

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In comparison to other industries, the culinary industry is a business opportunity that does not recognize crises and is very promising and lucrative. It was due to the people's never-ending need for food, because food is a fundamental necessity that everyone must meet in order to survive. Because of their busy schedules and high mobility, individuals who live in cities need a place to unwind after a long day at work. Relaxing, eating, drinking, listening to music, or just meeting and talking with family or friends are common activities used to alleviate tiredness. Visiting a restaurant has therefore become a way of life or a habit. The habit of coming to and eating at restaurants becomes a great opportunity for business actors engaged in this area. Currently, the restaurant industry in Medan is in high demand across all socioeconomic groups. The presence of restaurants with a variety of business themes has necessitated the need for various foodservice industry participants to be more competitive, creative, and imaginative. Creating differences and distinguishing characteristics that are attractive to consumers will allow restaurants to control their market share and maximize business earnings indefinitely.

According to data from the Central Bureau of Statistics for the City of Medan in 2021, the growth of restaurants and cafe industries in Medan City that is legit to be counted is in the period of 2016–2020. The statistics on the development

of the number of restaurants and cafe industries in Medan city by district from 2016 to 2020 are shown below.

Table 1. 1 Development Data on The Number of Restaurant and Cafe by District in Medan City from 2016 - 2020

Number	Subdistrict	2016	2017	2018	2019	2020
1	Medan Tuntungan	10	10	10	19	16
2	Medan Johor	27	28	26	36	29
3	Medan Amplas	17	17	16	23	18
4	Medan Denai	13	13	8	18	9
5	Medan Area	50	50	51	64	78
6	Medan Kota	25	116	155	147	178
7	Medan Maimun	81	88	80	107	129
8	Medan Polonia	115	118	117	82	76
9	Medan Baru	65	69	79	81	93
10	Medan Selayang	70	70	64	68	82
11	Medan Helvetia	31	31	36	47	56
12	Medan Barat	73	79	102	86	104
13	Medan Petisah	160	165	210	195	223
14	Medan Sunggal	64	66	62	79	51
15	Medan Timur	55	55	64	68	82
16	Medan Perjuangan	12	12	12	44	62
17	Medan Tembung	13	14	16	28	19
18	Medan Deli	9	9	6	14	8
19	Medan Labuhan	1	1	4	6	4
20	Medan Marelان	10	10	15	21	12
21	Medan Belawan	6	7	8	14	6
Total		907	1028	1141	1274	1335

Source: Medan Tourism Authority (2021)

Table 1.1 above shows that the number of restaurants and cafe industries is increasing from year to year. From 2016 to 2017, the total increased from 907 to 1028, which means there were 121 restaurants added in 2017. From 2017 to 2018, the restaurant and cafe industries were still increasing, which is from 1028 to 1141. This means that there were 113 restaurants and cafes added in 2018. From 2018 to 2019, the restaurant and cafe industries grew by 124%, which means 113 restaurants and cafes were added in 2019. And from 2019 to 2020, the restaurant

and cafe industries still increased from 1274 to 1335. This means that in 2020 there will be 61 more restaurants added in Medan City.

To succeed in today's highly competitive market, a business must examine what attracts consumers' attention. In the food and beverage industry, service quality is able to impact customer experience and happiness. The relationship between service quality and client happiness is interconnected. The greater the degree of client happiness, the better the level of service quality. It is possible to enhance the quality of service given by the restaurant by recognizing and appreciating the significance of client happiness. Measuring service quality and customer satisfaction will allow you to evaluate the differences between before and after adjustments, establish service delivery standards, and identify issues connected with service quality. According to Indahingwati (2017), service quality is the advantage possessed by a service that can only be valued by customers. Service quality has a major influence on consumer satisfaction. Without good service quality in the culinary business, consumers will not be satisfied, resulting in negative impacts on restaurants. The customer is the only cause for a company's existence and development. Because of this, client happiness is a key concern for the business. Rangkuti (2017) stated that a client who is pleased or satisfied with the services given by a business would typically express his happiness with people closest to him or his family. However, if consumers are dissatisfied, they are likely to spread their dissatisfaction to the general public, whether via newspapers, magazines, the internet, or even television. Customer happiness may also be described as something unseen and quickly forgotten, which is one of the key

criteria for forecasting consumer behavior and, more particularly, repurchasing services. This variable is important because the service that satisfies customers influences the frequency of repeat purchases, which increases revenue.

