

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nowadays, there are many choices of restaurants with different types of concepts and food. People in nowadays like to try different type of restaurant. Some are looking for a restaurant with a good environment and some are looking for a restaurant with a good price. Price fairness can determine the customer patronage of a restaurant, if a restaurant have a good price and also a good quality then it will result in higher customer patronage. Physical environment is one of the factors that plays an important role in a restaurant, because every customer is creating an eating experience when eating in the restaurant.

Helping customer to create a great experience is the one of the most important things that restaurant can do to gain customer patronage. Price also one of the factors that plays an important role in a restaurant. Customers tend to be sensitive towards the price, whether the food is worth to buy or not. So, price can be defined as a value that is represent the product whether it is worth to buy or not. The fairness of the price is based on the product. Customer can compare the price of the product to the other restaurants. Restaurants must set the price fairly, so the customers do not feel disadvantaged.

According to Xia et al. (2004) as cited in Pablos (2018), A customer's overall evaluation of a product or service's perceived value in proportion to the price is referred to as pricing fairness. The indicators of price fairness are

affordability of prices, conformity of price with product quality, conformity of price with brand, and price satisfaction. According to research conducted by Ibitomi (2018), Customers' perceptions of price fairness in international restaurants have a favorable significant effect on customer patronage.

According to Namkung and Jang (2007) as cited in Amir (2021), Another important factor that draws customers' attention in the restaurant industry is the physical environment. Additionally, the physical environment can be used as a marketing strategy to encourage positive behavior in situations where the good or service is consumed. (Amir, 2021). The indicators of physical environment are interior design and decoration, appropriate room temperature, noise level, restaurant cleanliness, neat and well-dressed employees. According to research conducted by Ibitomi (2018), The physical environment of a restaurant has a favorable impact on customer patronage.

According to Oliver (1999) as Cited in Academy of Strategic Management Journal (2019), Customer patronage is the strong desire to purchase a company's goods over those provided by a rival. The indicators of customer patronage are intention in outlet, telling the positive, intention to recommend the outlet, willingness to visit the outlet in the future, willingness to explore the outlet in the future, willingness to buy back in the future. According to research conducted by Ibitomi (2018) Customers' patronage is influenced by price fairness and the physical environment.

In this final paper, the company that is being focused by the writer is Simhae Restaurant, located at Jalan Mataram No.2, Medan, Indonesia. Simhae is a Korean

grill all you can eat restaurant with open area concept. Because there is a smoke when in cooking process, so it is suitable for this open area concept. The building itself is using a container box with a large space for tables. It also has a large parking area. The owner of Simhae restaurant is Indarsianti.

Simhae provides two packages which are regular and premium package along with affordable price and good quality. There are variety of menu, with free flow lemon tea, sjora, milo, and ocha drink, also variety of side dish which have mantou, boneless fried chicken, french fries, kimchi, sushi, fried noodle, tofu, and lettuce that can be enjoyed by the customer.

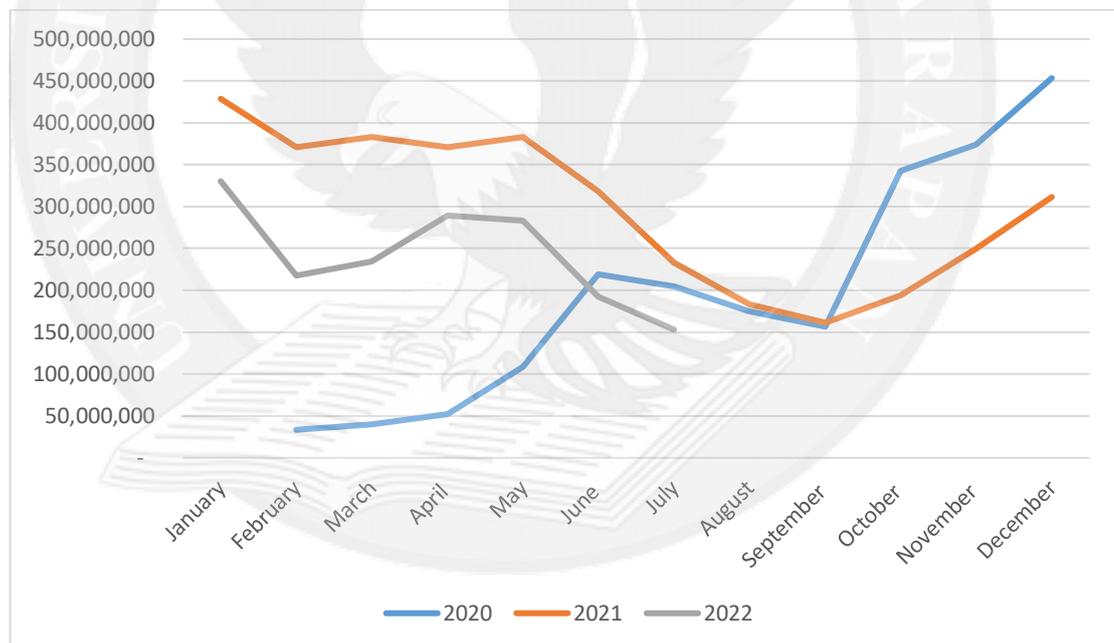
For the sauce, there are marinade, samjang, and spicy. For a better eating experience, customer must dip the meat in the sauce first before cooked it. For the sauce, customer also can mix their own sauces with their own tastes. Customer will be given a certain time to eat and if there are food that is not be finished, customer will be charged for extra fees.

