

CHAPTER I

INTRODUCTION

A. Research Background

The business has gotten more competitive as a result of globalization. Competition always appears in the business world and drives the appearance of new ideas. Any businessperson in every industry should be aware of changes and prioritize client happiness as the primary aim (Kusmarini et al., 2020). The food service sector is one example of a business that has grown at a quick pace. This industry is quickly expanding, as seen by the numerous sorts of food establishments that can be found in Indonesia, including cafes, restaurants, coffee shops, bars, and other types of international franchises.

Agriculture and Agri-Food Canada (2016) states that Indonesia is the largest market for the food service business in ASEAN countries. According to World Data Indicators, Indonesia's population is expected to exceed 275 million by 2020. This data demonstrates that, among the ASEAN nations, Indonesia has the most significant market for the food service sector due to its vast population. The food service business incorporates various methods to pique customer interest, win hearts, and captivate attention. A comfortable environment, music, cleanliness of the environment, lighting, promotion, product variety, customer service,

product quality, and the establishment's look are all variables that will encourage customers to buy items in the food service business.

According to Cristo M et al. (2017), there are twenty-two types of restaurants, with a cafe being one of them. In Indonesia, upper-middle-class people frequently go to cafes. Cafes often provide a variety of food and beverage menus. As a result, cafes must deliver high-quality meals to raise their customer's perceived value of the cafe's quality. Not only does the food quality affect the customer's perceived value, but so does the service quality. Service quality is a subjective and emotional aspect of a cafe's overall excellence. Because the interpersonal abilities of service workers are strongly connected with views of how excellent the service is, customers believe that good service generates good perceived value (Yi, Zhao, et al., 2018).

However, it should be noted that the results from the dimensions of quality and perceived value differ slightly. Several studies have found positive and significant outcomes regarding customer perception of food quality and the physical environment. However, there is no relationship between service quality and customer perceived value (Slack et al., 2021; Kusmarini et al., 2020; Serhan & Serhan, 2019). Perceived value is the outcome of customer evaluations and the advantages of purchasing a specific product (Curvelo et al., 2019). In the next part, we will define these and other features described before.

B. Research Questions

The empirical explanation is based on the food service business, which has a quality component (service quality, product quality, and physical environment quality). Made the researcher think about the three research questions below:

1. Does service quality influence customer perceived value?
2. Does product quality influence customer perceived value?
3. Does physical environment quality influence customer perceived value?

C. Research Purposes

This study tries to determine what elements impact customers' perceived value in the food service business, and if successful, it will fill the gaps in earlier studies. Furthermore, by clearly separating which aspects are favorable and which are not, as well as the degree of detail from the most to the least influential. A variable that impact the customer perceived value on the quality dimension was undertaken based on the formulation of the problem with the goal of:

1. Determine the influence of service quality on the customer perceived value.
2. Determine the influence of product quality on the customer perceived value.

3. Determine influence of physical environment quality on the customer perceived value.

D. Research Benefits

The researchers anticipate that this study will help knowledge and linked parties. The following are the intended outcomes of this study:

1. Theoretical Benefits

- a. This study is intended to provide empirical data and to serve as a resource for future studies related to the customer's perceived value of the quality dimension in the food service industry.
- b. This research can be utilized as study material and as a reference for future research on customer perceived value.

2. Practical Benefits

- a. This research would assist food service sector organizations in understanding the aspects that might impact the customer perceived value on the quality dimension through variables employed in this study.
- b. This research is anticipated to enhance the foodservice industry's understanding to develop memorable impressions by moving emphasis from the cafe quality component to the customer perceived value deriving from this quality dimension.