

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Food is a basic survival need for humans, and it is for this reason that people go out to eat at restaurants. Because it is a viable business, the restaurant's role is to provide food and beverages to meet the needs of the public. Restaurants are rapidly expanding due to high customer demand.

Many business opportunities have emerged and are being utilized by entrepreneurs as a result of the faster and more modern era's progress and development. The culinary industry is one of the most popular today, with many restaurants and cafés sprouting up. Restaurants are not only places to buy food and beverages, but also a place where customers gather and relax after doing daily activities from the previous day and gather with affection. People can have a better time if visit such places compared to activities such as sleeping and other meaningless activities. According to Mufidah (2012) in Pinaraswati and Farida (2021), this interest is primarily due to the mobility of urban people, who are increasingly fast and like everything practical, as well as the density of family activities outside the home, which leaves no time to prepare food at home.

In today's competitive market, both trading and service organizations encounter a profusion of rival items and brands. Consumers have several options, particularly in the service industry. According to Lupiyoadi (2006) as cited in Fatihudin and Firmansyah (2019), service companies function to create memorable

new experiences for consumers. This is a challenge in and of itself for the service industry. Most abstract and intangible service products have aspects centered on the core of the business that are considered by consumers. The context in which the service is provided is one of these aspects. Businesses must find ways to increase the percentage of value in service products in the face of fierce competition for products, particularly service products, and rising consumer expectations.

According to Kotler and Armstrong (2016) as cited in Ramya, et.al. (2019), service quality is the ability of a service firm to hang on to its customer. In other words, customer retention is the best measure of service quality. According to Jumawan (2018), Service quality is determined by company's ability to meet customers' need and wish according to their expectation. Service quality must begin with customers' need and end with customers' satisfaction and positive perception towards service quality. Furthermore, the recipient and provider have a close interface and sometimes personal relationship. Because of the involvement of the human element, there is likely to be variability in service provision. Because services are intangible, it is difficult to apply standards rigorously and consistently. It is difficult to delineate process boundaries, identify checkpoints, and exercise control (Gandhi, et.al., 2018).

According to Utami (2010), as cited in Rahmah, et.al. (2021), atmosphere creation means the design of the environment through visual communication, lighting, colors, music, and fragrances to design the emotional and perceptual responses of customers and to influence customers in purchasing goods. Akram, et.al. (2016) as cited in Ndengane, et.al. (2021), state that store atmospherics

incorporate the elements of the physical nature of the retail outlet, elements designed to create a certain appearance for the outlet. The design and look of the outlet are created to attract and delight customers. Several physical factors incorporate store atmosphere, including color, lighting, music, cleanliness, store and merchandise layout, décor, scent, and temperature. Store atmosphere is one element of the retailing mix that must also be considered by a retail business. With a good store atmosphere, companies can attract consumers to visit and make purchases (Abaharis & Afifa, 2022).

According to Kotler and Armstrong (2014) as cited in Tecoalu, et.al. (2021), price is the sum of the value of money exchanged by customers to obtain the benefits of owning or using a product or service. Moreover, Schiffman and Kanuk (2008) as cited in Saefurahman and Hadi (2019) defines perception as the process by which people select, arrange, and interpret stimuli to create accurate and insightful mental representations of the outside world. The price perception can be concluded by Kotler and Armstrong (2012) as cited in Syachroni (2020), as the burden or value that consumers experience as a result of acquiring and using a product. This burden or value includes both financial costs associated with consumption and non-financial social costs, such as those associated with time, effort, psychological risk, and prestige or social prestige.

According to Schiffman and Kanuk (2008), as cited in Ellitan (2022), the act of repurchasing occurs as a result of the customer's positive and satisfying experiences when using and consuming the product or service provided. According to Febrini, et.al. (2019), repurchase intention is a customer's decision to make a

future purchase out of satisfaction and trust, where that customer's repurchase decision can be advantageous to the business. Customers who frequently make repeated purchases of a single product are more likely to repurchase the product (Savila, et.al., 2019). Repurchase intent is a major concern for businesses seeking a competitive advantage. It is also intended to encourage the purchase of specific products or services regularly (Johan, et.al., 2020).

