

Price Perception, Service Quality and Customer Satisfaction (Empirical Study on Cafes at Tondano City)

Sheeren T.E Tendur¹, Vincky Vincent Hutabarat², Steven S.X Tumbelaka³
Fakultas Ekonomi, Universitas Negeri Manado^{1,2,3}

Jln. Kampus UNIMA Maesa, Koya, South Tondano, Minahasa Regency, 95618,
Indonesia

Correspondence Email: steven.tumbelaka@unima.ac.id

ORCID ID: <https://orcid.org/0000-0002-4171-5489>

ABSTRACT

The problem studied in this study is the low level of customer satisfaction on cafes in Tondano city. This can be seen from there are many complaints about the slow service, and also the price offered by the cafe can be categorized as relatively expensive. Therefore, this study aims to determine whether the price and service quality variables have simultaneously significant effect on consumer satisfaction. This study used quantitative method with accidental sampling technique. The number of respondents was 150 customers, which were then tested using multiple regression analysis. The results found that price and service quality have a significant effect on consumer satisfaction, either partially or simultaneously. It can be said that affordable price and good service quality would increase customer satisfaction.

Keywords: Customer Satisfaction, Price, Service Quality

INTRODUCTION

Intense competition in the business world occurs in various fields, including the culinary business. The development of lifestyle and increasing consumption tastes of the people have led to the proliferation of café businesses. In the Minahasa district, especially Tondano, cafe is one of the businesses that is experiencing intense competition, this can be seen by the number of cafe businesses in various places, especially in the regions. The cafes in Tonadano city have attracted the attention of researchers. One of the things that attracted the attention of researchers was the intensity of visitors, especially at night, which was always crowded.

The cafes in the city Tondano are often used as a gathering place for the young people. However, some customers feel that the services provided by cafes tends are sluggish and not optimal. Customer assessments about poor service show the low level of customer satisfaction when visiting these cafes. According to Tjiptono (2008a), dissatisfaction can lead to negative attitudes towards brands, producers or service providers, reducing chances of repurchasing, and switching brands.

Service quality is a determining factor for a business, especially in the culinary business to create customer satisfaction, after customers make a purchase and use the product

or service. Service in this case is defined as the service delivered by the service owner which can be in the form of convenience, speed, relationship, ability, and hospitality shown through the attitude and nature of providing services, to increase customer satisfaction. To achieve the desired service quality, standardization of quality is needed. This aims to keep the services provided can meet the standards that have been set, so that customers will not lose confidence in the product. This is also in accordance with idea proposed by Tjiptono that service quality is the level of excellence expected, and control over the level of excellence, to meet customer desires (Runtunuwu, Oroh, & Taroreh, 2014). Quality of service becomes very important for service companies, due to the good quality of service that will make customer satisfied and loyal to the business. Elu in Arayani, Dwi and Rosinta (2010) also stated that the company's decision to take systematic service improvement actions is a driving factor in following up on customer complaints from a failure so that in the end, it can increase customer loyalty.

In addition to service quality, which must be considered by every business in competing, is how to set price. Price is an exchange rate that can be equated with money or goods for the benefits which is obtained from an item or service for a person or group at a certain time and place. Price is the sum of all values provided by customers to gain the advantage of owning the product or using the service (Kotler & Armstrong, 2008). Cheap or high price of an item or service is very relative in nature. Price is one of the important variables in marketing, it can influence customers in making decisions to buy the product or use the service for various economic reasons. Price always becomes one of the important triggers to improve marketing performance. Through product prices of goods and services offered, the customer can determine the buying interest of a product. Price can be an indicator of the quality of a product or service, in other words, determining the price of a product presents a certain perception in terms of quality.

The prices offered by cafes in the Tondano area, when compared to other types of cafe businesses in other places can be categorized as relatively expensive, this will certainly lead to high expectations from customers. Customers will think that when the price is high, then the product or service that offered should be more satisfactory than the same product or service in general. When these expectations do not match with what expected, it will lead to disappointment.

