

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Entering a generation where developments are increasingly advanced and the competition among businesses is intensifying, makes it fundamental for any business to enhance its competitiveness. This is occurring due to the awareness of businesses in fulfilling increasingly diverse human desires and needs, which requires a responsive and thorough attitude. According to (Needle & Burns, 2019), it appears that an important occurrence is taking place that greatly influenced entire economies and subsequently affected the markets, approaches, and behavior of individuals within most businesses, all because of modernization. Businesses should constantly adjust to changing circumstances to continue complying with the growing and varied demands of customers and setting high expectations for products or services.

Human lifestyles have been impacted and upgraded as a result of the explosive development of the economy, which involves the manufacturing and dissemination of products and services in need of innovative concepts, competitiveness, and the capacity to establish differentiation as a company attribute (Dialoka & Soebiantoro, 2023). This fosters competition among business professionals, encouraging them to develop goods of superior quality and innovative ideas. The purpose is to engage potential customers and stimulate

demand for the products or services being offered. The increasing number of competing businesses functioning in similar sectors presents significant obstacles for organizations in finding efficient and profitable strategies for preserving their long-term financial sustainability.

According to (Gareche et al., 2019), ensuring financial sustainability and the continuation of a business relies on securing an ideal position in a highly competitive environment. This objective can only be achieved by developing and sustaining competitive advantages. Rising competition makes organizations come up with unique competitive advantages that allow them to differentiate themselves from their competitors and obtain dominance in the market. With no exception, businesses in the hospitality industry facing similar challenge as the other businesses that cover accommodation businesses, food and beverage facilities, entertainment venues and other businesses that relate to guests and offer services.

The hospitality industry faces different challenges compared to organizations which produce tangible goods, necessitating a consumer-oriented approach to fulfill their wants, requirements, and expectations (Ali et al., 2021). Restaurants are an example of businesses in the hospitality industry that serve a variety of food and drinks while providing additional services to its customers. Maulana & Sunaryo (2020) stated that humans are urged to perform instantaneous behavior in addressing personal requirements due to limited possibilities to spend time for carrying out daily responsibilities. When it comes to obtaining something to eat or drink, humans prefer doing it efficiently and in a short time. To address this kind of behavior, culinary industry has now increased very rapidly, which can

be found easily in a variety of locations. With the presence of a culinary business, it provides effectiveness and saves time in preparing food while being productive in doing other activities.

Table 1.1 Businesses of Culinary Industry in Indonesia

Type of business	Quantity			
	2019	2020	2021	2022
Restaurant	8,304	8,402	6,780	9,464
Catering	488	269	243	359
Other food and beverage providers	3,810	2,912	2,003	1,077
Total	12,602	11,223	9,026	10,900

Source: Badan Pusat Statistik (2021, 2022, 2023)

Based on statistical data obtained from Badan Pusat Statistik (BPS), various culinary businesses including restaurants, cafes, catering and other food and beverage providers are spread across various provinces in Indonesia. In 2019, the culinary businesses are growing in a large number for about 12,602 which hold the highest number among the other years shown in the table above. Because of pandemic issue occurring starting in 2020 and 2021, giving negative effects towards service sectors including this food and beverage industry which caused many businesses to experience turndowns and losses. In 2022, the business environment has got better than before which encourages entrepreneurs to have more confidence in launching a range of ventures, leading to a 20.76% increase in the number of businesses in comparison to the previous year. This indicates there are a lot of people who are interested in this particular type of business, which means demand is high.