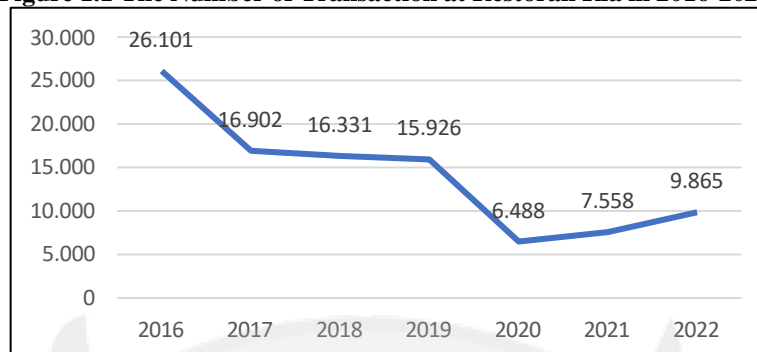
This study is being conducted at Restoran Ria. Restoran Ria, located at Jalan Letjen MT. Haryono No. 11–15 in Medan, North Sumatra, Indonesia, has been in operation since August 3, 1996. Restoran Ria can also be classified as an old-fashioned restaurant that can compete with other trendy restaurants in Medan City. Restoran Ria is one of Medan's well-known restaurants with a family restaurant concept. Restoran Ria is well-known for its various dishes, with Chinese food being its specialty, and also a popular wedding venue. Restoran Ria is used as a research object in this study due to the popularity of Restoran Ria in Medan City, which is decreasing and being covered by other restaurants in Medan. The purpose of this research is to find out the cause of this problem.

The following is a table and chart showing the number of transactions per year from 2016 to 2022 at Restoran Ria, Medan.

Table 1.1 The Number of Transaction at Restoran Ria in 2016-2022

Year	Number of Transaction
2016	26,101
2017	16,902
2018	16,331
2019	15,926
2020	6,488
2021	7,558
2022	9,865

Source: Prepared by The Writer (Restoran Ria, 2023)

Figure 1.1 The Number of Transaction at Restoran Ria in 2016-2022

Source: Prepared by The Writer (Restoran Ria, 2023)

There was a decrease in the number of transactions, indicating that some customers were not interested in making transactions again with Restoran Ria, which of course had an impact on sales at Restoran Ria. A very drastic decrease in the number of customers occurred in 2020. This decrease in the number of customers could be caused by the impact of the Covid-19 pandemic because early 2020 was a period when cases of the spread of the Covid-19 virus that occurred in Indonesia significantly increased. Then Restoran Ria experienced a slight increase in 2021 and also a significant increase in 2022 due to the impact of the Covid-19 pandemic, which has begun to subside and is in transition to a new normal so that Restoran Ria can return to normal operations. The significant increase in 2022 is a good start for the Restoran Ria to be able to operate properly and optimally again before being able to achieve or even exceed the number of customers in 2016–2019, as shown in the table above. To reach its maximum condition as before, Restoran Ria needs to improve its performance both before the pandemic, during the pandemic, and now. The writer suspects that service quality, store atmosphere, and price perception are the contributing factors that cause the lower transaction in recent years at Restoran Ria, Medan.

