

CHAPTER I

INTRODUCTION

1.1. Background of the Study

Eating and drinking are one of the most essential things for humans to do in their daily lives. People have to eat and drink every day for keeping their body going as food and drink give them energy. Today, people don't have to cook the food by themselves anymore. People can eat whatever is desired since there are many restaurants or cafés which are able to serve them the food.

However, as time goes by, eating and drinking are not the only reasons for people going to restaurants or any other places to eat. Besides the food, customers can also go socializing with other people there. Most teenagers nowadays prefer to hang out with their friends at a restaurant or café. Moreover, customers are also able to celebrate life events there such as birthday, anniversary, etc.

As according to Marsum (2000) in (Carine, 2019), restaurant is a commercial place or building that offers their customers good service for both eating and drinking activities. Most customers nowadays prefer to eat out at a restaurant in order to get the service that is inaccessible from home. Customers are also able to enjoy the décor, place, ambience, and other intangible things provided by the restaurant.

Some customers choose to eat out for not eating alone at home especially for those people who wandered from other cities or countries. In this way, eating out at a restaurant will cure their feeling of loneliness.

As stated by (Bagoes, 2021), Medan is the third largest metropolitan city in Indonesia. Medan is the capital city of North Sumatra province. Medan is not only one of Indonesia's major cities, but it is also one of the country's top culinary tourism attractions. Today, there are a plethora of new restaurants and cafés that cater to a wide range of food and beverage preferences. The growth of the culinary business in Medan can be seen in the table below.

Table 1.1 Numbers of Restaurants in Medan From Year 2016-2018

Medan, Indonesia	Year		
	2016	2017	2018
Numbers of Restaurants/Cafés	907	1,028	1,141

Source: BPS-Statistics of Medan Municipality (2020)

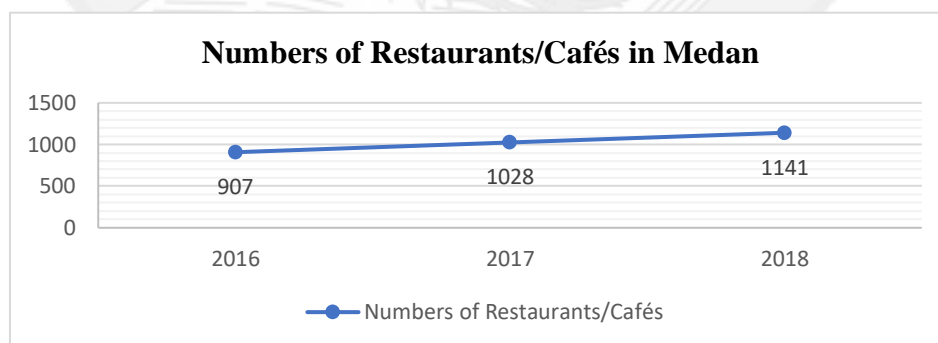


Figure 1.1 Chart of Restaurants/Cafés Growing in Medan

Source: BPS-Statistics of Medan Municipality (2020)

Based on the Table 1.1 and Figure 1.1 earlier, the numbers of restaurants/cafés opened in Medan city are growing from year to year. In 2016, there were 907 total numbers of restaurants/cafés opened that year. The next year, there were 1,028 restaurants/cafés opened in 2017 which mean there were 121 new restaurants/cafés opened in a year. In 2018, there were 113 new restaurants/cafés opened that year in which becomes totally 1,141 numbers of restaurants/cafés opened in Medan city.

As there are more and more restaurants opened in town, it would become confusing for the customers to choose a restaurant to eat at. Furthermore, the competition among restaurants in running the business will be getting more intense. The restaurant should be looking for ways to attract customers. Not only attracting, but satisfying customers is also important in this business. Therefore, the restaurant must be able to offer the best quality in order to satisfy customers.

According to Fornell (1992) in (Leninkumar, 2017), customer satisfaction is considered as an attitude formed on the basis of what customers experience after they get the product or service and pay for it. Customers will be satisfied and happy after purchasing an excellent product or service.

Meanwhile, if the product or service is bad, then the customers will be dissatisfied with it. In general, there are several factors which can affect customers satisfaction at a restaurant. One of the factors is the food quality.

According to Peri (2006) in (Kurnia, 2019), by providing what customers have expected for the food quality will result in positive effect for the relationships between the restaurant and customers. In addition, the higher the food quality, the more satisfied the customers will be. At the same time, if the restaurants serve low food quality then the customers will be less satisfied.

