

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Further, it may be said that the customer satisfaction is a personal feeling of either liking or disliking resulting from the evaluation of the quality of services in relation to expectations. All service providers give a higher priority to customer satisfaction because it is a prerequisite to customer retention. Higher customer satisfaction leads to repeat customers who further lead to repeat product purchases and word-of-mouth promotion, and on the other hand low customer satisfaction leads to dissatisfied customers. A satisfied customer often stays loyal longer, and is likely to patronize the firm in future (Loke, 2015).

Every company has a goal to be able to provide satisfaction to customers among others by knowing the needs and desires of customers. This concept is often called the marketing concept that focuses on the needs of customers so that the goods or services produced in accordance with what is desired by customers. The requirements that must be met by a company in order to be successful in competition are trying to create and retain customers. Sunyoto (2015, p.232), “The quality of service is centered on efforts to the needs and desires of customers and the accuracy of their delivery to balance customers expectations. The creation of customer satisfaction can provide several benefits including the relationship between the company and its customers being harmonious, providing a good basis for repurchase, creating customer loyalty and forming a word of mouth

recommendation that benefits the company.” For these goals to be achieved, then each company must strive to produce goods or services in accordance with the needs and desires of customers.

Thus, every company must be able to understand customers behavior in its target market. Through understanding customer behavior, companies can develop appropriate strategies in order to take advantage of existing opportunities and outperform their competitors.

Efforts to maintain customer satisfaction can be done in various ways, one of which is to improve the quality of service. Quality of service is the expected level of desire and control over the level of excellence to meet customer desires. Hasan (2016: 59), “if the customer perceives that the performance of the product he is enjoying is greater or higher than expected by the customer, then the customer will state that they are very satisfied.” Service quality is the performance standard for the company and is the most important factor in increasing customer loyalty. Customers who feel they are getting good service will feel satisfied, feel valued, and will always be loyal to the company.

The company in retaining customers gains a separate achievement that reflects the reliability of the company in maintaining the quality of products produced by the company both goods or services. Improving the quality of services is not as easy as turning the palm of the hand. Many factors need to be considered. Among the factors that need attention is identifying the main determinants of service quality, each service company needs to strive to provide the best quality to its customers. Therefore, the first step taken is to conduct

research to identify the determination of services that are most important for the target market, manage customer expectations, not infrequently the company tries to overestimate its communication messages to customers with the intention of becoming captivated. This has become a boomerang for the company, because the more promises given the greater the expectations of customers which in turn will increase the opportunity of not meeting customer expectations by the company, generally the factors that determine customer expectations include personal needs, past experience, word of mouth recommendations and advertisements.

Service quality plays an important role in various business entities in the world. Good service quality is an effort that can be used by companies in facing competition in the service sector which is closely related to customer satisfaction. The quality of service expected by customers is adequate facilities, good service, comfort, security, tranquility and satisfying results, so the management must think about how good service quality can continue to develop now for the smooth future. Efforts to improve the quality of service will be very effective if improving the quality of service is a daily goal, starting from the top leadership or director to the service implementers or employees. Many companies in the field of public service place quality of service in their vision and give high weight to performance indicators. Quality of service can be interpreted as the large gap between customer expectations or their desires and perceptions.

These days, Food and Beverage Business is one of the most popular business in Medan. However, despite of the popularity, it can not be denied that some of this businesses shut down after opening them for quite some time with

different kind of reasons. One of the reason is because of the business did not earn enough sales and lack of customers that result in business to not operate very well by not being able to cover the operational cost of the business. Low number of customers could happen due to many reason, for instance: non-strategic location, unpopular or even dissatisfied customer due to poor food and service quality that make customers have no revisit intention and unwillingness to recommend. And also the writer has previously observed through Google Review of some restaurants and cafes in Medan. Some customers express their disappointment of service quality performed by the workers and even this happened to those businesses that applied service charges. Hence, the writer does not mean that only those who applied service charges are the only that should perform great services. Even those who does not apply one could give good service quality, moreover the one who charges should perform even better. When good service quality is performed and it meets customer satisfaction, this will benefit the business.

