

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Restaurant is a type of establishment that offers product and related services for people who needs them to be exchanged for money. In other words, the restaurant industry is the industry that serve guests with a core product of consumables and related services to add value for the customers (Buttle & Maklan, 2019). Typically, people come to the restaurant to fulfil their biological needs which refers to eating. However, some people also patronize a restaurant to fulfil their psychological needs, such as: to mingle and to hang out (Walker, 2017).

Apart from running its daily operations by serving foods, the industry also contributes a lot to the country's economy. According to Badan Pusat Statistik Indonesia (2021), the investment for hotel and restaurant sector made by local and foreign investors amounted for 3,170 billion rupiahs and US\$112 million consecutively in the second quarter of 2021 alone. The enormous amount of investment also able to overcome the unemployment issue which helps the economy in the country. Initially, the industry may look attractive and profitable but once the economic downturn is happening, people's spending behaviour is changing, the industry suffers and recovers when the economy starts to get better. Beside economics trends, social trends, for instance the plant-based diet, organic food consumption and ketogenic diet campaign also has a strong influence on the restaurant industry nowadays (Gheribi, 2017).

Table 1.1 Number of Restaurants in Medan 2016-2018

Year	Number of Restaurants	Growth in %
2016	907	-
2017	1,028	13.34%
2018	1,141	11%

Source: Badan Pusat Statistik Kota Medan (2019), prepared by the writer

Based on the data by Badan Pusat Statistik Kota Medan (2019) as shown in table 1.1 above, the number of restaurants in Medan has increased by 234 units from 2016 to 2018 with an approximate growth rate of 11% to 13.34% annually. The data has shown that the competition for restaurant industry is getting more intense as well as creating challenges in acquiring new customers and retaining old customers for restaurant owners and managers in Medan. In addition to being a competition-dense industry, the industry also faces another challenge such as: constantly changing customers demand and low rate of success. Therefore, acquiring and maintaining customers are the keys to survive in the industry (Kurian & Muzumdar, 2017). Furthermore, as customers' demand in the restaurant industry are constantly changing, restaurant should keep up to it to preserve its existence on the market.

Perceived value is an important attribute to maintain a competitive stake in the market (Suhud & Wibowo, 2016). In a highly competitive industry, a product's perceived value is highly important because if the product fails to provide value to the customers, customers will replace the product from the competing company as there are many substitutes available. The price of a product should be offered based on the product's perceived value or customers will seek product from existing competitors (Kotler & Keller, 2016).

Zeithaml (1988) in Shaw & Sergueeva (2019) concluded that perceived value is an exchange of something given and something obtained. Konuk (2019) mentioned that value perceived from a certain goods or service is an important aspect to be considered by customers when making decision. Sweeney and Soutar (2001) in Shaw & Sergueeva (2019), discovered that worth the money for customers occurs when customers receive perceived benefits exceed customers' incurred cost. According to Armstrong, Kotler, Trifts and Buchwitz (2017), value-based pricing strategy is based on customer's value perception instead of cost incurred to the seller. Value-based pricing strategy works differently from cost-based pricing strategy. Initially, the company evaluate the needs and value perception of customers and price are set in accordance to both aspects. Therefore, by using a customer-oriented pricing strategy, it can provide more value perceived by the customers.

Aside from perceived value, restaurants should ensure that they are able to satisfy their customers through their products and service because according to Rotileanu (2020), high level customer satisfaction creates purchase repetition and support for the company. Apart from products and service, there are other attributes that enhance customers satisfaction in restaurants, namely: physical environment (Rajput and Gahfoor, 2020), employee behavior (Alhelalat, Habiballah & Twaissi (2017) and price fairness (Abdullah, Hamir, Nor, Krishnaswamy & Rostum, 2018). According to Buttle & Maklan (2019), customer perception provides companies with ways of understanding customers that causes customer satisfaction to increase, enhanced value and generate better experiences for customers.

According to Buttle and Maklan (2019), customer satisfaction refers to a positive reaction that a customer has based on his or her experience with the service provider. There are three steps to ensure customer satisfaction, namely: understand the needs of a customer, encounter their expectation and provide customer value consistently. Specifically, in the hospitality industry, customer satisfaction can be maximized by rapid process of billing, secure feelings for guests and feeling of comfort and convenience for guests (Walker, 2017).

Customers revisit intention is one of the behavioural intention of customers that is greatly desired and favourable to every restaurant as it leads to more revenue for the restaurant while omitting the marketing cost to keep the restaurant occupied. According to Jauhari (2017), studies highlighted the six significant attributes that restaurants have in common to keep customers coming back, in particular quality of food and service, consistent food and service, choice of menu, gap between cost and value, environment and cleanliness.