Based on online source, the following table shows the review and ratings given by customer:

Table 1.2 Review From Restoran Ria, Medan Customer

Posting Time	Review/Rating
January 2023	Food: 5/5 Service Quality: 3/5 Atmosphere: 5/5
January 2023	Food: 4/5 Service Quality: 3/5 Atmosphere: 3/5
January 2023	Food: 4/5 Service Quality: 2/5 Atmosphere: 3/5
January 2023	Food: 5/5 Service Quality: 2/5 Atmosphere: 5/5
December 2023	Food: 4/5 Service Quality: 4/5 Atmosphere: 3/5
November 2023	<i>Tidak ada lift, tidak recommended utk orang tua, harus naik ke atas. Harga mahal, rasa biasa banget.</i> There is no elevator, which is not recommended for parents; you have to go up. Expensive price, and average taste.
October 2023	<i>Makanannya enak dan memuaskan dan bintang 5, hanya saja buku menunya perlu diganti/diperbaharui. Buku menu yang diberikan kepada kami saat dining disana sebagian besar sudah koyak/rusak halamannya dan tidak ada foto makannya. Lebih baik kalau menu favoritnya disertai foto. Pastikan kamu sudah reservasi sebelum kesana untuk memastikan tempat tersedia.</i> The food is delicious and satisfying, and it deserves 5 stars; it's just that the menu book needs to be replaced or updated. The menu book that was given to us while dining there was mostly torn or damaged, and there were no photos of the meal. It's better if your favorite menu is accompanied by a photo. Make sure you have a reservation before going there to ensure a place is available.
August 2023	Food was okay, but quite disappointed with the service. Waitress didn't ask about the portion size, all the dishes come in jumbo size. Luckily we're able to cancel 1 dish (ordered 6 dishes in total).
June 2023	Too expensive.
June 2023	<i>Buku menu. Ya ampun.</i> menu book. Geez.
2022	<i>Pelayanan kurang memuaskan.</i> Unsatisfactory service.
2021	<i>Security arogan, pelayan nya cari muka!!</i> Security is arrogant; the waiter is looking for a face!

Source: Prepared by The Writer (Google Review, 2023)

From the table above, it can be seen that several customers of Restoran Ria give bad reviews and ratings on the service quality, store atmosphere, and price perception that they receive when making transactions at Restoran Ria. The most

negative reviews and ratings given by customers are for the service quality of Restoran Ria. Some customers give a bad rating to the service quality at Restoran Ria, and some give bad reviews due to unsatisfactory service and the attitude of the workers, who are not wearing enough. Customers also provide reviews saying that the prices at Restoran Ria are too expensive and not worth what they get. Some customers give a bad rating for the atmosphere at Restoran Ria. So it can be concluded that service quality, store atmosphere, and price perception are also the main problems that cause the number of transactions at Restoran Ria to decrease, and customers are also reluctant to make repeat transactions

The following is a table containing an preliminary study conducted by the writer on service quality indicators, store atmosphere, and price perception of Restoran Ria, Medan. The evaluation was carried out by the writer by visiting and having direct transactions at Restoran Ria. The writer also evaluates by taking opinions from Restoran Ria customers, both directly to friends and relatives, as well as the results from reviews on Google reviews.

Table 1.3 Evaluation of Service Quality Indicator for Restoran Ria

Variable	Indicator	Evaluation
Service Quality	Reliability	There was an error in writing the bill because Restoran Ria still manually entered bills by hand.
	Assurance	Restoran Ria displays live seafood that they use in cooking dishes in the aquarium in their parking lot so that it can be ensured that Restoran Ria uses high-quality raw materials.
	Tangibles	Restoran Ria does not provide an elevator for its guests, so guests feel uncomfortable, especially older guests.
	Empathy	The waiter from Restoran Ria did not explain the portion of the food ordered by the customer so that the portion of the food served exceeded the eating capacity of the customer.
	Responsiveness	The response from the waiter at Restoran Ria when a customer asks for a plate or other cutlery is slow and takes too long.