Based on the background information, the problem can be formulated as follows: 1). Does price affect customer satisfaction? 2). Do quality services affect the satisfaction of customers? And 3). Do prices and service quality affect customer satisfaction?

This research is expected to be a reference for further research, which relates to variables such as price, service quality and customer satisfaction, or can be used by similar research. In addition, this research can contribute to the development of management science theory in marketing management concentration. With this research, it is hoped that it can be used as a reference, and consideration to increase customer satisfaction, and customer loyalty by paying attention to pricing.

Literature Review

Customer Satisfaction

Kotler and Keller (2009, pp. 138-139) defined customer satisfaction as a message containing satisfaction and disappointment of customer with the product or services used. Satisfaction is the level of someone's feeling after comparing performance with expectations. Customers experience varying degrees of dissatisfaction or satisfaction after receiving a service or product. Customer satisfaction has crucial role to influence customer behavioral intentions. Hence, it is important to know the factors that affect tourist satisfaction (Ardani, Rahyuda, Giantari, & Sukaatmadja, 2019).

Customer Satisfaction Indicator

According to Irawan (2008), there are 4 indicators of customer satisfaction, 1). Feeling satisfied (in the sense of being satisfied with the product and service) is a satisfied expression from customers when receiving good service and products from the company, 2). Always buy products, customers will continue to use and buy a product if their expectations are fulfilled, 3). Will recommend the products or services to others, customers who feel satisfied after using a product or service will recommend their relations to use and buy the products, 4). Fulfilling customer expectations after purchasing the product, whether or not the quality of product and services are in accordance with customers' expectations.

Price

According to Tjiptono et al. (2008b), price can be interpreted as the amount of money (a monetary) or not other aspects (non-monetary) which contain a certain utility. Price is the number of billed right on the product and service. More broadly, price defined as the number of all values provided by customers to benefit from owning the product or using the service (Kotler & Armstrong, 2008). Tjiptono also mentioned that price plays an important role for the macro economy (customers and companies). A suitable and affordable price will certainly be a consideration for customers to buy the products.

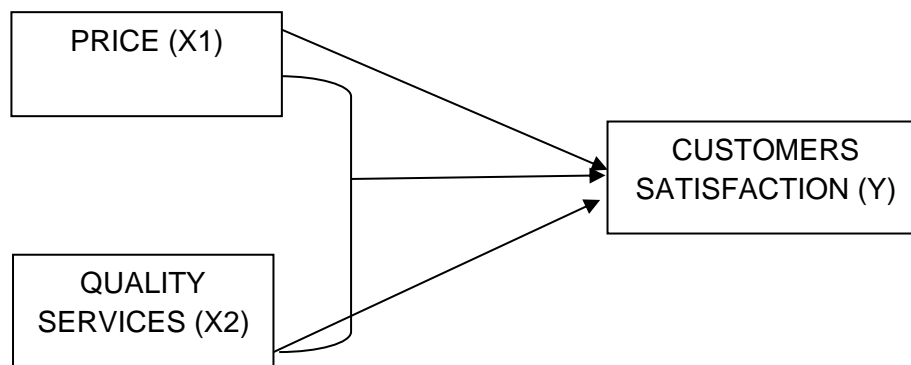
Service Quality

Tjiptono in Harianto and Subagio (2013) stated that service quality is the value in providing services that are in accordance with customer needs and desire to meet customer expectations. Quality reflects all dimensions of product offered that generate benefits for customers. According to Kotler (2005), service quality must start from customer needs and end with customer satisfaction, as well as positive perceptions of service quality. Tjiptono also stated that customer satisfaction can be achieved through service quality.

