

CHAPTER I

INTRODUCTION

1.1 Background of Study

According to Maslow's Hierarchy of Needs, there are five levels of human's needs which is physiological, safety, love & belonging, esteem, and self-actualization. The physiological level itself includes food and beverages. This proves that food and beverages are highly important to support human's lives (Hopper, 2020). As stated by Wijaya (2019, p.1), understanding the basics of human's needs, food & beverages grow to become a highly competitive industry. Indonesia is known for its enormous geographical and cultural diversity as well as the availability of spices, making it a country with various cuisines. With these reasons, lots of restaurants start their businesses in Indonesia, specifically in Java and Sumatra.

The restaurant business is currently growing rapidly. In every corner of the city, we can easily find a restaurant. The development of the restaurant is in line with changes in people's lifestyles, which many choose to eat outside the home, both with family and friends (Syahrul, 2022). As the fourth largest province in Indonesia after Java, the number of food & beverage businesses in North Sumatra is quite large, with 5,513 restaurants. The chart below shows the list of provinces in Indonesia with the highest number of food and beverage businesses in 2019 from the Badan Pusat Statistik (BPS) (Rizaty, 2021).

As the third largest metropolitan city of Indonesia and a city known for its delicious delicacies, there is a significant growth of food and beverages businesses in Medan. According to the data of Dinas Pariwisata Kota Medan (2018), in the year 2016, there were a total of 907 restaurants in Medan, 1,028 restaurants in 2017 and 1,141 restaurants in 2018. The table below shows the growth of restaurants in Medan's sub-districts from 2016-2018 (BPS, 2019, p. 318):

Table 1.1 Total Number of Restaurants and % Growth in Medan's Sub-districts during the year 2016-2018

Medan	Number of restaurants	% Growth
2016	907	-
2017	1,028	13.34%
2018	1,141	10.99%

Source: Dinas Pariwisata Kota Medan (2019)

The growth rate for 2016-2017 is 13.34%, as indicated by the data in the table above. During the period of 2017-2018, food and beverage businesses in Medan have increased by 10.99%, indicating that this industry is relatively competitive (BPS, 2019, p. 318). In order to attract customers, restaurants are in continual competition to differentiate themselves. Customers are the source of revenue, thus attracting and retaining them should be one of a company's earliest and most critical priorities. One of the methods to attract and engage customers is through enhancing their dining experience, meeting their expectations, and ensuring their satisfaction.

There is a Chinese Food restaurant that has existed for decades in Medan. Offers a variety of menus, from vermicelli curry to kwetiau. Chinese restaurants are often placing to eat together with family or friends. In addition, the menu

choices are diverse, usually the portions are large so that they can be eaten together. Not only in Jakarta, there are also many restaurants in Medan that offer Chinese food. The restaurant has survived for decades and is a regular for many people. The delicacy has been consistent so far. The menu offered is also varied, there are processed seafood, vegetables to processed pork (<https://info-kuliner/d-6337600>, retrieved in 2022, August 28).

One of the most popular Chinese restaurants in Medan is Taipan Restaurant which is also one of the oldest restaurants in Medan. Throughout its years of establishment, Taipan Restaurant has a strong brand identity. Located at the heart of Medan, Taipan Restaurant has a spacious and luxurious hall with good food and ambience, hence making them a favorite when it comes to family gatherings and/or events (<https://www.tripadvisor.co.id>, retrieved in 2022, August 29).