Source: Prepared by The Writer (2023)



Figure 1.2 Live Seafood Display in Parking Lot at Restoran Ria Basement
Source: Prepared by The Writer (2023)

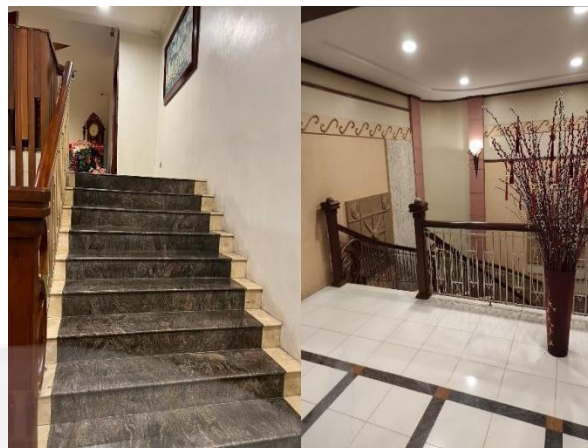


Figure 1.3 Stairs at Restoran Ria
Source: Prepared by The Writer (2023)

From the evaluation carried out by the writer on the indicators of variable service quality at the Restoran Ria, several evaluations were negative, namely that there had been an error in inputting the bill at the Restoran Ria. Because until now, the Restoran Ria still inputted bills manually, namely by handwriting. Restoran Ria also does not provide elevators for its customers, making them feel uneasy, especially the elderly. There were also reviews from customers who were dissatisfied with the service at the Restoran Ria because the waiter at the Restoran Ria did not explain in detail the portion of the food ordered by the guest so the portion of the food served exceeded the customer's ability to eat. Customers also feel that the response from the waiter is too long when the customer asks to get a plate or other cutlery. A positive evaluation of service quality at Restoran Ria is that Restoran Ria displays live seafood that they will use as raw materials in their parking lot, which is in the basement of Restoran Ria so that Restoran Ria gets the view that the raw materials they use are always fresh.

Table 1.4 Evaluation of Store Atmosphere Indicator for Restoran Ria

Variable	Indicator	Evaluation
Store Atmosphere	General exterior	The parking lot at Restoran Ria can only accommodate 25-30 cars. When an event is being held at Restoran Ria, the parking lot cannot accommodate all the cars, so customers have to park their cars on the streets around Restoran Ria.
	General interior	The entire area of the Restoran Ria looks clean and well-maintained, especially the toilets, where a cleaning service is always on duty and always cleans the toilets every time a customer uses them.
	Store design	If a wedding is being held on the 1st floor of Restoran Ria, the wedding property, such as the place for writing red envelopes, is to the left of the entrance, so that guests going up to the 2nd and 3rd floors find it more difficult to go up and so they take a more circular path.
	Interior decoration	The interior of Restoran Ria looks old and doesn't look modern.

Source: Prepared by The Writer (2023)



Figure 1.4 Parking lot at Restoran Ria

Source: Prepared by The Writer (2023)

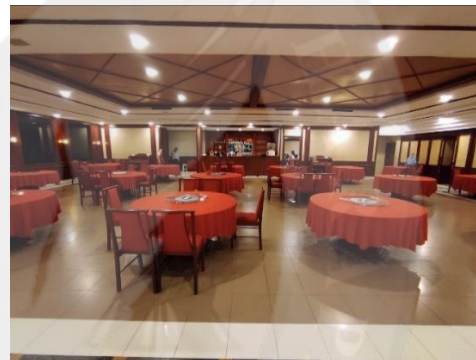


Figure 1.5 Interior Design at Restoran Ria

Source: Prepared by The Writer (2023)

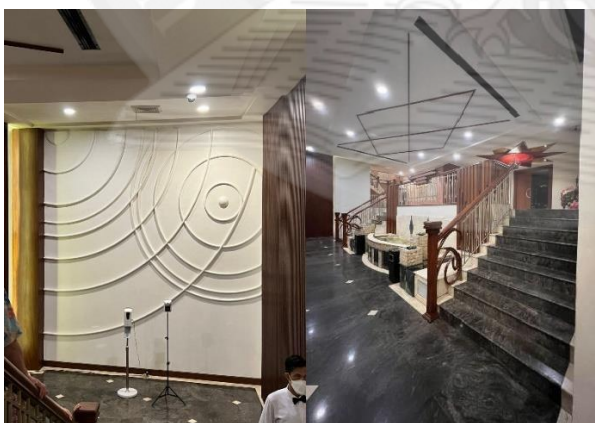


Figure 1.6 Entrance Layout Design of Restoran Ria

Source: Prepared by The Writer (2023)