Based on the theories that have been discussed previously, it shows that affordable price will be a consideration for customers to buy a product, while one of the indicators of customer satisfaction is "always buy the product", this shows that price can be a determinant factor of customer satisfaction. Thus, the influence between price and service quality variables on customer satisfaction can be described through the following conceptual framework:



Figure 1. Conceptual Framework



Research Hypothesis

- H1: There is a significant influence of price on customer satisfaction in the cafes at Tondano city
- H2: There is a significant influence of service quality on customer satisfaction in cafes at Tondano city
- H3: There is a Simultaneous influence of Price and Service Quality on Customer Satisfaction in cafes at Tondano city

RESEARCH METHOD

This study classified as associative research; the quantitative approach was used to examine the relationship among the three variables under studied. The population in this study is all café customers in Tondano city. Sampling technique was carried out in all cafe in Tondano city to collect the data from customers. Sampling was carried for 7 days at 18.00-22.00, because at that time, the café was very crowded. From the population, it was obtained the sample of the study as many as 150 people as respondents. The objects of this study are price, service quality, and customer satisfaction. This study conducted in Tondano city, Minahasa Regency, North Sulawesi Province. The Likert Scale used in this study to measure the variables. The variables in this study were divided into two parts, dependent variable (Customer satisfaction) and independent variable, which are price and service quality.

In this study the authors used primary data and secondary data. The primary data collected from distributing questionnaire to 150 respondents, while secondary data collected from documentation or photographs, and how the background and general description of the cafes in the city of Tondano. The interview was also conducted with the owners or employees of the café.

Multiple regression used in this study as data analysis technique to find out how much the influence of price and service quality variable on customer satisfaction in cafes in Tondano city. The equation of multiple linear regression analysis can be formulated as follows:

Note:

Y = Customer Satisfaction Variable

a = Constant

b1b2 = Multiple Regression Coefficient

X1 = Price Variable

X2 = Service Quality Variable

Correlation Coefficient Test

The correlation coefficient basically used to find out the relationship given by the independent variable to the dependent variable, by looking at the R value from the output of the SPSS 24 program, the higher the R value, the greater the relationship between the independent variables and the dependent variable. To find the R value in this study, the author used the SPSS 24 program.

Determination Test

The coefficient of determination (R^2) is useful to measure how big contribution of independent variables on the dependent variable. Determination test was carried out to see the contribution of price and service quality to customer satisfaction in cafes in Tondano city. After knowing the magnitude of the correlation coefficient, the next step was to find the value of the coefficient of determination. The coefficient of determination is the square of the correlation coefficient. This analysis used to examine how independent variable influences the dependent variable. The formula used as follows:

Note:

Kd: The value of the coefficient of determination

R: The value of the coefficient of determination

Partial Hypothesis Test (t Test)

Partial test used to examine the effect of each independent variable on the dependent variable. To determine which specific coefficient is not equal to zero, an additional test is required using the t-test. The level of testing in this study was carried out with an error rate of 0.05 or the confidence level of the study was 95% with the following conditions:

If the significance level of the SPSS output is greater than 0.05 and the value of calculated is smaller than the table, it can be concluded that H_0 is accepted, otherwise H_a is rejected. If the significance level of the SPSS output is 0.05 and the calculated value is greater than the table, it can be concluded that H_0 is rejected, whereas H_a is accepted. In this study will use a significance level of 5% and degrees of freedom as follows $df = nk$.

Simultaneous Hypothesis Test (F test)

The F test basically determine whether all the independent variables included in the model have simultaneous effect on the dependent variable. In this study, simultaneous hypothesis testing is intended to measure the effect of price, service quality together on the dependent variable, namely customer satisfaction.

Basis of decision making by comparing the calculated F value with F table
If F table > F count, then H0 is accepted and H1 is rejected.
If F table < F count, then H0 is rejected and H1 is accepted.
By using a significance probability figure.
If the significance probability > 0.05, then H0 is accepted and H1 is rejected.
If the probability of significance < 0.05, then H0 is rejected and H1 is accepted.

RESULTS AND DISCUSSION

Descriptive Analysis

SPSS 24 is the most used technique to describe the data. It used to provide initial information in research on objects or respondents.