To know more about the customer patronage in Simhae Restaurant – Mataram Branch, Medan. Here is the Sales of Simhae Restaurant – Mataram Branch, Medan from the year of 2020 – 2022 in Rupiah.

**Table 1.1 Sales of Simhae Restaurant – Mataram Branch, Medan (2020-2022)**

Sales (Rp)			
Month	2020	2021	2022
January	-	428.673.014	330.242.182
February	33.474.960	370.486.184	217.487.169
March	40.100.050	382.974.775	234.141.646
April	52.467.024	370.913.142	289.388.776
May	108.265.820	383.069.522	283.049.266
June	219.165.974	318.326.028	192.767.048
July	204.981.988	232.794.228	153.148.033
August	174.695.031	183.587.023	-
September	156.337.610	161.327.184	-
October	342.661.630	193.639.482	-
November	373.717.555	249.933.592	-
December	453.341.469	311.119.624	-

Source: Simhae Restaurant (2022)

**Figure 1.1 Sales of Simhae Restaurant – Mataram Branch, Medan (2020-2022)**

Source: Prepared by the Writer (Simhae Restaurant, 2022)

From the data of sales above, can be seen in the graph of sales in Simhae Restaurant – Mataram Branch, Medan there is increasing in sales from year of 2020 to 2021 but from the year of 2021 to 2022 there is decreasing of the sales

which makes the writer think that this decreasing sales and customer patronage have a relation with the other two of variables which are price fairness and physical environment.

**Table 1.2 Customer Online Reviews**

<b>Variables</b>	<b>Posting Time</b>	<b>Reviews</b>
<b>Price Fairness (X1)</b>	<b>2020</b>	"The one that is disappointing is the premium saikoro meat, it taste like meat chines that are formed into cubes, are easily destroyed and are not fresh, not worth the price"
	<b>2021</b>	"Not worth it at all, quite expensive for tough & plain meat without seasoning"
		"Highly not recommended, not satisfied with the chicken, fish, and beef taste. Really disappointed and not worth the price."
<b>2022</b>	"The menu and the taste are not good, the menu choices are few, but the prices are not worth it. Not Recommended"	
<b>Physical Environment (X2)</b>	<b>2020</b>	"The place is spacious but not comfortable"
	<b>2021</b>	"The waitress is dirty, because of Covid we shouldn't take the glass by ourselves so the waiter will bring it for us, but the male waitresses didn't wear gloves and touching the inside of the glass with his dirty fingers."
		"One of the waiters was unfriendly, spoke rudely, had no attitude."
	<b>2022</b>	"The glass is dirty, there is black sticky dust"
"Although it's great for hanging out, the service might use some improvements."		

Source: Prepared by the Writer (Google Review, 2022)

From the data of customer online reviews above can be seen that there are negatives online reviews from the customer from year of 2020 until 2022 about the variables that is being used by the writer which are price fairness and the physical environment. Some customers are disappointed with the quality of the meat and also it tastes plain, which makes them assume that it is not worth with the price. Some customers also review about the waitress that did not wear a glove when touching the glass. Besides the data from customer online reviews, below are the preliminary study of price fairness in Simhae Restaurant – Mataram Branch, Medan.

**Table 1.3 Preliminary Study – Price Fairness**

<b>Indicator</b>	<b>Results</b>
Affordability of Price	The price is considered as affordable for all you can eat. There are two types of packages in this restaurant, which are standard package and premium package. For the standard package itself cost Rp. 109.000, - meanwhile for premium package is Rp. 129.000, -
Conformity of Price with Product Quality	Even though the price is considered as affordable, but it is not that good if compared to the product quality because the taste of the meat is just standard, and some are not that fresh, and the sauce is not that good. But for the side dish quality is good and delicious.
Conformity of Price with Brand	The price that is being paid is in line with the brand. Because comparing to the other more famous brand of all you can eat restaurant, Simhae's price is considered as affordable which is in line with the brand.
Price Satisfaction	Customer is satisfied with the price. Because it is cheaper when comparing to the other all you can eat restaurant. However, customers will be satisfied if they were not expecting much for quality

Source: Prepared by the Writer (2022)

From the data of preliminary study – price fairness above, can be seen that even though the price is cheaper than the other more familiar brand, but for the product quality and taste still not that good when comparing to the other brand. In conclusion, the price fairness at Simhae Restaurant is still not optimal, thus need further analysis. In a restaurant, not only price that is important but also for physical environment. Below is the data of preliminary study - physical environment in Simhae Restaurant – Mataram Branch, Medan.