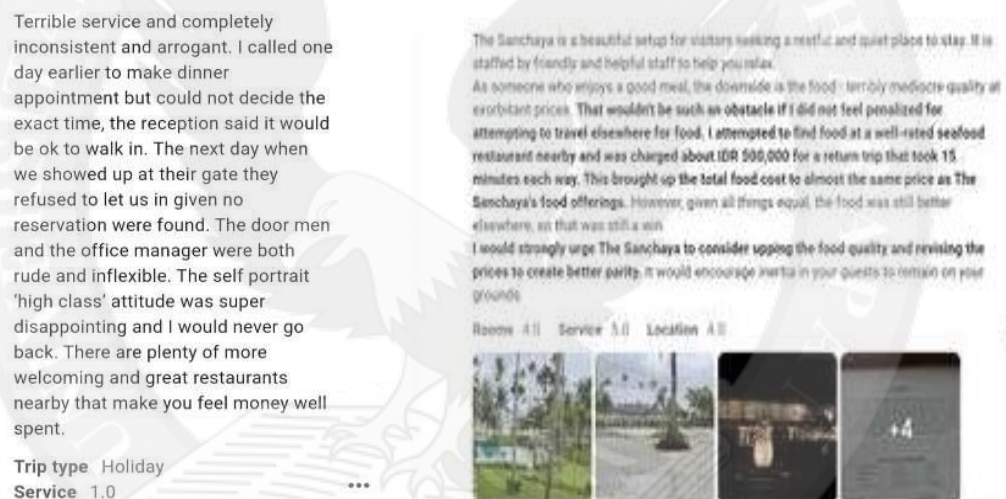
This research studies on The Dining Room as a business that operates in culinary industries, an industry that has the potential to keep on growing in the future. The restaurant has been operating since 2014 along with the opening of The Sanchaya Bintan as it is located inside the resort. Serving a different selection of food including international and local food with each unique taste being prepared wholeheartedly by the estate's chef. The menu choices range from appetizers, soup, main course, side dish and vegetarian meals with a variety of prices on each item.

Since there are many similar kinds of businesses coming up, customers have more and more options for finding the suitable one regarding interest and expectation. Therefore, companies place emphasis on creating customer satisfaction to support success in maintaining sustainability. Customer satisfaction is defined as the degree of enjoyment that customers feel when dealing with a company's products and services, in addition to in comparison with information they have witnessed or heard about other businesses (Cecily, 2022). Consumer expectations must be considered by every business to achieve customer satisfaction, as this might influence customers' assessments of the business.

When aiming to meet the expectations of customers, it is crucial to consider several components that can promote customer satisfaction. These factors include the impact of service quality, the alignment between pricing and food quality, and the ambiance of the place. The Dining Room, being part of an industry that places high value on excellent service and hospitality, identifies the significance of service quality in ensuring customer satisfaction and comfort. According to (Suciptawati et al., 2019), outstanding service is possibly accomplished by recognizing service

problems and creating metrics for service performance, consequences, and customer satisfaction.

The quality of service will determine the customer's experience in a restaurant and become a factor of consideration for customer satisfaction. Customers will experience satisfaction with the service offered once they obtain timely and professional assistance from employees in response to their inquiries. Consistently maintaining good service quality builds trust in the restaurant, leading to creating a great impression on customers.



Source: Google Review

Figure 1.1 Customer Review on Google Review

As illustrated in the image above, there is an example of a review written on Google Review in which the customer admitted to receiving unfavorable treatment due to the employee's lack of professionalism and unable to dine in because no reservation was recorded. The customer mentioned that employees at The Dining Room are not welcoming enough and have a poor attitude in treating

customers, being rude and not flexible. The customer had an unpleasant experience, causing a sense of disappointment with the standard of service provided. And based on information received from informants, customers sometimes need to wait longer to get what was requested before. The restaurant fails to attain the intended degree of customer satisfaction, allowing customer being unhappy and potentially face loss of customers in return.

Price fairness refers to how customers believe whether the amount of money they paid for a product or service is acceptable and reasonable compared to what they experienced (Triandewo & Indiarito, 2021). Thus, an equal comparison between price and food quality becomes an assessment of the level of customer satisfaction. Improving price fairness is crucial as customers anticipate receiving high-quality food and benefits obtained corresponding with the amount they pay.

Concerning the other customer feedback which is shown in figure 1.1 on the right side, specifically mentioned about the appropriateness of the pricing, the customer voices out dissatisfaction with the quality of the meal, considering it overpriced because food quality is not balanced with the price they pay. The problem occurs is that customers are not satisfied with receiving poor quality food but are required to settle payments for expensive prices. Customers have high expectations for the flavor and quality of food, particularly when they are paying higher costs that are considered expensive compared to other restaurants. The satisfaction of customers can be enhanced by improving the quality of the food and setting more affordable rates.

