

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this modern era, businesses like café or restaurant have been opened all around the place with their own uniqueness starting from the product, theme and even their service. Meeting client or even hang out with friends are mostly done by gathering at a place where people can enjoy food while having their conversation, it makes food and beverages business rapidly developed in Medan. Bringing customer into the business is not only the concern for the owner, but also how to bring customer back and turn them into loyal customer. Customers nowadays are not only looking for the product they got but also how they can be served and feel comfortable at a place.

Based on Lewis & Booms (2014) service quality indicates to “the degree of capability of a service to meet customers’ expectation”. Jumawan (2018) stated that service quality is compulsory for a company to be able to survive and get customer; the standard of service quality can be defined the ability of a company to meet customers’ expectation by fulfilling what customers’ need and wish.

Service quality leads to the evaluation of what was expected and experienced by the guest that came to an organization. In this modern era, it cannot be denied that technological progress has resulted in a decrease in the percentage of the use of human labor, however human resource factors continue to play important role in realizing organizational success. A very important resource for an organization is human resources, those who supply the

organization with their work, skills, and the best effort in providing the best quality service to satisfied the guests, but on others hand even the most sophisticated machines cannot provide the service human labors can offer.

Good service quality is not only by how fast the workers can serve the guest but service quality can be measured by how the workers could exceed the guest expectation and understand the guest needs without being told. Service quality is one the main factor in investigating the outcome of customer expectations and any service performance qualities in any hospitality business since consumer satisfaction is often used as a measure of the organizational maturity level. This indicates that the organization is well managed which is basically the result of sustainable management.

Chiguvi (2016) claims that customer loyalty is illustrated as a commitment to maintain a consistent purchase of a particular product or service regardless of situational factors and marketing strategies that could result in a change of behavior. A loyal customer tends to remain loyal to a company and is not easily influenced by price or availability, rather the customer pays more for a company and assures the same quality of service or product the customers are used to. The way to get customer loyalty is by meeting and exceeding customer expectations.

The majority of business people would agree that one of the most challenging things in business is getting new customers. There is nothing wrong with that, but actually retaining customers and make them as loyal customer has a greater challenge. Business people are required to maintain customer loyalty so

that they can continue to come to your business, because automatically business sales will increase.

To build customer loyalty is a must in any businesses, because once the guests feel satisfied with the products or services they receive, it is not impossible for them to return and make other purchase. More than that, loyal customer usually will not hesitate to promote your brand to others. Especially now, the use of media social is very high which offers many benefits for company as customers can promote your brand using their social media. Although, it might seem insignificant, word of mouth promotion like this have big impact to a business. The reason is because people especially customer more trust with the testimonials of the acquaintances than promotion by others.

Table 1.1 Customer Complaints

Month		Complaints
September 2019	18	<ol style="list-style-type: none"> 1. Irresponsibility in giving a fast bill 2. Empathy is lacking for serving customers in crowded time 3. Food and drinks that come quite long 4. Want to order food need to wait longer time 5. Some foods are often empty
October 2019	12	
November 2019	22	
December 2019	17	
January 2020	29	

Sources: Habitat Coffee Medan, 2020

From table 1.1, the complaints were taken from the customers who gave complaint during their visit, the complaints was obtained from September 2019 to January 2020. It can be seen from the table, most of the complaint is from the service area especially in the speed of serving customers and the food availability, which needs to be concerned and being improved from the café.

The quality of service is one of the keys to success in competition. If the service quality evaluation is good, then the interest of customer to re-use the service will be favorable, this will strengthen the relationship with the company. However, if the evaluation of the service quality is not good, the customer is unlikely to re-use the service and the service will be unfavorable. This behavior of the customer can be seen as an indicator that indicates whether the consumers will remain or switch from the company.

In addition, the quality of services provided by the company affects the reputation or equity of the company in the eyes of customers. And in the end it will also affect the purchase intention, including whether the customer will be loyal to the company.

Hamidiyah (2016) stated that there is a strong connection between customer expectations for quality of service and customer loyalty. Habitat Coffee is comfortable café and coffee shop in Medan. The concept of the café is homey and offers an affordable prices with tasteful local and western menus. Habitat coffee as hospitality business meets lot of different characteristic of customers' behaviour that should be satisfied not only with the taste of the food but also the service they offer. One of the main factors of a hospitality industry area is service. Since, the writer notices that the café has not really aware of the service quality, the service is not really satisfied when the café is crowded where as it can be influence the customer loyalty. Therefore, the writer wants to conduct research under the title "The Influence of Service Quality towards Customer Loyalty at Habitat Coffee Medan".

1.2 Problem Limitation

In this research, the writer focuses on two variables which are service quality as independent variable and customer loyalty as dependent variable. The scope of this research will be conducted at Habitat Coffee Medan at Jln. Abdullah Lubis No.14 Medan and research time from December to June 2020.

1.3 Problem Formulation

In this research, writer examines about the influence of service quality towards customer loyalty, by doing this research, the writer determine the problem formulation that will be discussed in this research are as follows:

1. How is the quality service now at Habitat Coffee Medan?
2. How is condition with customer loyalty at Habitat Coffee Medan?
3. Is there an influence of service quality on customer loyalty at Habitat Coffee Medan?

1.4 Objective of Research

The implementation of this study aims to answer the problem formulation of that have been stated in the previous section. The purpose of this study is to determine whether:

1. To find the outcome whether the quality service now within the company is effective in its application.
2. To find the outcome whether the consistent customer loyalty at Habitat Coffee Medan.

3. To know the influence of service quality on customer loyalty at Habitat Coffee Medan.

1.5 Benefit of Research

The benefits of conducting this research are as follows:

1.5.1 Theoretical Benefit

1. For the writer, this research can increase the writer knowledge and experiences in hospitality industry business especially in service quality and customer loyalty.
2. For others, this research can be useful as reference and guideline for future researchers that will do research that related to the topic regarding the influence of service quality towards customer loyalty.

1.5.2 Practical Benefit

This research can give benefit for Habitat Coffee Medan by giving recommendation and relevant suggestion for the café to increase the service quality to maintain customer loyalty.