**Table 1.4 Preliminary Study – Physical Environment**

<b>Indicator</b>	<b>Results</b>
Interior Design and Decoration	The design of the restaurant is quite unique because it is an open restaurant with a high ceiling and have a spacious place.
Appropriate Room Temperature	Because of the open restaurant and it is a barbeque restaurant especially at daytime makes the room temperature high and not that comfortable to enjoying lunch.
Noise Level	The sound of the song is a bit too loud, so it is harder for people to talk comfortably with the others.
Restaurant Cleanliness	The restaurant is clean, and the food is kept in the storage. Meat, seafood, and vegetables are being kept in a cooling rack to maintain its freshness. Meanwhile for the side dish and sauce is being kept in another storage. Customer can directly take the food as much as wanted in the storage. However, the toilet smells bad. There is no any air freshener inside of the toilet.
Neat and Well-Dressed Employees	The employees are all neat and well-dressed. Each of the employees is wearing an appropriate t-shirt, apron and face mask. However, they indeed do not wear gloves while serving customers.

Source: Prepared by the Writer (2022)

From the data of preliminary study – physical environment above, can be seen that the building itself is unique and have a concept of open restaurant but because of the open restaurant which is just using fan makes the room temperature is a bit high. For the food itself is being kept in a storage. For the seafood and meat is being kept in a cooling rack, meanwhile for the side dish is being kept inside clean storage. The waiter also did not wear gloves when serving the customers, besides that the toilet also smells bad and they did not put air fresheners inside of the toilet. In conclusion, the physical environment at Simhae Restaurant – Mataram Branch, Medan still need improvement.

From both preliminary above, even though there are positive indicators but still not optimal yet, so in this research, the purpose of writer is to give an understanding and knowing more about the issues being faced by Simhae Restaurant. The writer will be doing research as a final paper with the title “The

## **Effect of Price Fairness and Physical Environment on Customer Patronage at Simhae Restaurant – Mataram Branch, Medan”.**

### **1.2 Problem Limitation**

This research is gathered from an all you can eat restaurant which is Simhae that is located at Jalan Mataram No.2, Medan, Indonesia. This study is limited to price fairness (X1) and physical environment (X2) as the independent variables and customer patronage (Y) as the dependent variable.

The indicators of price fairness are affordability of prices, conformity of price with product quality, conformity of price with brand, and price satisfaction (Dhurup et al., (2014) as cited in Sugima and Pambudy, 2017).

The indicators of physical environment are interior design and decoration, appropriate room temperature, noise level, restaurant cleanliness, neat and well-dressed employees (Kusumah et al., 2021).

The indicators of customer patronage are intention in outlet, telling the positive, intention to recommend the outlet, willingness to visit the outlet in the future, willingness to explore the outlet in the future, willingness to buy back in the future (Ninggar et al., 2020). The range of sample that is taken for this study is from teenagers to adult customers

### **1.3 Problem Formulation**

The problem that is being research in this study are:

- a. Does price fairness have partial effect on customer patronage at Simhae Restaurant – Mataram Branch, Medan?
- b. Does physical environment have partial effect on customer patronage at Simhae Restaurant – Mataram Branch, Medan?
- c. Do price fairness and physical environment have simultaneous effect on customer patronage at Simhae Restaurant – Mataram Branch, Medan?

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

The following are the objectives of this study:

- a. To examine whether price fairness has partial effect on customer patronage at Simhae Restaurant – Mataram Branch, Medan.
- b. To examine whether physical environment has partial effect on customer patronage at Simhae Restaurant – Mataram Branch, Medan.
- c. To investigate whether price fairness and physical environment have simultaneous effect on customer patronage at Simhae Restaurant – Mataram Branch, Medan.

### **1.5 Benefit of the Research**

#### **1.5.1 Theoretical Benefit**

The results of this research are expected to contribute the development of existing theories especially any theories relevant with price fairness, physical environment,

and customer patronage. The benefit of this research is to provide some information and also help restaurant owner to improve and solve some problem regarding the price fairness and physical environment that influence the customer patronage at the restaurant.

### **1.5.2 Practical Benefit**

a. For the Writer

For the writer, this research has the advantage of increasing their knowledge and also information regarding the variables which are price fairness, physical environment and also customer patronage. Lastly, to know about whether price fairness and physical environment have simultaneous effect on customer patronage.

b. For Simhae Restaurant – Mataram Branch, Medan

The benefit of this research for Simhae Restaurant – Mataram Branch, Medan is to provide some information and also help the restaurant owner to improve and solve some problem regarding the price fairness and physical environment that influence the customer patronage at the restaurant.

c. For Other Researchers

The benefit of this research for future is to provide some examples of research in food and beverage industry for those who are looking for information regarding price fairness and physical environment on customer patronage in a restaurant.