In modern society, customers visit restaurants or cafes for more than simply to consume food and beverages. The changing era has resulted in a new behavior, where these places serve as social areas for gathering with friends and family. Therefore, it becomes important for restaurants to prioritize the ambiance they produce with the intention to enhance customers' enjoyment. Store Atmosphere has an important role in providing differentiation between one place and another by making customers feel a different experience by paying attention to customer interest in the desired environment (Dialoka & Soebiantoro, 2023). A customer's comfort is assessed by the environment and atmosphere provided by a place. Increase customer interest in spending more time and create the potential to visit again in the future.

Dhita Beechey
2 months ago on Google 3/5

Quirky place but overall nice. There're some patchy disconnected interior feel around the dining area. Dining experience was somewhat disjointed as well - food is pretty mediocre almost like home cooking, not a five star hotel chef kind of cooking. Almost too humble, but the taste doesn't make up for it. That was so unexpected.

Service 4.0 Location 3.0

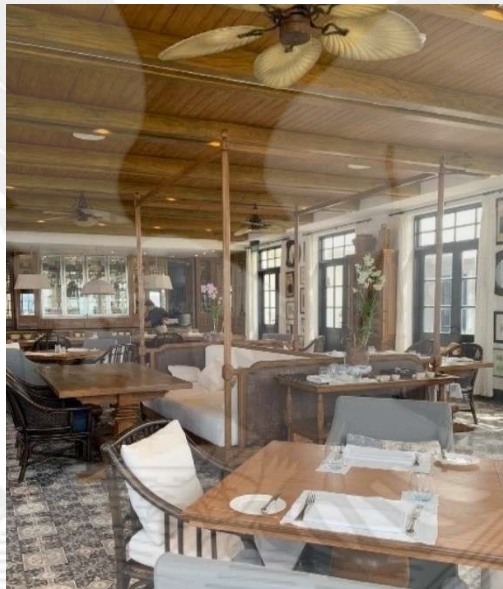
Tamu
Menginap di Feb 2023
Pasangan
0 ulasan 3.0/5 Diposting pada 7 Feb 2023

Sanchaya We had an enjoyable 3 day stay at Sanchaya. It reminds me a bit of Hawaii resorts. They can count on the Singapore crowd, so aside from the amazing service, it's very average for the class of hotel in which it resides. Room / property - I liked the unique style but everything is dated. The air con in the room was the weakest we had during our entire 2.5 weeks in Singapore, Malaysia and Bintar. Air con in the restaurant and gym were also similar - present but not very powerful. Still quite warm. Windows are small, so the view of the beach is minimal. To make it worse, the curtains cover up most of the small window, even when fully opened (see attached picture of the ocean view). There is a large balcony though, if you want to sit outside (but can be super hot and humid with mosquitos, so it would be nice to have the same view from a couch inside the room). I'm not sure why they set up the bedroom such that the bed is not facing the ocean view - that arrangement would have been much better since the windows are small. Living room is okay - no views - it's on the interior. Overall room is nothing special. Not sure it was even worth extra for an ocean view since it's barely visible. Service - Outstanding. The staff are awesome. Super attentive and friendly. Probably helped that the resort was unusually low occupancy, but that was good luck for us. I suspect they are just as great during high occupancy. Food - drinks are great (Jesu and Ika). Food is average. Quite a few items were bland. It was hit or miss. Gym - Relatively spacious but only 1 treadmill. Various other equipment to make it adequate but there is plenty of room for 2 or 3 treadmills. It's warm - air con is weak in the gym. Beach - there is a massive low tide that

Source: Google Review, Trip.com

Figure 1. 2 Customer Review of Store Atmosphere

As shown in figure 1.2, it is noticeable that one of the customer's dining experiences is being disrupted by the inadequate interior details. Some parts of the interior need maintenance to upgrade the look of the environment in which poor store atmosphere resulted in decreased customer satisfaction. Another guest highlights the room temperature in the dining room, which is part of the store atmosphere. The customer mentioned that even though the air conditioner is on but still feeling warm and not cold enough, indicating that temperature setting is not appropriate to create the feeling of comfort.



