by ShopeeFood consumers after submitting a complaint regarding the wrong mention of ShopeeFood id is longer. Consumers cannot find out clear reasons for closing their accounts so that consumers experience unilateral losses. These problems show the unpreparedness of the system owned by ShopeeFood, causing system errors and consumer accounts to experience problems. In addition, in overcoming the unrest experienced by consumers, customer service is not responsive in overcoming the problems experienced. Moreover consumers do not achieve the fulfilment aspect of their expectations of the products

received, so there is a misunderstanding between customer service and consumers. Issues regarding promotions, there is an observation that ShopeeFood promos are not universally applicable across merchants, thus creating uncertainty regarding their validity and coverage. The problem that occurs above is that the quality of promotions brought by ShopeeFood brings misconceptions to consumers, giving rise to the misconception that ShopeeFood's prices are unable to compete with other online ordering services. Furthermore, there is a problem in the aspect of promotion quantity faced by customers, which is that the promotions provided by ShopeeFood reach the limit and are very limited so that consumers cannot use vouchers.

Moreover, from the complains received by ShopeeFood it can be concluded that as a problem related to the price given by ShopeeFood apart from the quality of service from its customer service. It turns out that customer satisfaction is partly valued based on the price provided by ShopeeFood, consumers tend to choose an online service based on price and compare it to other applications. Most consumers see prices and promotions rather than the quality of service, so that even though the service provided by ShopeeFood is poor, consumers still choose competitive prices.

From several problems received through the *media konsumen*, and ShopeeFood user complaints from transonline reveal that there is still negligence from ShopeeFood towards service quality, price, promotion from them through several surveys from Southeast Service and databoks in the level of comfort, safety, and diversity ShopeeFood is still inferior to its competitors, namely GrabFood and GoFood,

therefore this study wants to find out that whether there is a relationship between service quality, price, promotion to customer satisfaction so that the title of this research is **"The Influence of Service Quality, Price, and Promotion Toward ShopeeFood Customer Satisfaction in Medan City"**.

1.1 Problem Limitation

There are problem restrictions in conducting this research, namely this research was conducted in the medan city area only for ShopeeFood user consumers. this research was conducted for 2 weeks, there are 3 independent variables namely service quality(X1), price(X2), promotion(X3) and 1 dependent variable is customer satisfaction(Y).

Service quality at ShopeeFood includes electronic services such as timeliness in food delivery, customer comfort and safety in using the application, the application can promise the goods and services ordered accordingly, fast, and responsive responsibility in handling consumer complaints, a clear place of complaint for consumers. while price includes the affordability of the price provided, the appropriateness of the price with the delivery services provided, security in transactions.

The promotion variable includes how well the promotion is delivered by the ShopeeFood application, whether the promotion delivered can be understood properly by consumers, with the promotion whether it increases consumer purchasing power. customer satisfaction variables include customer satisfaction

and pleasure in using the ShopeeFood application, consumer desires and expectations can be achieved when using the ShopeeFood application, consumers get a good experience when using the ShopeeFood application.

1.2 Problem Formulation

As for the formulation of the problems studied by researchers is as follows:

1. Does service quality have an influence on customer satisfaction?
2. Does price have an influence on customer satisfaction?
3. Does promotion have an influence on customer satisfaction?
4. Do service quality, price, and promotion can simultaneously have an influence on ShopeeFood customer satisfaction.?

1.3 Objective Research

Based on the background of the problem and the formulation of the problem above, this research has the following objectives:

1. To test whether service quality has an influence on ShopeeFood customer satisfaction.
2. To test whether price has an influence on ShopeeFood customer satisfaction.
3. to test whether promotion has an influence on ShopeeFood customer satisfaction.
4. to test whether service quality, price, promotion have a simultaneous influence on ShopeeFood customer satisfaction.

1.4 Benefit Of Research

1.4.1 Theoretical Benefit

Benefit of research for student:

The main goal of this research is to dig deep into how customers make choices when ordering food online. As students, we want to figure out what factors influence their decisions the most. Do they prioritize low prices, fast delivery, or special promotions? Understanding these preferences helps us get inside the minds of customers. Through this research, we aim to identify areas where these services might be falling short in terms of quality.

This research helps us learn how to strike that balance between profitability and affordability. Promotions, like discounts and special offers, are like magic spells in marketing. This research lets us explore the tricks that businesses use to get customers excited about ordering food online.

Ultimately, as students, we want our research to make a real impact. From a student's perspective, the purpose of this research is to gain knowledge, develop practical skills, and contribute to the success of businesses in the hospitality and food delivery industry. It's about understanding customers, solving real-world problems, and preparing for future careers in the field.

Benefit of research for reader:

As a reader, engaging in research offers several significant benefits that can enhance your knowledge, critical thinking skills, and overall reading

experience. Research allows readers to delve deeply into a subject or topic. Readers can explore multiple sources, gain different perspectives, and develop a comprehensive understanding of the subject matter. This process enhances your critical thinking skills, enabling you to discern between reliable and unreliable information. Through research, readers can expand knowledge beyond what is readily available in a single source.

In summary, research as a reader is a valuable skill and approach that can lead to a deeper understanding of subjects, improved critical thinking, and a broader knowledge base. It empowers you to make informed decisions, form opinions, and enhance your overall reading and learning experience.

Benefit of research for Company,

Research is highly beneficial for companies across various industries and sectors. It plays a crucial role in informing strategic decision-making, enhancing competitiveness, and driving innovation. Research helps companies gain a deep understanding of their target markets. It provides insights into customer preferences, needs, and behaviours, allowing businesses to tailor their products and services accordingly. Research enables companies to assess their competitors' strengths and weaknesses. By analysing market trends and competitor strategies, businesses can identify opportunities to gain a competitive edge. Research supports the development of effective marketing

strategies. It assists in segmenting target audiences, crafting compelling messaging, and selecting appropriate marketing channels. Companies can use research to gather feedback from customers, measure satisfaction levels, and identify areas for improvement.

1.4.2 Practical Benefit

The primary purpose of this research is to understand customer needs and preferences better. By analyzing data related to service quality, pricing, and promotional effectiveness, companies can identify areas for improvement, address pain points, and ultimately enhance customer satisfaction. Research on pricing helps ShopeeFood determine the most competitive yet profitable price points for their products or services. It enables them to align pricing with customer expectations, market conditions, and competitive offerings. ShopeeFood aim to find the right balance between maximizing revenue and delivering value to customers. ShopeeFood use research to evaluate the influence of various promotional strategies and campaigns.

They can identify which promotions resonate most with their target audience, drive sales, and build brand awareness. Understanding how ShopeeFood's service quality, pricing, and promotions compare to competitors is crucial. Research allows businesses to assess their competitive position in the market. It helps in identifying opportunities to differentiate the brand and gain a competitive edge. Research helps ShopeeFood allocate their resources wisely.

The purpose of conducting research on service quality, price, promotion, and customer satisfaction is to drive business success by meeting customer expectations, staying competitive, making data-driven decisions, and fostering customer loyalty. It's a strategic approach that helps companies thrive in a dynamic and competitive marketplace.