Test the validity of X1 (Price)

Table 1. X1 validity test results

No	r count	r table	Note:
1	0.813824	0.308	VALID
2	0.817212	0.308	VALID
3	0.781765	0.308	VALID
4	0.846996	0.308	VALID
5	0.783431	0.308	VALID
6	0.864041	0.308	VALID
7	0.872495	0.308	VALID
8	0.861384	0.308	VALID

From the test results above, it can be seen that all items r count > r table, thus all data from each item is declared valid.

Test the validity of X2 (Quality of Service)

Table 2. X2 validity test results

No	r count	r table	note
1	0.748127	0.308	VALID
2	0.826595	0.308	VALID
3	0.645647	0.308	VALID
4	0.731773	0.308	VALID
5	0.752129	0.308	VALID
6	0.555302	0.308	VALID
7	0.595732	0.308	VALID



8	0.749882	0.308	VALID
9	0.704958	0.308	VALID
10	0.750382	0.308	VALID

From the test results above, it can be seen that all items $r_{count} > r_{table}$, thus all data from each item is declared valid.

Test the validity of Y (Customer Satisfaction)

Table 3. Y validity test results

No	r count	r table	Note:
1	0.73005	0.308	VALID
2	0.691479	0.308	VALID
3	0.712481	0.308	VALID
4	0.703745	0.308	VALID
5	0.81939	0.308	VALID
6	0.633716	0.308	VALID
7	0.654356	0.308	VALID
8	0.735177	0.308	VALID

From the test results above, it can be seen that all items $r_{count} > r_{table}$, thus all data from each item is declared valid.

Test rally a Bilitas X1 (price)

Table 4. Price reliability test results

item no	cron. Alpha
8	0.9332

According the above test result can be seen the value of Cron. Alpha of 0.9332 is in the category of good reliability.

X2 reliability test (Service Quality)

Table 5. Service quality reliability results

item no	cron. Alpha
10	0.8727

According the above test result can be seen the value of Cron. Alpha of 0.8727 is in the good reliability category.



Y reliability test (Customer Satisfaction)

Table 6. Customer satisfaction reliability test results

item no	cron. Alpha
8	0.8838

According the above test result can be seen the value of Cron. Alpha of 0.8838 is in the category of good reliability.

Normality test

The normality test used in this study was the One sample Kolmogrov-Smirnov test using a significance level of 0.05.

Normality test hypothesis:

H_a: data is normally distributed

H₀: data is not normally distributed

Criteria:

Accept H_a and reject H₀ If Asymp. Sig. (2-Tailed) > 0.05

Reject H_a and accept H₀ If Asymp. Sig. (2-Tailed) < 0.05

From the test results can be seen the value of Asymp. Sig. (2-Tailed) is greater than 0.05 then Accept H_a and reject H₀ so that the data is normally distributed.

Linearity test

The linearity test was carried out by testing on SPSS.24 using Deviation from Linearity at a significant level of 0.05.

The linearity test hypothesis:

H_a: linear patterned data

H₀: data is not linear pattern

Linearity test criteria:

Accept H_a and reject H₀ if the Deviation from Linearity value > 0.05

Reject H_a and accept H₀ if the Deviation from Linearity value < 0.05



X1 (Price) against Y (Customer Satisfaction)

Table 7. Linearity test results

ANOVA Table							
			Sum Squares	of df	Mean Square	F	Sig.
Y*X1	Between Groups	(Combined)	1454,183	24	60,591	3.085	.000
		linearity	1032.655	1	1032.655	52.144	.000
		Deviation from Linearity	430.527	23	18,719	.953	.530
	Within Groups		2455,317	125	19,643		
	Total		3909,500	149			

From the ANOVA table above, it can be seen that the significant value of Deviation from Linearity is 0.530 > 0.05, thus the data has a linear pattern.

