

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In this modern era, competitors are increasing in number, the market has changed, customer has more choice to fulfill their expectation, means that customer's preference has changed and it has an impact in satisfying their expectation. To maintain and to be able to survive in the modern market nowadays, all business practitioners need to be able to maintain and engage directly to their customer. As we know customers nowadays tend to measure value with their expectation before buying the product.

Brand image is important variable that company must maintain because brand image is how customers see the company/business in general. According to Kotler and Keller (2016) brand images are consumer perceptions of a brand as a reflection of the associations that exist in the minds of consumers. The association can simply appear in the form certain thoughts and images associated with a brand.

If the brand image is bad, of course it will make customer to avoid to buy the product or services from the particular company. When brand image is positive, it tends to create a situation where the psychology of customers perceive the image of the product or services thus tends to affect their satisfaction level. However because of increasing competition, the difference in perceived brand image for the customer is not clear between one brand and another brand.

Brand image has the opportunity to achieve customer satisfaction and create a customer loyalty. According to Setiadi in Sondakh (2014), brand image becomes the basis of customers to make purchases. By having a good brand image, customers can recognize the product or service to be bought, know the quality of the product,

and gain experience from the product that they can then recommend to others.

According to Kotler and Armstrong (2014, p.312) price is an amount of money that incurred on one product or services, or the amount of money that customer change for value because they are using /buying the product. Generally, price also can determine or in other words give an identity of the quality of one particular product or service. The higher the price normally will in the return give the higher value for the customer.

As'ad (2013) also stated that price has a significance impact towards customer satisfaction. Therefore, company must implement strategies regarding with prices in order to fulfil customer satisfaction. We can come to the conclusion that price is one of the important variable in customer's decision making process. In today's competitive market, usually the difference in price is not that high in the market, this also is one of the proof that price exist as the determinant value in the decision making process of customer.

According to Kotler (2014, p.150) customer satisfaction is a feeling of pleasure or disappointment that someone gets from comparing the performance or results of a product or service that is perceived and expressed. Customer satisfaction is how customer's expectation is fulfilled, if the value that delivered to the customer fulfill or exceed their expectation, the customer will satisfied and has high level of satisfaction. In today's market, the importance of customer satisfaction is increasing due to the increasing choices of customer, if one company can't fulfill their expectation they can easily go and move on to another company that provide the same product or services. Maintaining the satisfaction level of the customer is a must for a company that wants to develop their business.

Kwetiau Ateng provide traditional foods for their customer, which their favourite and main dish is the legendary kwetiau and

seasoning that the customer can only get in Kwetiau Ateng. Established in 1966, at that time Kwetiau Ateng only has one store, and then expand their business by opening the first branch at Jl. S.Parman in 1996 and second branch at Jl. Wahidin in 1998. In 2016 they open the third branch which is located at Cemara Asri. Kwetiau Ateng often associated with middle high class people because of the price and the high quality they provide, has been active in this business for 53 years, the brand image of Kwetiau Ateng has been so strong that almost all Medan people knows or often hear about Kwetiau Ateng.

Having brief conversation with Mr. Hery, the head chef at Kwetiau Ateng Jl. S Parman, according to Mr. Hery "*Citra Merek merupakan salah satu keunggulan kami dibandingkan dengan pesaing dikarenakan kami memiliki citra dimana pengalaman dalam memuaskan konsumen kami telah teruji, harga juga merupakan salah satu faktor yang mempengaruhi kepuasan pelanggan di toko kami. Hal ini dikarenakan harga yang diatas rata rata yang kami miliki, tingkat kepuasan pelanggan cenderung lebih tinggi daripada pesaing, berarti akan lebih sulit untuk memuaskan pelanggan kami.*"

"Brand image creates an advantage on our side compared with competitors, because our experience in serving our customer has been proven which creates the positive brand image, and price also affects the customer satisfaction. Because of the higher price we have, the customer satisfaction level tends to be higher than competitor, means that it will be more difficult to satisfy our customer."

**Table 1.1 The Amount of Customer at Kwetiau Ateng S. Parman**

Year	Price	Amount of Customers	Number of Customers Complaint	Percentage of Price Increased	Percentage of Customer Growth	Percentage of Customers Complain Growth
2015	Rp. 38,000	18,000	240			
2016	Rp. 40,000	16,800	280	5.2%	- 6.67%	16.67%
2017	Rp. 42,000	14,400	340	5.5%	- 14.28%	21.43%
2018	Rp. 44,000	10,800	450	4.5%	- 25%	32.35%

Sources : Kwetiau Ateng S.Parman

Based on the data provided by Kwetiau Ateng S.Parman, clearly there is a problem in there because the number of customers is decreasing each year from 2015 to 2018. The data from Kwetiau Ateng also explain that each year from 2015, the number of complaint of customers gradually increase alongside with the decreasing the amount of customers.

From the table above, eventhough with the price is stagnan, which increase each year only by Rp. 2.000, but the customer complaint level is increasing until 32.35%, this is a very big amount of complaint. Clearly there is a problem in this case.

