

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Over the years, the growth of the culinary industry, in particular of restaurants and cafes in Indonesia, increased and attracted visitors more and more rivalry between the competitors. Each company could become a competitive leader to show their own best products and meet consumer requirements that are always changing dynamically in order to increase competitiveness. If companies are not accustomed to becoming market sensitive and innovative by creating new creative ideas for products or services, they can't compete hard.

In order to survive in the long term, companies need the highly competitive business environment in the restaurant sector to meet customer expectations. The satisfaction of customers is important for restaurants because customer loyalty will affect a fairly low cost for the business (Shariff et al, 2015).

Price depends on what is done or lost in order to get a product. The consumer satisfaction and service providers are closely related in pricing and service quality as shown from 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 that makes managers need to know the pricing objective, demand curve, likely quantities of all possible prices, and the costs, prices and offers of competitors.

The chosen method of pricing and the final price could be divided into several categories: overprice (price that would have a higher risk of losing the sale and which would otherwise be more rentable at a lower price), lower price (prices that would have the highest likelihood that unprofitable sales and income be generated). A revamping price strategy is one of the most frequently used price adjustment strategies because the price strategy is capable of influencing customer satisfaction directly.

Some of the most frequently debated ideas in literature surrounding prices in the market is the principle of price fairness. Fair pricing is the pricing the consumer deems acceptable and fair for the products or services. Price fairness is defined as “a consumer’s assessment and associated emotions of whether the difference between a seller’s price and the price of a comparative other party is reasonable, acceptable, or justifiable”. The researchers discovered that price equality is not a issue unless the price is unfair to the customer. The unjust interpretation is typically negative emotions such as indignation and frustration. It can therefore trigger 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, it’s not easy to select price strategies because it affects sales and profits directly.

Customer satisfaction is a summary of the answers created based on the experience gained by the customer when testing a product or service. A combination of customers 'sense of service in different dimensions is also called customer satisfaction, while customers will compare the actual benefit and customer costs with the customers’ own expected benefit to determine their

customer satisfaction. The importance to evaluate and track client satisfaction because of the outcomes of assessment and monitoring of the level of client satisfaction, the highly useful and important knowledge for determining consumer purchasing intentions. The satisfaction of customers is often also considered to be one of the main factors that leads consumers to the idea of a restaurant again. The customer's level of satisfaction is likely to be closely associated with the repeated expectations of the consumer and to return the purchase.

Furthermore, customer satisfaction management is a vital business process that uses input from the customers themselves. This input can be collected by either gathering customer feedback in the form of complaints, comments, and queries or using a qualitative approach by conducting surveys utilizing structured questionnaires.

Traditional economic analysis revolves around the curve of downward demand. *Ceteris paribus* claims that inexpensive goods are often superior to relatively identical expensive goods. The ability of the customer to pay for each of the equivalent goods is considered fixed, which means that the wider the difference between prices and costs, the greater the market surplus and the greater the satisfaction of the market. Price may, however, be a quality predictor and lead consumers to subjectively judge higher-priced and therefore superior goods. Evidence from both theory and empirical fields such as behavioral economics, psychology, psychophysiology and marketing suggests that the link between price-consumer satisfaction is more complicated than it would seem.

Established in 1995, Jala Jala Nelayan Dim Sum and Asian Cuisine is a popular restaurant in which over 20 years have been enjoyed by people from all

walks of life. Since its success in its first restaurant, its popularity has steadily rocket. Each branch has a wide variety of concepts and menus like Asian cuisine, BBQ, Suki & Steamboat, Japanese cuisine, pastry and many others as it is keenly interested in specialized cuisines. The business has grown into catering weddings, celebrations and corporate events with consistent and dedicated support from the customer. Dim Sum can be translated simply into “snacks”, but it also signifies the heart's touch. It was a great pleasure and privilege to reach the hearts of our clients and represent the increasingly loyal customers.

Based on the observation at Jala Jala Nelayan Cafe in Manhattan Times Square Medan, it looks like the price is higher than others dimsum house and cafe, which offer the same menu. The price comparison can be seen in the table below.

Table 1.1 The Price Comparison of Some Common Dimsum Menu

Menu Name	Jala Jala Nelayan in Manhattan Times Square	Dimsum House A	Dimsum House B
Siau Mai Ayam	Rp. 24.000,-	Rp. 22.000,-	Rp. 24.000,-
Siau Mai Kepiting	Rp. 24.000,-	Rp. 24.000,-	Rp. 23.000,-
Hakkao Kepiting	Rp. 31.000,-	Rp. 29.000,-	Rp. 30.000,-
Hakkao Udang	Rp. 31.000,-	Rp. 29.000,-	Rp. 30.000,-
Lumpia Udang Kulit Tahu	Rp. 31.000,-	Rp. 30.000,-	Rp. 28.000,-
Leng Hong Kien	Rp. 31.000,-	Rp. 29.000,-	Rp. 30.000,-
Lumpia Ayam Rumput Laut	Rp. 31.000,-	Rp. 29.000,-	Rp. 30.000,-

Table 1.1 above shows that the price offered from Jala Jala Nelayan in Manhattan Times Square is higher than Dimsum House A and Dimsum House B for the same menu name. Higher prices offered by Jala Jala Nelayan can be caused by several factors, for example because it tastes more delicious, higher quality service, or because the image of the fishing restaurant brand that is better known to the community. This of course affects the satisfaction of customers who come to Jala Jala Nelayan restaurants. Based on the literature review theory, it is

said that higher price can influence into lower customer satisfaction and lower customer purchase decision.

Therefore, the researcher wants to analyze the influence of price towards customer satisfaction in a cafe and write it in this skripsi entitled “**The Influence of Price Towards Customer Satisfaction at Jala Jala Nelayan Cafe in Manhattan Times Square Medan**”.

1.2 Problem Limitation

A restaurant is a place where people pay to sit and eat meals that are cooked and served on the premises. In restaurants the food is usually served to customers at their table by a waiter or waitress. In order for research conducted more focused and easily in collecting and processing data, the scope of research is limited as follows. There are so many cafe and restaurants in Medan. This study is only limited to Jala Jala Nelayan Cafe in Manhattan Times Square Medan which located on Jl. Gatot Subroto No.217, Sei Sikambing B, Kec. Medan Sunggal, Medan city, North Sumatera. The independent variable in this research is price, while the dependent variable is customer satisfaction.

1.3 Problem Formulation

Based on the description on the background of the study above, the research questions in this study are:

1. Does the price influence at Jala Jala Nelayan Cafe in Manhattan Times Square Medan?

2. Does the customer satisfaction influence at Jala Jala Nelayan Cafe in Manhattan Times Square Medan?
3. Does the price influence into customer satisfaction at Jala Jala Nelayan Cafe in Manhattan Times Square Medan?

1.4 Objectives of the Research

The research objective in this study are as follow:

1. To describe the price at Jala Jala Nelayan Cafe in Manhattan Times Square Medan.
2. To describe the customer satisfaction at Jala Jala Nelayan Cafe in Manhattan Times Square Medan.
3. To describe whether price have influence toward customer satisfaction at Jala Jala Nelayan Cafe in Manhattan Times Square 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 about factors affecting customer satisfaction, especially about the influence of price towards customer satisfaction.

1.5.2 Practical Benefit

The practical benefits expected from this research are as follows:

1. For the writer

This research can provide an overview and knowledge about the influence of price towards customer satisfaction in a cafe or restaurant.

2. For the company

This research is expected to be used as a suggestion to give more attention about of the fair price in order to fulfill the customer's satisfaction.

3. For the other researchers

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