Other than service quality, food quality also plays an important role in running the food and beverage industry. Customers who have chosen to spend their money at a restaurant have a high degree of confidence and expectation in the quality of the product that the restaurant will offer, including the quality of cuisine as well as the quality of service. A high standard of food quality is a technique that may result in consumer pleasure. Food quality has a significant impact on customer happiness in general, since food quality is regarded as the foundation for improving customer satisfaction at restaurants. According to Mohaydi (2017), the primary component of restaurant food enjoyment is the quality of the meal. Most people go to restaurants to get food for their homes, and quality is always an important consideration. Food quality is a determinant of food safety. They are often inquisitive about everything that interests them, such as who they are, what they eat, and how they feel. People are so used to it. Restaurant meal quality has an impact on brand perception. Consumers are more satisfied when the food is of higher quality. A customer's satisfaction level is determined by the customer's requirements and how they are met. While Kent (2018) stated that food quality relates to how consumers accept food and how it meets their standards, sensory attributes will play a part in determining food quality, since food quality attributes include appearance, taste, variety, nutrition, and freshness. Food quality is critical to business and is the foundation of consumer happiness. The better the quality of

the food, the more pleased the client will be, since it only takes one meal for the consumer to decide if they would return or suggest the business to others. As a result, it is preferable for a restaurant to enhance and maintain the quality of its culinary items and services as the foundation for drawing more customers' attention to the restaurant.

Furthermore, the quality of the service and food will have an impact on total customer satisfaction at the restaurant. According to Hasan (2016), customer satisfaction or dissatisfaction is a component of the customer experience for a food or service provided. Customers have a propensity to form particular values based on their experiences. This value will influence consumers to make comparisons with rivals of goods or services that they have ever experienced. If a business offers a high-quality food or service, it is anticipated to satisfy consumer expectations and, ultimately, to give maximum value and generate customer satisfaction as compared to its current rivals. Customers who come to a restaurant will seek a pleasant environment where they can have a meaningful and memorable dining experience while enjoying their meal. Therefore, it is essential for restaurants to improve their service quality and food quality. If consumers are pleased and satisfied with the goods and services provided by a restaurant, they will undoubtedly promote and tell others about their positive experiences, and they will return to the restaurant at a later date. In contrast, if consumers are unhappy and unsatisfied with the goods and services provided by a restaurant, they are less inclined to return and will almost certainly not suggest the restaurant to others. In other words, the goods and services

offered by a restaurant have a significant impact on customer experience and happiness, which in turn has an impact on total restaurant performance.

The object of this research is Restaurant Koto Gadang Krakatau, Medan. This restaurant is running its business by selling food and beverages. The business was founded in 2014 by Mr. Jimmy Putra and is located at Jln. Krakatau, No. 12A, Medan. The business has been running for 7 years, and now the business is also growing and expanding in Medan. This restaurant is selling Nasi Padang and beverages like tea, juice, etc. Based on the interview with the owner, the restaurant still received complaints from customers on application. This application is meant for restaurant suggestion boxes, Google reviews, Grab, and Gojek. The owner explained some complaints that took place from January 2021 to June 2021.

Table 1. 2 Customers Complaints (January 2021 – June 2021)

Month	Number of customers complaints	Reasons
January	14	<ul style="list-style-type: none"> - Small size of food portion. - Employees unhappy when serving customers. - Slow packaging time. - Employees doesn't respond to customers. - Food temperature is not suitable. - Price on application is too expensive.
February	9	<ul style="list-style-type: none"> - Slow packaging time. - No extra sauce for food. - Employees unhappy when serving customers. - Food order doesn't match. - Unfresh food dishes. - Small size of food portion.
March	11	<ul style="list-style-type: none"> - Arrogant employees. - Dissatisfied with employees attitude - Food order doesn't match. - Food temperature is not suitable. - Less side dishes - Slow time of packaging.
April	12	<ul style="list-style-type: none"> - Employees unhappy when serving customers. - Not able to fulfill customers request. - Food order doesn't match. - Unfresh food dishes. - Eating utensils are not clean enough. - Price on application is too expensive.
May	9	<ul style="list-style-type: none"> - Arrogant employees. - Not allowing customers to add extra sauce.

		<ul style="list-style-type: none"> - Slow time of packaging. - Price on application is too expensive. - Less dishes. - Small size of portion
June	14	<ul style="list-style-type: none"> - Not allowing customers to add extra sauce. - Arrogant employees. - Unable to responded to customers. - Less side dishes. - Unfresh food dishes. - Tableware is not clean. - Price is too expensive. - Slow packaging time.