This might be the main problem that Kwetiau Ateng S.Parman facing, which might be because of the value perceived by the customer is below their expectation which once again is causing the complaint number is increasing and decreasing the amount of customers. Kwetiau Ateng as one of the oldest restaurants which serves the kwetiau to their customer of course has competitors, for examples, Kwetiau Ahong and Ahiok. Both Kwetiau Ahong and Kwetiau Ahiok are less expensive compared with the price in Kwetiau Ateng, which might be one of the factors that causes the decreasing amount of customer in Kwetiau Ateng. With this assumption, the writer decides to do the research about how the impact of price towards the customer satisfaction which can lead to decreasing

amount of customer. Kwetiau Ateng is associated with prestigious brand image, which increases the expectation of the customer, if the performance of the product or the value that they get is lower than their expectation, this will affect the customer satisfaction level. The writer decides to include brand image as one of the variable of the research, because in this case, Kwetiau Ateng has prestigious and legendary brand image which will of course will affect the customer satisfaction level, associated with high pricing policy which might caused the decreasing amount of customers at Kwetiau Ateng Jl. S Parman.

Based on the explanation above, the writer realizes the importance and the impact of brand image and price towards customer satisfaction, the writer then decides the title of research **“The Impact of Brand Image and Price towards Customer Satisfaction at Kwetiau Ateng S.Parman Branch, Medan”**

## **1.2 Problem Limitation**

In restaurant industry, Kwetiau Ateng S.Parman has served their customer for more than 20 years, their experience and their popularity in restaurant industry has been proven. Being often associated with the higher price compared with their competitor, Kwetiau Ateng still manages to lead in the market. The writer believe sthat this is because of the strong and powerful brand image which make the difference in Kwetiau Ateng compared with their competitors. The prestige level that the customer can get when they eat at Kwetiau Ateng is undeniably high. The writer decides to take Brand Image as independent variable.

However, because of increasing competition in the market, the writer believes that there is a second variable which can act as determinant value in satisfying the customer which is, price. Despite of their fantastic brand image, the price of Kwetiau Ateng S.Parman

Branch is not competitive compared with their competitors and because of this x factor, of course the customers who eat at Kwetiau Ateng will increase their expectation. With increasing expectation, the customers become more difficult to be in satisfied level. When customer is not satisfied they tend to go to the competitor with new expectation level. Due to this, the writer takes price as the second independent variable in this research.

For the dependent variable, the writer decides customer satisfaction as the dependent variable. The research is done on Kwetiau Ateng S.Parman Branch, Medan.

### **1.3 Problem Formulation**

By analyzing the situation that happened above, and the description from the background of the study, the writer determines the problem identification of Kwetiau Ateng S.Parman as follows :

1. Does brand image has impact towards customer satisfaction at Kwetiau Ateng S.Parman?
2. Does price has impact towards customer satisfaction at Kwetiau Ateng S.Parman?
3. Do brand image and price have impact towards customer satisfaction at Kwetiau Ateng S.Parman?

### **1.4 Objective of the Research**

The objective of the writer is to know:

1. To know the impact of brand image towards the customer satisfaction at Kwetiau Ateng S.Parman.
2. To know the impact of prices towards customer satisfaction at Kwetiau Ateng S.Parman.
3. To know the impact of brand image and price towards customer satisfaction at Kwetiau Ateng S.Parman.

## **1.5 Benefit of the Research**

Benefits of this research can be listed as follow:

### **1.5.1 Theoretical Benefit**

The theoretical benefit of this research is as follow :

1. Enrich the knowledge of the writer by doing the research also increase the experience of the writer in doing research.
2. Reading material for all students at Universitas Pelita Harapan, Medan

### **1.5.2 Practical Benefit**

1. To the company, to get information whether the survey that has been made will be useful to improve the company's performance.
2. To other people, future researcher, readers: to be a guide in leading the reader to do another research that are compatible with this research.
3. Also, to gain insight about what is need to update the relevant data provided from this research, so reader will get a picture on how to improve the quality of their data.

## **1.6 Systems of Writing**

Systematic discussion of this research project is stated as follow:

### **CHAPTER I INTRODUCTION**

This chapter consists of background of the study, problem limitation, problem formulation, objectives of the research, benefits of the research and systems of writing.

### **CHAPTER II LITERATURE REVIEW**

This chapter considers the theories from previous research that related to the topic of the research such as definition of management, definition of brand, definition of brand image, definition of price and definition of customer satisfaction. The writer present previous

research, develop hypothesis, makes research model and framework of thinking.

### **CHAPTER III RESEARCH METHODOLOGY**

This chapter consists of research design, population and sample, data collection methods, operational variable definitions and variable measurement and data analysis methods.

### **CHAPTER IV DATA ANALYSIS AND DISCUSSION**

This chapter consists of general view of research object, data analysis and discussion.

### **CHAPTER V CONCLUSIONS**

This chapter describes conclusions from the previous discussion and recommendations as input for the company.