Figure 1.7 Toilet at Restoran Ria

Source: Prepared by The Writer (2023)

The writer also evaluates the indicators of the variable store atmosphere at Restoran Ria. Restoran Ria has a parking area that can only accommodate 25-30 cars so often the parking space cannot meet the parking space needs of Restoran Ria customers. If the event is held at a Restoran Ria, customers from Restoran Ria will find it difficult to get a parking space and customers will be directed to park their vehicles on the streets around Restoran Ria. Parking a vehicle on the streets around Restoran Ria is not only dangerous for customer vehicles because the streets are quite dark and quiet, but it is also dangerous for customers who will visit the restaurants.

The next negative evaluation is the observation made by the writer while visiting Restoran Ria. The writer can see that many customers from Restoran Ria feel uncomfortable when they want to go up to the 2nd or 3rd floor; the movement of the path that should be provided is hampered so that the customer has to take a slight detour. When the customer enters the entrance, the customer should walk through the small stairs on the left and then head up the stairs to the top floor. But when the wedding event was taking place on the 1st floor of the Restoran Ria, the way to the stairs on the left was blocked by the event property. The event property, namely the place for writing the red envelope, is located behind the entrance on the left so that the flow is blocked by the property and people queuing so that the customer has to turn through the right stairs and pass other event properties.

The interior of Restoran Ria which looks old and doesn't look modern gives a bad atmosphere and impression to customers. Interior that looks old and not modern is a significant minus compared to other similar restaurants that use luxurious and

modern interiors. A good evaluation was obtained for Restoran Ria on the general interior indicator, namely, all areas of the restaurant that are always well maintained and clean, especially the toilets, where there is always a cleaning service on guard who is on duty to clean the toilets every time a customer finishes using them.

Table 1.5 Evaluation of Price Perception Indicator for Restoran Ria

Variable	Indicator	Evaluation
Price Perception	Affordability	The price of food and beverages in Restoran Ria is included in the middle and upper categories.
	Price and product quality alignment	The price paid is proportional to the quality of food and drinks served by Restoran Ria.
	Competitive Pricing	The prices of food and drinks at Restoran Ria are higher than similar restaurants in Medan, such as Wisma Benteng and Jumbo Restoran.
	Price-benefit compatibility	The value of dining at Restoran Ria as a whole is less comparable to the price paid.

Source: Prepared by The Writer (2023)

The following is a comparison of the prices of food and drinks in the Restoran Ria with several similar restaurants in the city of Medan:

Table 1.6 Comparison of food and beverage prices at Restoran Rias and similar restaurants

Menu	Restoran Ria	Wisma Benteng	Jumbo Restoran
<i>Udang Goreng Mayonaise</i>	Rp.300.000	Rp.260.000	Rp.220.000
<i>Sup Sirip Kepiting</i>	Rp.400.000	Rp.370.000	Rp.330.000
<i>Kepiting Saus Padang</i>	Rp.380.000	Rp.350.000	Rp.225.000
<i>Nasi Goreng Seafood</i>	Rp.300.000	Rp.250.000	Rp.190.000
<i>Santapan Dingin</i>	Rp.250.000	Rp.230.000	Rp.200.000

Source: Prepared by The Writer (2023)

The price of food and drink is included in the upper middle class, where the price offered for each food and drink in the restaurant is expensive so the price is not affordable for most people, especially customers from the lower middle class. The prices offered by the Restoran Ria are also not very competitive because the prices of food and drinks in the Restoran Ria are more expensive compared to other similar restaurants in the city of Medan, as shown in Table 1.4, namely Wisma Benteng and Jumbo Restaurant. and also that the quality of the food and drinks served at the Restoran Ria is of guaranteed quality and has a price commensurate

with what will be paid. However, the price that has been paid as a whole is not comparable to the experience that the customer gets when dining at Restoran Ria in Medan.