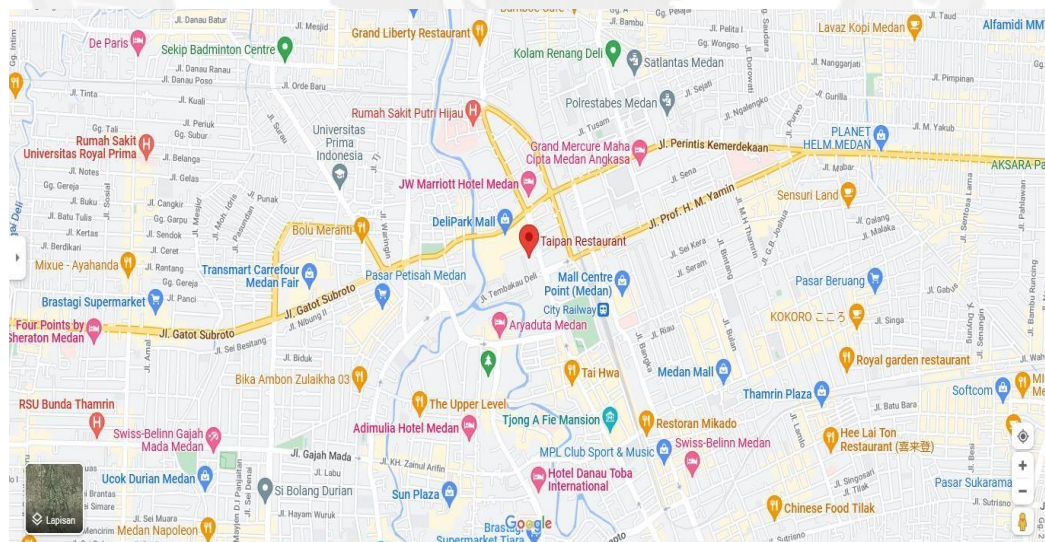


Figure 1.1 The Location of Taipan Restaurant via Google Maps

Source: <https://bit.ly/3Nq4r10>, retrieved in 2022, August 29

One of the popular restaurants in the city of Medan is Taipan Restaurant which is one of the suggested places for family dinners with authentic Chinese

taste and atmosphere. From the maps above, it can be seen that Taipan Restaurant is located in the center of the city where it is easy to be found (<https://bit.ly/3Nq4rl0>, retrieved in 2022, August 29).



Figure 1.2 Taipan Restaurant's Logo

Source: <https://bit.ly/3Fx0E3w>, retrieved in 2022, August 29

Besides Taipan Restaurant as a place to eat for family or friends, Taipan Restaurant is also a favorite restaurant for official events such as weddings, with a special menu from China which has become popular in the people of Medan and that is why Taipan Restaurant was chosen as the object of this research (<https://www.acteur-fete.com>, retrieved in 2022, August 29).



Figure 1.3 Taipan Restaurant's Favorite Menu

Source: <https://bit.ly/3WoEKp1>, retrieved in 2022, August 29

Taipan Restaurant, located right in Medan City, is a Chinese restaurant that serves Chinese specialties. There are so many menus offered here, for example Dimsum, kwetiau, seafood, vegetables, to Chinese specialties of pork. Taipan Restaurant itself is complete with air conditioning, a comfortable dining room accompanied by delicious food and drinks, and of course there is free Wi-Fi connection. Taipan Restaurant offers take-out service with telephone number (061) 4556333 which is open every day for 24 hours. This Singapore branch restaurant is indeed the right place to enjoy Oriental Chinese Food with international presentations with friends and family (<https://www.tripadvisor.co.id>, retrieved in 2022, August 29).

Due to the fact that Taipan is not the only restaurant in Medan, the following table lists some of the restaurants in Medan with a similar concept to Taipan. The table is shown as follows:

Table 1.2 List of Restaurant Rating in Medan

No	Name of the Restaurant	Rating
1	Wisma Benteng Seafood Restaurant	4.3
2	Nelayan Restaurant	4.0
3	Ji Long Chinese Restaurant	5.0
4	Taipan Restaurant	4.0
5	Jade Chinese Restaurant	4.5

Source: <https://www.tripadvisor.co.id>, retrieved in 2022, August 29

From the table above, it can be seen that the ratings for this restaurant are very consistent, ranging from 4 to 5. From the five restaurants above, it can be described, namely Wisma Benteng Seafood Restaurant in Medan with Asian, Chinese and Seafood dishes having a rating of 4.3, Nelayan Restaurant with Chinese dishes has a rating of 4.0, Ji Long Chinese Restaurant with Asian and Chinese cuisine has a rating of 4.5, Taipan Restaurant with Asian, Chinese and

International cuisine has a rating of 4.0 and Jade Chinese Restaurant with Asian and Chinese cuisine has a rating of 4.5 (<https://www.tripadvisor.co.id>, retrieved in 2022, August 29).

It is very important for Taipan Restaurant to increase brand's trust and brand's preference. As stated by Cuong (2020, p.940), brand trust is a feeling and expression of believing and thinking that the brand will continue to be dependable and able to satisfy their needs and wants. In order to increase customer's loyalty affecting brand's trust and brand's preference, it is compulsory for restaurants to understand how branding will help to succeed in this intense competition. With good branding, a business is more likely to sustain - developing a strong brand identity and developing a long-term relationship with customers (Erkmen and Hancer, 2018). Branding comes in different elements, starting from the physical environment, the quality of products and services offered, as well as other customers.

Referring to Table 1.2., a customer stated a four-star review for Taipan Restaurant believing this restaurant to be the best for hosting dinners or other events despite the restaurant's poor service.