Source: RM Koto Gadang, 2021

Based on the customer feedback from Google review at RM Koto Gadang Krakatau Medan, there are many problems that cause the restaurant to receive a lot of unsatisfied customers. But the main problem is that the restaurant's service quality is low. This is because their employees are not friendly when serving customers. Many customers also complain that their employees are too arrogant. Customers also complain that the employees at the restaurant are unable to respond well when customers are asking for extra things such as extra tableware or extra sauce, since the employees are likely to abandon the customers. Most customers complain that the restaurant's employees are too slow when packaging the food. This makes customers wait a long time to purchase food. The problem that occurs with food quality is that the food temperature is not suitable, which means some customers often receive cold food when they arrive at food applications such as Gojek and Grab. Customers also complain that the food dishes are unfresh and the restaurant only gives a limited number of side dishes. This restaurant also received complaints from customers that it sometimes gave small portions of food to customers, which was not suitable because food that is categorized as "Nasi Padang" tends to have a large portion. Customers also tend to complain that their

food has no taste and that the restaurant is too stingy because customers may not receive any soy sauce if they only order food with chicken-pop. This problem is also experienced by the writer itself. Because of this problem, customers won't want to return back to repurchase their food anymore, and there will also be a huge possibility that customers won't refer their restaurant for their referral. Of course, this problem will have a bad effect on RM Koto Gadang Krakatau Medan customer satisfaction.

Due to the limited time and lack of many factors, the writer will focus on two main variables of research, which are service quality and food quality. The writer also realized that service quality and food quality affect the dependent variable known as customer satisfaction. This research will focus on RM Koto Gadang Krakatau Medan. Having realized that the restaurant has a crucial problem with its service quality and food quality, the writer is interested in conducting research with the title "**The Influence of Service Quality and Food Quality Towards Customer Satisfaction at RM Koto Gadang Krakatau, Medan.**"

1.2 Problem Limitation

Based on the background and identification of the problems that have been described, the problems to be discussed in this research are as follows:

1. The research objects are limited to RM Koto Gadang Krakatau, Medan.
2. This research uses three independent variables, namely Service Quality (SQ) and Food Quality (FQ), along with one dependent variable, namely Customer Satisfaction (CS).

3. Service Quality (SQ) indicators include dependability, responsiveness, assurance, tangible evidence, and empathy.
4. The Food Quality (FQ) variable is used using the indicators of freshness, presentation, well-cooked, and variety of food.
5. Customer Satisfaction (CS) is measured by appropriate expectations, return visits or repurchases, and willingness to refer others.
6. The respondents are limited to 120 respondents who are RM Koto Gadang Krakatau, Medan customers.

1.3 Problem Formulation

Based on the background of the research, the formulation of the problems in this research is as follows:

1. Does service quality influence customer satisfaction at RM Koto Gadang Krakatau, Medan?
2. Does food quality influence customer satisfaction at RM Koto Gadang Krakatau, Medan?
3. Do service quality and food quality significantly influence customer satisfaction at RM Koto Gadang Krakatau, Medan?

1.4 Objective of the Research

Based on the formulation of the problem that has been described, the objectives of the research are as follows:

1. To discover the level of service quality at RM Koto Gadang Krakatau, Medan.
2. To discover the level of food quality at RM Koto Gadang Krakatau, Medan.
3. To discover the level of customer satisfaction at RM Koto Gadang Krakatau, Medan.
4. To determine whether service quality and food quality influence customer satisfaction at RM Koto Gadang Krakatau, Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The theoretical benefits of this research are as follows:

1. This study is anticipated to contribute to the advancement of management theory as a research material in the literature and enhance scientific research at the Universitas Pelita Harapan Medan Campus for Undergraduate Management Studies Program, particularly in the area of business management.
2. This study is intended to provide knowledge in both theory and empirical evidence, whereby empirical evidence may be utilized as a reference material for understanding, discussion material, and future research material for readers regarding business management issues.
3. By conducting research for this research, the author is expected to gain more experience and insights regarding the influence of service quality and food quality on customer satisfaction at restaurants.

1.5.2 Practical Benefit

This research will give three (3) benefits, which are as follows:

1. This research can be used by companies to improve the personal factors and food quality of customers' purchase decisions.
2. This research can improve the writer's knowledge and experience of service quality and food quality with regard to customer satisfaction.
3. For other researchers, this research can be referenced when other research is conducted on a similar topic.