Therefore, it can be seen that the market for business competition with the type of family restaurant in the city of Medan is very large and also very developed, so all aspects, both small and large, need to be considered so that the continuity of the family restaurant business can run well and continue to grow. The family restaurant competition market in Medan is currently held by new restaurants in the city of Medan with contemporary and modern models, as well as previous comers such as Wisma Benteng Restaurant and Regale International Convention Centre, which are still on the top list of the most famous restaurants in Medan. So Restoran Ria, Medan, needs to look for, pay attention to, and fix its weaknesses so that it can return to compete to become the most famous restaurant in the city of Medan.

Based on description above, the writer wants to conduct the research with title **“The Influence of Service Quality, Store Atmosphere and Price Perception on Customer Repurchase Intention at Restoran Ria, Medan”**.

1.2 Problem Limitation

To get the desired results with limited resources, the writer determine the limits of the study with service quality, store atmosphere, and price perception as independent variables and customer repurchase intention as dependent variables. Research will be limited to Restoran Ria, Medan at Letjen MT. Haryono Street No. 11-15, Medan, North Sumatra, Indonesia.

Referring to Parasuraman, et.al. (1988) as cited in Hidayat and Setiawardani (2018), indicators of service quality to be used in this research can be divided into reliability, assurance, tangibles, empathy, and responsiveness. Meanwhile, based on Berman and Evans (2010) as cited in Samboro, et.al. (2019), indicators of store atmosphere can be divided into general exterior, general interior, store design, and interior decoration. Following are indicators for price perception according to Tjiptono (2015) as cited in Hidayanti and Listiana (2021) which are divided into affordability, price, and product quality alignment, competitive pricing, and Price-benefit compatibility. And therefore, transactional interest, referential interest, preferential interest, and explorative interest are indicators used for customer repurchase intention variable (Hasan, 2018).

1.3 Problem Formulation

Based on the background of the problem above, the researcher can formulate the problem as follows:

- a. Does service quality have a partial influence on customer repurchase intention at Restoran Ria, Medan?

- b. Does store atmosphere have a partial influence on customer repurchase intention at Restoran Ria, Medan?
- c. Does price perception have a partial influence on customer repurchase intention at Restoran Ria, Medan?
- d. Do service quality, store atmosphere, and price perception have a simultaneous influence on customer repurchase intention at Restoran Ria, Medan?

1.4 Objective of the Research

The purpose of conducting the research is as follows:

- a. To examine whether service quality has a partial influence on customer repurchase intention at Restoran Ria, Medan.
- b. To discover whether store atmosphere has a partial influence on customer repurchase intention at Restoran Ria, Medan.
- c. To determine whether price perception has a partial influence on customer repurchase intention at Restoran Ria, Medan.
- d. To analyze whether service quality, store atmosphere, and price perception have a simultaneous influence on customer repurchase intention at Restoran Ria, Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The theoretical benefit of this research is to prove whether service quality, store atmosphere, and price perception will impact customer repurchase intention at

Restoran Ria, Medan. This research is to expand knowledge related to the theories about service quality, store atmosphere, price perception, customer repurchase intention, and the relationship of the variables.

1.5.2 Practical Benefit

The practical benefit of doing this research is as follows:

- a. For the writer, the results of this study are expected to add insight and experience for the writer to be implemented in the field of work and increase the writer's understanding of service quality, store atmosphere, price perception, and customer repurchase intention.
- b. For the company, this research will provide the restaurant with additional feedback on their service quality, store atmosphere, and price perception to help them improve their performance in the future. Based on the research, the restaurant could also know the customer's repurchase intention and how to find a solution based on the problem.
- c. For other researchers, this research is expected to provide information and be used as a comparison for research that has similar title, as well as develop ideas for interested parties, especially in the theory of the influence of service quality, store atmosphere, and price perception on customer repurchase intention.