Figure 1.4 Taipan Restaurant Customer's Review On Brand Trust And Brand Preference
Source: <https://g.co/kgs/mlw9pv>, retrieved in 2022, August 29

According to Aurelia (2020, p.13), there are 6 stages of customers - suspects, prospects, first-time customers, repeat customers, majority customers and the highest stage is loyal customers. Satisfied customers are more likely to return and make repeat purchases. When customers return and constantly make repeating purchases, it could be said that customers are becoming loyal. They have developed a deep and strong image of the brand. This type of customer usually develops a deep trust and prefers the brand over the other (Cuong, 2020, p.940).



Figure 1.5 Taipan Restaurant Customer's Review On Customer Satisfaction

Source: <https://g.co/kgs/QsaQKQ>, retrieved in 2022, August 29

According to Kotler (1973), a physical environment refers to the process of designing an environment capable of evoking a particular emotion, such as exterior and interior designs. The structure, decorations, and furniture, as well as the temperature, colors, and music, all have an effect on how happy customers are, which can lead to brand trust and choice (Tarigan, et al., 2020, p.103; Ozdemir-Guzel & Bas, 2020, p.764). According to (Munshi, 2018), atmospherics could be used to differentiate the image of the stores from competitors, whereby consumers will spend more time and money and further patronize a particular retail store.



Figure 1.6 Taipan Restaurant Customer’s Review On Atmospherics

Source: <https://g.co/kgs/tLjwEF>, retrieved in 2022, August 29

As a food, beverage and service industry, it is with no doubt that Customer Satisfaction relies heavily on the quality of food and service. According to Majid, et al. (2018, p.1436), food quality is the most important factor for customers in selecting restaurants. This is proven to be true as the central product of a restaurant is food. Similar to food quality, service quality is defined to be one of the most important factors for customers in selecting restaurants. In addition, the image below shows a three-star customer review stating there is still a shortage in the quality of the food saying the taste of the food is not as good as it used to be, the food takes a little more time to be served for the steamed one.

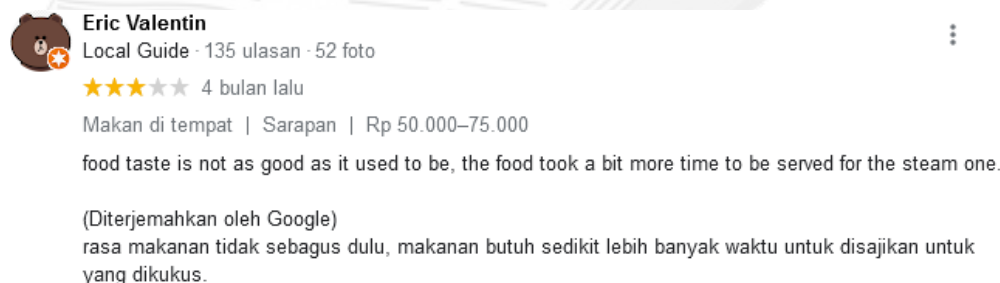


Figure 1.7 Taipan Restaurant Customer’s Review On Food Quality

Source: <https://g.co/kgs/Nj7or9>, retrieved in 2022, August 29

As stated by Huang (2019, p.8), service quality is the relationship between customer’s expectation of a service and how customers see the service after it was

received. According (Fernandes, 2018), the consequences of the service quality approach has an important essence for the company’s strategy to survive and achieve success in the competition. Service Quality is measured by how well the service level delivered matches customer expectations. Each and every cafe has its own characteristics and themes that the cafe focuses on, in other words every cafe also has its own standard of qualities in their services. This is done clearly because the cafe needs to cater to not only the customers but to the cafe itself (<https://idealssoftware.co.za/>, retrieved in 2022, August 20).