Moreover, the moment when customers evaluated the food quality, most of them will correlate it with the price by comparing the price with other competitors. For example, there is a customer who always eat at restaurant A. One day, this customer decided to come to the restaurant B and chose the same menu in which the price is higher than previous restaurant.

However, the customer experienced bad food quality from this restaurant. In this case, the customer will surely compare the food quality and also the price of the same menu from restaurant A and B. The customer will be dissatisfied and dislike restaurant B. Hence, price also plays important role in meeting customers' satisfaction.

According to Kotler and Armstrong (2012) in (Lestari, 2019), A product's or service's price is defined as the amount charged for it. Price is the sum of the values that customers are willing to pay in exchange for the privilege of owning or utilizing a product or service. Price fairness, according to Xia et al. (2004) in (Abdullah et al., 2018), is generally defined as a customer's judgment and related emotion of whether the price difference between one seller with other comparative sellers is acceptable, reasonable, or justifiable.

Price is able to be recognized as an indicator of customer satisfaction. It will become an issue if the customers feel the price is unfair. When the customers have made unfair perception, it will result in negative emotion like anger or even outrage. This will result in adverse actions toward the seller. Besides, if the customers think that the price offered by a seller is fair and reasonable, it surely outcomes positive emotion towards the seller which will lead to customer satisfaction. For this reason, food and beverages business owners must consider food quality and price as the most essential factors in order to meet the customers' satisfaction.

Shen Yan Vegetarian Medan is a restaurant that serves vegetarian food located in Jl. Bambu II No. 78 Medan. The restaurant itself was established on 28th January 2018. The restaurant also offers daily and monthly catering. It is also available for order in *Grab Food* and *Go-Food*. The restaurant has got 4.52 out of 5 for the overall rating of itself in *Google* platform with following details.

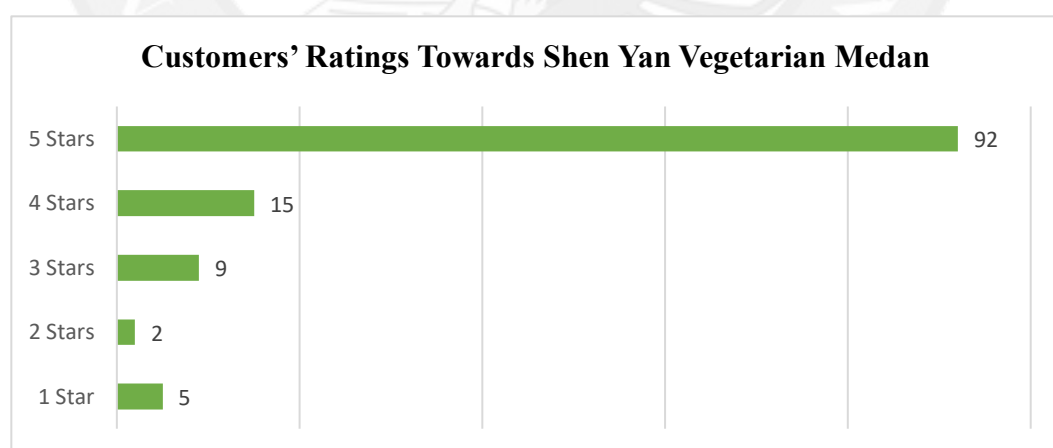


Figure 1.2 Ratings Towards Shen Yan Vegetarian Medan

Source: Google. Data processed and prepared by Writer (2021)

From the data compiled and processed by the writer, the result data is as shown in Figure 1.2 earlier. There are 123 customers' reviews in total that are available in the *Google* with five customers rated one star, *two* rated two stars, nine rated three stars, 15 rated four stars, and 92 rated five stars. In conclusion, the majority of customers rated five stars for Shen Yan Vegetarian Medan. For this reason, the writer can conclude that Shen Yan Vegetarian Medan still get good ratings from their customers.

In order to identify what the customers think about the restaurant, the writer also decided to check and compile the data of customers' comments towards Shen Yan Vegetarian Medan. Based on the data, some comments made by the customers can be seen in the table below.

Table 1.2 Google Reviews by the Customers of Shen Yan Vegetarian Medan

Customers' Names	Stars	Comments
Muhammad Ridwan	5	"The restaurant service is great ..."
Ozol setia	5	"Many variants. Just choose. The place is clean too"
Rizal Efendi	4	"The place is a bit hard to be seen...the vegetarian menu is ok..."
Indra Kusuma	3	"...The price is also quite expensive. Still needs a lot of changes to be able to compete with other vegetarian restaurants."
Irene Irene	3	"The food is ok.. but the price is a bit more expensive than other vegetarian restaurants."