X2 (Service Quality) against Y (Customer Satisfaction)

Table 8. Linearity test results

ANOVA Table							
			Sum Squares	of df	Mean Square	F	Sig.
Y*X2	Between Groups	(Combined)	1611,975	20	80,599	4.252	.000
		linearity	1205.320	1	1205.320	67,676	.000
		Deviation from Linearity	406,655	19	21,403	1.202	.266
	Within Groups		2297.525	129	17,810		
	Total		3909,500	149			

From the ANOVA table above, it can be seen that the significant value of Deviation from Linearity is .266 > 0.05, thus the data has a linear pattern.

Multiple regression analysis

Regression analysis was conducted to analyze the effect of Price (X1) and Service Quality (X2) on Customer Satisfaction (Y) which can be seen from the following SPSS results:

Regression coefficient



Table 9. Multiple regression coefficient test results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.314	2,548		4.441	.000
	X1	.281	.055	.351	5.131	.000
	X2	.402	.065	.421	6.162	.000

a. Dependent Variable: Y

Based on the coefficients table above, it can be seen that the regression equation = $11.314 + 0.281X_1 + 0.402X_2$. The constant value of 11.314 states that if the value of X1 and X2 = 0 or Price (X1) and Service Quality (X2) does not exist, then the value of the variable Customer Satisfaction (Y) is equal to 11,314.

The multiple regression coefficient of the price variable of 0.281 means that for every addition of 1 (one) point in the price variable, it will increase customer satisfaction 0.281 times.

The multiple regression coefficient of the service quality variable X2 is 0.402, which means that for every additional 1 (one) point of the service quality variable X2, it will increase customer satisfaction Y by 0.402 times. The effect of price (X1) and service quality (X2) on customer satisfaction (Y) partially

Table 10. Partial correlation coefficient

Correlations				
		X1	X2	Y
X1	Pearson Correlation	1	.382 **	.512 **
	Sig. (2-tailed)		.000	.000
	N	150	150	150
X2	Pearson Correlation	.382 **	1	.555 **
	Sig. (2-tailed)	.000		.000
	N	150	150	150
Y	Pearson Correlation	.512 **	.555 **	1
	Sig. (2-tailed)	.000	.000	
	N	150	150	150

** . Correlation is significant at the 0.01 level (2-tailed).

Finding the partial effect is done with the formula for effective contribution (SE) = $r \times \beta \times 100\%$.

1. The large influence of price on customer satisfaction is: $0.512 \times 0.351 \times 100\% = 17.97\%$, thus the effect of price on customer satisfaction is 17.97% partially.

2. The major impact of service quality on customer satisfaction, namely: $0,555 \times 0,421 \times 100\% = 23.37\%$ thus the influence of service quality on customer satisfaction by 23.97% partially.

Partially significant test

To find out whether the partial effect of Price X1 and Service Quality X2 on Customer Satisfaction Y is significant or not.

1) Effect of Price (X1) on Customer Satisfaction (Y)

Hypothesis:

H_a: There is a significant effect of price (X1) on customer satisfaction (Y)

H₀: There is no significant effect Price (X1) against Customer Satisfaction (Y)

Criteria:

If the value of sig < 0.05 then accept H_a and reject H₀

If the value of sig > 0.05, then reject H_a and accept H₀

Based on the coefficients table, it can be seen a significant value of 0.000 < 0.05 then accept H_a and reject H₀ thus there is a significant influence X1 (Price) on Y (Service Quality)

2) There is an Influence of Service Quality (X2) on Customer Satisfaction (Y)

Hypothesis:

H_a: There is a significant effect of Service Quality (X2) on Customer Satisfaction (Y).

H₀: There is no significant effect of Service Quality (X2) on Customer Satisfaction (Y).

Criteria:

If the value of sig < 0.05 then accept H_a and reject H₀

If sig > 0.05, then reject H_a and accept H₀

Based on the coefficients table, it can be seen that a significant value of 0.000 < 0.05 then accepts H_a and rejects H₀ thus there is a significant influence on service quality on customer satisfaction.