According to Jang & Lee (2020), revisit intention is one of the most important attributes for a restaurant to sustain. Bowen & Chen (2001) in Zakaria, Salleh and Kozako (2019) repurchase intention indicates a loyal behavior of customers, where loyal customers are favorable to the organization because loyal customers are easier to serve, require less attention yet able to provide information to other customers. Furthermore, retaining old customers has other benefit to the organisation as the cost incurred to keep old customers is five-time more effective compared to acquiring a new customer (Pfeifer, 2005) in (Zakaria, Salleh & Kozako, 2019).

Good Day Kitchen is located in Graha Metropolitan housing complex which is located a few kilometers from Medan city centre and located closely to some recreational facilities, such as: Graha Metropolitan golf club and swimming pool. The restaurant offers various foods that are ranging from western cuisine, Indonesian cuisine, dim sum along with coffee and non-coffee beverages. The restaurant also caters events, such as birthday party or gathering. Beside serving take-away and dine-in customers, the restaurant is also offering delivery service to addresses in nearby the housing complex yet offering third-party delivery.

Based on interview with the manager, there are complaints about food is not consistently served and dim sum is not cooked properly. In addition to that, a customer review on Instagram has mentioned that the café is worth travelling hours, affordable price, scrumptious menu but not Instagram-able café. The café has average rating of 4.5 in both Google review and Gojek. Some of customer's review in Google review are tabulated in Table 1.2 below:

Table 1.2 Customer's Review of Good Day Kitchen in Google Review

Reviewer	Number of stars	Review
Reviewer FC	3	"Service not very good. But the toilet very clean."
Reviewer KL	5	"Worth the price. Great atmosphere. Would recommend this place."
Reviewer RN	4	"...hanya saja waktu masak nya lama banget sampe ada 1 menu yg harus menunggu 3 jam baru selesai dan sangat mahal yaitu menu Ayam Herbal..." (...it's just that the cooking time is takes a long time, there is 1 menu that has to take 3 hours to finish and it's very expensive, the menu is the Herbal Chicken...)
Reviewer TP	4	"... Western snacks or finger bites are above average, I particularly love its fish sandwiches, not too much sauce, well blend taste and presentation. Drink wise are average. ..."
Reviewer A	4	"Rasa makanan masih kurang." (The flavour of the food are still not enough)

Source: Google Review (2021), prepared by the writer

As there are competitors in the neighbouring area, problems may cause the customer to complaint which could possibly cost the restaurant to lose its potential customers and current customers to its competitors. Therefore, companies should handle customers complaints immediately before customers switch suppliers and spreading negative word of mouth of the company (Buttle & Maklan, 2019).

Table 1.3 Number of Visitors in Good Day Kitchen January – June 2021

Month (2021)	Number of Visitors	Change (%)
January	634	-
February	584	-7.89%
March	652	11.64%
April	578	-11.35%
May	540	-6.57%
June	483	-10.55%

Source: Good Day Kitchen (2021), prepared by the writer

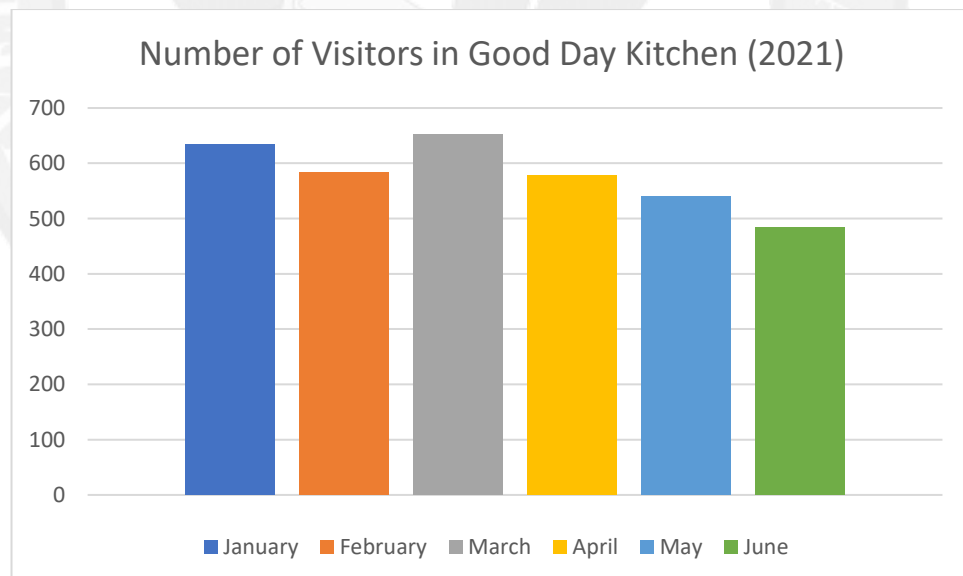


Figure 1.1 Number of Visitors in Good Day Kitchen (2021)