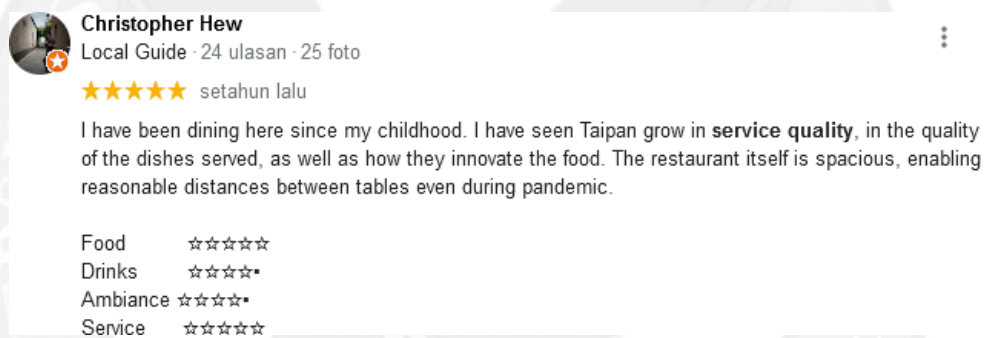


Figure 1.8 Taipan Restaurant Customer’s Review On Service Quality

Source: <https://g.co/kgs/yFJpQm>, retrieved in 2022, August 29

Apart from atmospherics, food quality and service quality, other customers in a service industry also play a crucial role in customer’s dining and service experience in a restaurant (Ali, et al., 2018). According to Ali et al (2018), the influence of other customer in a service environment appraised the behavior and appearance of the customer. From Figure 1.9, this shows a five-star customer review stating that the customer said Taipan Restaurant is the best restaurant in North Sumatra. This means that customers want to attract other customers to come to Taipan Restaurant.



Figure 1.9 Taipan Restaurant Customer's Review On Other Customers

Source: <https://g.co/kgs/DPV5C9>, retrieved in 2022, August 29

From the phenomena and explanations above, it can be seen that there is intense competition in Chinese food in restaurants today. Therefore, it is very important for Taipan Restaurant to continue to increase Brand Trust and Brand Preference by knowing the variables that affect Brand Trust and Brand Preference. This research will focus on proving the variables Atmospheric, Food Quality, Service Quality and Other Customers have a significant effect on Customer Satisfaction and eventually increasing the Brand of Taipan Restaurant.

1.2 Problem Limitation

Due to limitations of time, budget, and resources, the author needs to limit the problem with an aim that discussion of the problem is not too broad. The research will be focused on:

1. The independent variables (X) of this research are atmospheric (X₁), food quality (X₂), service quality (X₃) and other customers (X₄).

2. The dependent variables (Y) of this research are Customer Satisfaction, brand trust and brand preference.
3. The object of this research is Taipan Restaurant.
4. Respondents must meet the following criteria to be included in the sample: they must be either male or female, between the ages of 18 and 60, and locals of the Medan area who have visited Taipan Restaurant on at least two separate occasions during the past six months.
5. The data used for this research will be gathered in the form of questionnaires, designed based on the research model.

1.3 Problem Formulation

Based on the explanation on previous explanation, the author is interested in doing a further research based on several of these research questions:

1. Does Atmospherics have significant influence towards Customer Satisfaction at Taipan Restaurant Medan?
2. Does Food Quality have significant influence towards Customer Satisfaction at Taipan Restaurant Medan?
3. Does Service Quality have significant influence towards Customer Satisfaction at Taipan Restaurant Medan?
4. Do Other Customers have significant influence towards Customer Satisfaction at Taipan Restaurant Medan?

5. Does Customer Satisfaction have significant influence towards Brand Trust of Taipan Restaurant Medan?
6. Does Brand Trust have significant influence towards Brand Preference of Taipan Restaurant Medan?

1.4 Objective of the Research

Based on the problem formulated above, the objectives of this study include:

1. To determine the influence of Atmospherics on Customer Satisfaction at Taipan Restaurant Medan.
2. To determine the influence of Food Quality on Customer Satisfaction at Taipan Restaurant Medan.
3. To determine the influence of Service Quality on Customer Satisfaction at Taipan Restaurant Medan.
4. To determine the influence of Other Customers on Customer Satisfaction at Taipan Restaurant Medan.
5. To determine the influence of Customer Satisfaction towards Brand Trust of Taipan Restaurant Medan.
6. To determine the influence of Brand Trust towards Brand Preference of Taipan Restaurant.

1.5 Benefit of the Research

In this study, the researcher anticipated that this study could benefit anyone that is interested in this topic, theoretically nor practically, as follows:

1.5.1 Theoretical Benefit

The result of this research would expand and broaden the author's theoretical knowledge in academic areas, especially in atmospherics, food quality, service quality and other customers and its relationship towards Customer Satisfaction, brand trust and brand preference of a business. For readers, the outcome of this research is hoped to be able to increase reader's knowledge of the occurrence and the influence of atmospherics, food quality, service quality and other customers and its relationship towards Customer Satisfaction, brand trust and brand preference of a business.

1.5.2 Practical Benefit

The result of this study is expected to be useful for:

1. For author, the outcome of this research can be used as an expansion of knowledge about atmospherics, food quality, service quality and other customers and its relationship towards Customer Satisfaction, brand trust and brand preference of a business in real-life settings as well as to be a comparison between theories learned during lectures and reality which occurs in companies.

2. For the company, this study will give recommendations to the company to enhance their Customer Satisfaction, brand trust and brand preference of a business by enhancing their atmosphere, food quality, service quality and other customers.
3. For future researchers, the study will be an additional reference and additional materials, for studies on similar topics.

