

CHAPTER I

INTRODUCTION

1.1. Background of the Study

In the hospitality industry, customers usually hope for an optimum service with warming-service as an added value to reach customer satisfaction that meets or goes beyond their expectations. According to Page, stated in Ionel's journal (2016), hospitality is the very essence of tourism, involving such a way to serve customers like they feel they are in their home is the main purpose of doing hospitality so that customers can feel like home when they are not in home. Some examples of hospitality industry practices may include hotels, restaurants, airlines, tour agencies and so on especially in dining experience or in other words, restaurant industry.

Nowadays, when most of the business are globally enjoyed by millennials population across the globe, restaurants or the food and beverage industry has improved in so many ways such as fast-food chains, fun-environment dining experience, and beverage-only like Starbucks.

Based on Indonesia Investment (2015), restaurants or food and beverage industry in Indonesia has risen from 4 to 5 percent in 2015. To make this point stronger, Sloan in Agustono's journal (2017), food has no longer become the basic need of everybody but it is more about lifestyle and trends which is also related to what the writer has mentioned above, which is the experience of dining or fun-environment industry.

The previous paragraph has mentioned that it should be amazing in terms of how millennials can change how restaurants should operate from the conventional way where restaurants serve food for the customers and the customers may leave after finishing the food in less than an hour becomes a place where people hang out and have fun together beside just filling up their stomach. In short, the function of restaurants has changed from a place to eat into a place to hang out.

Based on the definition mentioned on the paragraph above, for a place to have an excellent atmosphere to hang out, it needs to have a good employee performance. Starbucks is an example of a good place for hanging out where people can stay for a long time because the store has a standard to create a good atmosphere by providing friendly employees to serve and fulfill customers' demands, for example by asking and calling customers' names, asking customers' preferences or by writing personalized messages to boost customers' satisfaction in order to boost their reputation. This is one of the best examples on why employee performance is important to brand reputation since the employees are the face of the business. Related in how employee performance is important, it is necessary for people to understand the definition of employee performance.

Employee performance is how well the productivity and performance of employees towards the daily tasks given to them in the workplace, as well as their behaviour (Ashley Donohoe, 2019). In addition, another theory by Armstrong & Taylor, stated in Alshomaly's journal (2017), performance is defined as "behaviour that accomplishes results".

On the other hand, based on what Loureiro & Co (2017), brand reputation is a general view that society has for a brand or an overall estimation of a brand's quality, generally held by those who know the brand. Furthermore, in another literature by Schreiber in Tamunomiebi's journal (2018), stated that reputation is the firm that has the asset which is considered as an intangible asset if they have the power of reputation which can also lead to barriers for some threats that those can create some competition in the industry.

Based on the statements written above, the writer concludes that for a business to operate well in the long run, employee performance needs to be maintained. Therefore, a lot of restaurants are keeping an eye on their employee's performances, one of which is The Traders Medan.

The Traders Medan as the research object of this research is a local restaurant which engages in food and beverages, and hospitality industry. Before doing the research, the writer has done an interview with the manager of The Traders regarding the brand reputation among other restaurants in Medan. The manager found out that the brand reputation of The Traders was doing fine but there was no significant improvement or growth in the reputation in which the manager suspected that the employee performance which has been standardized may be the problem since the other restaurants in Medan has been steadily improving or innovating their way of serving customers.

The writer realized that there is urgency for the writer to find out whether the employee performance may or may not effect the brand reputation in which the manager of The Traders mentioned in the preliminary interview. Therefore,

the writer would like to do the research with the title of “**The Effect of Employee Performance Towards Brand’s Reputation at The Traders Medan**”.

1.2. Problem Limitation

The writer determines that the research may simply discuss the employee performance in order to maintain the reputation of a business or in this case, a restaurant. The research may be conducted at The Traders Medan which is located at Jalan Kapten Pattimura No. 423, Medan.

In this research, the writer has two variables to be discussed which are employee performance as independent variable which may effect another variable or in this case, reputation, the dependent variable of this research. The independent variable or employee performance may be determined by several indicators according to theory by Parasuraman in Majid *et al.*’s journal (2016), which are tangible factors, reliability, responsiveness, assurance, and empathy.

The independent variable may effect another variable or in this case, reputation. According to the result of the research by Xie *et al.* (2016), the dependent variable or brand reputation may be determined by these indicators such as internal training, communication, behaviors, and standard provided by employees.

1.3. Problem Formulation

Based on the background study above, the writer concludes that the problem identification is “Does the employee performance effect the brand reputation of The Traders Medan?”

1.4. Objective of Research

The purpose of this research is to observe the effects of employee performance towards brand's reputation at The Traders Medan.

1.5. Benefits of Research

1.5.1. Theoretical Benefit

The benefit of this research is to show how a performance may effect the whole business and to increase the writer's knowledge, especially in service industry.

1.5.2. Practical Benefit

There are a few more benefits of this research :

- a. This research may help employees to know if their performance at work may have an effect on the place they are working in.
- b. This research may act as a guidance or reference for future researchers with related topic.
- c. This research may help to improve the writer to perform better in the future especially in hospitality management career.