Determinant coefficient

From R square (R²) of 0.589, the effect of X1 (Price) and X2 (Service Quality) on Y (Customer Satisfaction) is $0,413 \times 100\% = 41.3\%$.

Simultaneous significant test

Hypothesis:

H_a: there is a simultaneous significant effect of price and service quality on customer satisfaction.

H₀: there is no simultaneous significant effect of price and service quality on customer satisfaction.

Criteria:

If the value of sig < 0.05 then accept H_a and reject H₀

If sig > 0.05, then reject H_a and accept H₀

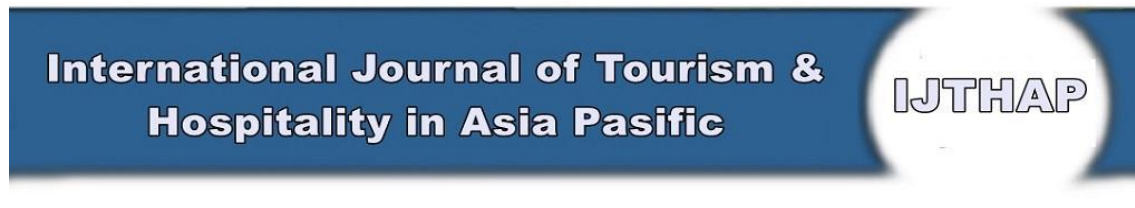


Table 11. ANOVA test results

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1616.117	2	808.059	51,795	.000 ^a
	Residual	2293,383	147	15,601		
	Total	3909,500	149			
a. Predictors: (Constant), X2, X1						
b. Dependent Variable: Y (Service Quality)						

Based on the ANOVA table above can be seen sig 0.000 <0.05 then H_a received and H_0 is rejected as such a significant influence simultaneously or concurrently, of variable X1 Price and Quality of Service X2 against Customers Satisfaction Y at 41,3%.

Discussion

Based on the analysis, it was found that the price variable has a significant influence on the customer satisfaction, it is shown by a value of 17.97% obtained from the calculation of the effective contribution formula. This indicates that the price variable affects the customer satisfaction variable by 17.97%, the rest is influenced by other variables. The influence of service quality variable on customer satisfaction is also clearly illustrated from the results of the analytical test used in this study and the significance value obtained, from the calculation of the effective contribution formula, it is also found that the effect of the service quality variable on the customer satisfaction variable is 23.97% and the rest is influenced by other variables.

Simultaneously, the two independent variables, the price and service quality, have a significant influence on the customer satisfaction, as can be seen from the sig value in the previous ANOVA table. It can be seen from the value of the influence of price and service quality variables on customer satisfaction which is 41.3%, it indicates that price and service quality simultaneously influences customer satisfaction by 41.3% and the rest is influenced by other variables which are not examined in this study.

CONCLUSIONS

Based on the results, it can be concluded that price has a significant influence on customer satisfaction at cafes in Tondano city. This indicates that customers mostly feel that affordable prices would make them happier and satisfied when visiting cafes. This study is in accordance with the first hypothesis that price has a significant influence on customer satisfaction at cafes in Tondano city. This study also shows that service quality has a significant influence on customer satisfaction at cafes in Tondano city. This indicates that good service quality would increase customer satisfaction, thus the second hypothesis in this study is accepted. There is a simultaneous significant effect of price and service quality on customer satisfaction who visit cafes in Tondano city, so it can be

said that affordable prices and good service quality can be applied together at cafes in Tondano city. It would be a determinant factor that increases the satisfaction of customers who visit the cafes in Tondano city, which means that the third hypothesis in this study is accepted.

Based on the results obtained from this study, the researchers can provide some suggestions as follows, for all café in Tondano city, it is expected to consider the prices that have been set and adjusted to competitor cafes outside of Tondano city in order to increase customer satisfaction. Improving the quality of service is also important, the better service would make customers feel satisfied and happy, so customers would visit more often. Meanwhile for future researchers, it is expected to take many data from various or different sources and references related this topic so that the result can be more valid.

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