Source: Google. Data processed and prepared by Writer (2021)

As shown in table 1.2 above, although there are some complaints, customers still think that Shen Yan Vegetarian Medan has a clean place and offers variety of menu at the restaurant. The service provided by the restaurant is also great. However, there are some customers who stated that the price of food is quite expensive and need a lot of changes to compete with other vegetarian restaurants.

After reading this statement, the writer chooses to make price comparison of several menus of Shen Yan Vegetarian with other similar menus from other vegetarian restaurants. The price comparison is shown in the following table.

Table 1.3 Price Comparison of Several Similar Vegetarian Menus

Menu	Shen Yan Vegetarian	Vegetarian Restaurant A	Vegetarian Restaurant B
Nasi Padang	Rp. 31.250,-	Rp. 19.000,-	Rp. 20.000,-
Nasi Sayur	Rp. 31.250,-	Rp. 19.000,-	Rp. 20.000,-
Nasi Lemak	Rp. 22.500,-	Rp. 19.000,-	Rp. 21.000,-
Mie Rebus	Rp. 31.250,-	Rp. 19.000,-	Rp. 21.000,-
Nasi Goreng	Rp. 25.000,-	Rp. 18.000,-	Rp. 23.000,-

Source: Data processed and prepared by Writer (2021)

Table 1.3 above shows that the price offered by Shen Yan Vegetarian for some menus are slightly higher than other similar menus provided by the competitors. The higher price itself may be caused by several factors such as higher food cost, service cost, direct cost, indirect cost, etc. In this way, price and food quality will surely affect customers' satisfaction who come to Shen Yan Vegetarian Medan.

According to (Langley, 2017), higher food cost mostly caused by miscalculation made in the restaurant. If a restaurant is using the right systems, there are completed recipe costing card for every item that are consisted in the menus. This means that the restaurant has set the standard portion for each ingredients of the menus. Therefore, this system will result in both controlled cost and increased consistency which lead to satisfied customers.

Based on what the writer has discussed earlier about the background of this study above, the writer will determine the influence of those indicators which are relevant to customers' satisfaction in a restaurant. The writer decided to conduct this thesis with the title: **“The Influence of Food Quality and Price Towards Customer Satisfaction at Shen Yan Vegetarian Medan”**.

1.2. Problem Limitation

The scope of this study will be constrained in order to be more focused and exact in data collection and processing. Based on the background of study, it can be concluded that there are two independent variables: food quality and price, as well as one dependent variable: customer satisfaction. As there are many restaurants/cafés in town, the object of research for this study will be limited only to Shen Yan Vegetarian Medan which is located at Jl. Bambu II No. 78 Medan.

1.3. Problem Formulation

The problem formulation questions might be taken as follows, based on the background of study and problem limitation.

1. Does the food quality have influence towards customer satisfaction at Shen Yan Vegetarian Medan?
2. Does the price have influence towards customer satisfaction at Shen Yan Vegetarian Medan?
3. Do the food quality and price have influence towards customer satisfaction at Shen Yan Vegetarian Medan?

1.4. Objective of the Research

The objectives of this research are as followed:

1. To determine the food quality of Shen Yan Vegetarian Medan.
2. To determine the price at Shen Yan Vegetarian Medan.
3. To evaluate the customer satisfaction at Shen Yan Vegetarian Medan.
4. To discover whether the food quality has influence towards customer satisfaction at Shen Yan Vegetarian Medan.
5. To discover whether the price has influence towards customer satisfaction at Shen Yan Vegetarian Medan.

1.5. Benefit of the Research

1.5.1. Theoretical Benefit

This study is conducted aimed for providing more insights and further understanding of the influence of food quality and price towards customer satisfaction at Shen Yan Vegetarian Medan. The findings of this study should theoretically be able to strengthen the theory of factors that influence customer satisfaction, particularly the influence of food quality and price on customer satisfaction in a restaurant.

1.5.2. Practical Benefit

1. For the writer

The result of this research is expected by the writer to provide an overview and expand the knowledge about how food quality and price influence customer satisfaction.

2. For the company

This research is believed to be beneficial to the organization in the form of recommendations to focus more on food quality and price in order to satisfy customers.

3. For researchers

The findings of this study can be used as reference materials for future researchers who wish to do research on a similar topic.

4. For the readers

The writer expects that the result of this research can be used as a guide for opening new restaurants/cafés which will serve good quality of food with fair prices.