Source: The Dining Room (2024)

Figure 1. 3 The Condition of Store Atmosphere

Based on the figures above, showing that seating arrangements distance is too close to one another making the place look narrow. Some furniture used for the interior is quite worn out and certain areas of interior seem to have minor damage that are quite visible, which are required to have maintenance to improve the quality. This relates to the ambience experienced by customers at the restaurant, when the

discomfort caused by the surrounding environment inhibits the opportunity to fully enjoy their dining experience. An unpleasant customer experience can affect consumer satisfaction.

To overcome the increasingly fierce competition in the food and beverage sector, it is needed to take immediate steps to strengthen a company's competitive edge, one of which is customer satisfaction being one of the main variables. The culinary sector maintains a close relationship with customers, being it is naturally customer-oriented, focusing greatest customer satisfaction as a fundamental aspect of hospitality. This research with the title of “The Influence of Service Quality, Price Fairness and Store Atmosphere towards Customer Satisfaction at The Dining Room, The Sanchaya Bintan”. This study will focus on figuring out the relationship between these variables and their effects on customer satisfaction.

1.2 Problem Limitation

This research has limitations with the focus of discussion on several variables which are divided into customer satisfaction as the dependent variable and service quality, price fairness and store atmosphere as independent variables. According to Irawan (2008) as cited in Tendur et al. (2021), the indicators used for customer satisfaction are experience of satisfaction, repeatedly making purchase, eagerness to recommend and conformance to expectation. The indicators used for service quality according to (Harfika and Abdullah, 2017) which was cited in (Syahsudarmi, 2022) are limited to reliability, guarantee, tangibility, empathy and

responsiveness. According to Ryu et al. (2012) cited in Altair & Sukresna (2022), the indicators of price fairness are reasonable pricing, beneficial pricing and reference to price. The indicators used for the store atmosphere consist of cleanliness, music, aroma, temperature, color, lighting and design layout according to Hussain and Ali (2015) which was cited in (Effendy et al., 2019).

This research will only be carried out on a certain number of customers who have visited The Dining Room restaurant which is located at The Sanchaya Bintan. And there is a limitation of time to conduct this research, in which the period for the sample collection is going on for two weeks. Therefore, the results of the research will be based on the evaluation of the limited sample.

1.3 Problem Formulation

There are several questions that are going to be addressed through this research as follows:

1. Does Service Quality have influence towards Customer Satisfaction at The Dining Room, The Sanchaya Bintan?
2. Does Price Fairness have influence towards Customer Satisfaction at The Dining Room, The Sanchaya Bintan?
3. Does Store Atmosphere have influence towards Customer Satisfaction at The Dining Room, The Sanchaya Bintan?
4. Do Service Quality, Price Fairness and Store Atmosphere have simultaneous influence towards Customer Satisfaction in The Dining Room, The Sanchaya Bintan?

1.4 Objective of the Research

The objectives of research are defined as below:

1. To determine whether Service Quality has an influence towards Customer Satisfaction at The Dining Room, The Sanchaya Bintan.
2. To identify whether Price Fairness has an influence towards Customer Satisfaction at The Dining Room, The Sanchaya Bintan.
3. To analyze whether Store Atmosphere has an influence towards Customer Satisfaction at The Dining Room, The Sanchaya Bintan.
4. To understand whether Service Quality, Price Fairness and Store Atmosphere will simultaneously influence Customer Satisfaction at The Dining Room, The Sanchaya Bintan.

1.5 Benefits of the Research

The benefits of research are divided into theoretical benefits and practical benefits.

1.5.1 Theoretical Benefit

This research can be used as a guideline in becoming reference material for theories that support issues happening in business sector, to help enrich knowledge about related topics in general, and to assist company improve operational efficiency to accomplish better outcomes.

1.5.2 Practical Benefit

1. For the company

This research can be beneficial for the company by serving as a reference for identifying factors that can be improved for better development in creating memorable experiences for customers. This will increase client confidence and encourage them to return, resulting in increased value for the organization.

2. For the writer

The expected benefit for the writer is to gain a better understanding of the aspects mentioned related to the topic at hand. The author has the opportunity to utilize theories and knowledge gained from specific sources including from college materials regarding the business field in achieving customer satisfaction.

3. For the readers

The expected benefit for readers is that to provide new insights and information associated with the topics addressed and be useful as a reference for future research in related fields.