Source: Good Day Kitchen (2021), prepared by the writer

Table 1.3 and figure 1.1 presented above are the number of customers who visited Good Day Kitchen in the period of January to June 2021 which are obtained through interview with the manager. The declining number of customers might indicate customers felt less value in the restaurant and dissatisfied with the restaurant. As a result, customers are unwilling to return and result in declining number of visitors in the restaurant. Moreover, another reason to choose perceived value as a predictor of revisit intention is Cronin, Brady & Hult (2000) in Rasidah, Jamal, Sumarjan & Ong (2020) mentioned that perceived value could possibly be a better predictor of customer revisit intention than satisfaction or quality. Choe & Kim (2017) also agreed that one of the critical determinants of revisit intention is value. According to Zheng, Wang, Tsai, Li, Wang & Zhou (2017) and Su & Huang (2019) in Jang and Lee (2020), a combination of customer satisfaction and customer revisit intention are important attributes for a business' sustainability. Additionally, Kivela, et al (1999) in Rana, Lodhi, Butt and Dar (2017) also explained the consequence of customer satisfaction is revisit or returning customers.

The writer strongly believes that if corrective actions can take place, it can make everything better in maintaining customers visit. Customers are more willing to return to Good Day Kitchen and they could even increase the number of customers by other behavioural intention, such as: spreading positive word of mouth and giving recommendation to other people that becomes a source of competitive advantage for the company. Hence, writer decided to do research titled "The Influence of Customers Perceived Value and Customers Satisfaction towards Customers Revisit Intention at Good Day Kitchen".

1.2 Problem Limitation

As there are limits in time and ability, at the same time to be more precise and thorough, the writer decides to limit the problem of the current research to the influence of customers perceived value and customers satisfaction towards customers revisit intention as a dependent variable. The present research is going to analyse the impact of both independent variables of customers of Good Day Kitchen towards the customers' revisit intention.

Apart from that, the writer will also limit the dimensions used to measure each variable. Perceived value is measured by 3 dimensions; good value for the price, experience is worthy, and better value from competitors as used by Jani & Han (2011) adopted by Anggraeni, Sulistyono & Affandy (2020). As customers satisfaction is a very broad discussion, the writer only limits customer satisfaction to 4 dimensions; food quality, service quality, atmosphere, and price as adapted from Chun & Nyam-Ochir (2020). Customers revisit intention is measured by 5 dimensions; revisit in the future, consider revisit in the future, recommend to others, say positive words and encourage others to visit as adopted from Ryu, Lee, and Kim (2012) in Polas, Raju, Hossen, Kalim & Tabash (2020).

1.3 Problem Formulation

The research aims to find out the influence of both perceived value and customers satisfaction towards customers' revisit intention at Good Day Kitchen. Below are several questions that can formulate the problem in this research:

- What are the customers' perceived value at Good Day Kitchen?
- How are customers' satisfaction at Good Day Kitchen?
- How are the customers' revisit intention at Good Day Kitchen?
- Do the customers' perceived value and customers satisfaction influence customers' revisit intention at Good Day Kitchen?

1.4 The objective of the Research

Based on the problem formulation, the objectives of doing this research are:

- To analyse the customers' perceived value at Good Day Kitchen
- To analyse the customers' satisfaction at Good Day Kitchen
- To analyse the customers revisit intention at Good Day Kitchen
- To analyse the influence of customers perceived value and customers satisfaction at Good Day Kitchen

1.5 The benefit of the Research

Theoretical and practical benefits are expected from this research:

1.5.1 Theoretical Benefit

Theoretically, the findings of this research provide benefit to expand the knowledge that is related to the study of the hospitality industry, particularly in the restaurant industry to trigger customers revisit intention. Apart from that, the result of this research can be a comparative study for upcoming research with similar topics.

1.5.2 Practical Benefit

1. Researcher

Practically, the result of this research can help the researcher to expand the knowledge that is related to customer perceived value, customer satisfaction and customer revisit intention.

2. Reader

The result of this research also enables the reader to add or enrich their knowledge about customer perceived value, customer satisfaction and customer revisit intention.

3. Restaurant

Aside from that, the result of this research can help the research object or similar organisations to be alert of the importance of satisfaction and the perceived value that leads to revisiting intention of customers.

4. Future researcher

The result of the research is also expected to benefit future researcher who is doing similar research as a comparative study.