Observing through this, the writer learns that in order to keep the food and beverage business to run well , owner should be aware that one of the important aspect in business is service quality towards customers. Customer satisfaction is something that should not be underestimate. Nowadays, people can freely express their opinion and feeling easily through word-of-mouth or using social media as the platform which can be access and seen by numerous of people. It is beneficial for business if people feel satisfied, happy and share it to the others. It may attract another new potential customers to the business and keep repeating. However, if

the customer is disappointed and dissatisfied, contrary result could happen and this will give unexpected loss to the business as the outcome. Another positive impact of good service quality is increasing sales. Service quality is not all about how well customers being treated. It includes product knowledge of the employees. When employees have good product knowledge, not only can they explain clearly and well to the customers, they can as well increase sales by up-selling more products by determining which product each customer tend to be attracted.

Especially these days, a lot of people do get-together for many purposes, for instance: casual dining; formal dining; meeting; birthday; anniversary and many more. For sure, people tend to choose for suitable place based on their preferences that will leave good impression and by that means, people are likely to choose a place with good food, good service, good environment and good price value.

Habitat Coffee is one of the famous cafe existing in Medan. Until today, it has 2 outlets. The first outlet is located at Jalan Abdullah Lubis No.14 Medan and the second outlet that has recently opened located at Jalan Boulevard Timur No. 8HIJ Komplek Cemara Asri. The cafe itself adapt a cozy concept so that customers can feel comfortable, and also it has a lot of leaves decoration inside the cafe to add a more natural vibes. In doing business, the owner of Habitat Coffee focus on great taste and affordable price.

The reason why the writer is interested in doing the research at Habitat Coffee is based on several reasons. The first one is because the writer would like

to understand more the influence and the importance of service quality towards customer satisfaction in food and beverage business. The second reason is because Habitat Coffee has just expanded their business by opening the second branch, and based on what the writer has observed, this cafe was very crowded when it firstly opened. But as time goes by, the business has slowly come quieter due to some reasons and the writer would like to know if one of the reason is because of the service quality that is not good enough to make customers satisfied as the writer found some reviews from their customers through Google review that stated their dissatisfaction towards their service quality. And lastly, the writer through this research would like to encourage the owner that service quality is as important as other factors in business to run well.

Based on description above writer feel interested to choose and study problem of service quality in this study entitled: **“The Influence of Service Quality towards Customer Satisfaction at Habitat Coffee Komplek Cemara Asri Medan”**

1.2 Problem Limitation

Due to limited period of the research, insight and knowledge, the research will be some imperfection available. The research conducted by the writer will be focusing on service quality and customer satisfaction. Service quality as the independent variable will be with five dimensions of service quality, which are reliability, responsiveness, assurance, empathy and tangibles (Hernon et al., 2015). Customer satisfaction as the dependent variable measured by conformity of

expectation, interest visiting again and willingness to recommend (Hawkins and Looney on Nuridin, 2018).

1.3 Problem Formulation

Based on the background of the study as mentioned above, the problem statement of this final paper in which interest the writer to find out is :

Does service quality have influence towards customer satisfaction at Habitat Coffee Komplek Cemara Asri Medan?

1.4 Objective of the Research

The research objective is to discover whether or not service quality have influence towards customer satisfaction at Habitat Coffee Komplek Cemara Asri Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

Theoretically, the results of this study are expected to be useful to strengthen the theory about marketing, especially about the influence of service quality towards the level of customer satisfaction in a food and beverage business.

1.5.2 Practical Benefit

The practical benefits expected from this research are as follow:

1. For the writer

This research can provide an overview and knowledge about management marketing, especially about the influence of service quality towards customer satisfaction in a food and beverage business .

2. For the company

This research is expected to be used as a suggestion to give more attention about reliability, responsiveness, assurance, empathy and tangible aspects in order to fulfill the level of customer satisfaction.

3. For the researchers

The results of this research are expected to be used as a source of references for future researchers who are concerned in conducting related research.

