

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The significance of quality of service in many sectors has become a matter of great concern over the previous few years, especially in hospitality, banking, sales and marketing, building and healthcare sectors. Excellent quality of service was acknowledged as a means of competitiveness and service supremacy.

Service quality is an significant idea for the business because it is essential if clients are to achieve superior value. Service quality is strongly linked to customer satisfaction, loyalty and even profitability in many literatures. The aim of offering quality of service is to meet the clients. Measuring the quality of service is a better way of finding out if a service is good or bad or if the customer is satisfied. (Sreedhar, 2016)

Many advantages can be accomplished through service quality: client satisfaction, company images, customer loyalty and a competitive advantage to a company. Service quality efficiency can differ for distinct individuals, for instance, staff can demonstrate greater service quality perceptions than perceived clients and therefore executives and staff can never find service quality deficiencies. (Al-Ababneh, 2017)

Over the years, quality of service has been one of the major business aspects. Especially in restaurants, café and hospitality industry. Customers are now more conscious of the degree to which the industry has given its consumers a greater

focus so that they can achieve greater satisfaction that can result in stronger customer loyalty.

Because of the extraordinary competition and the antagonistic environment of natural ingredients, quality of service has become a simple advertising practice for many food and drink industries. This shows how important it is for associations to strengthen their services in order to survive and expand, as it will allow them to cope with such challenge on competitive markets.

The customer's loyalty was regarded as the key factor in the company's performance. This study helps us to understand the connection between quality of service, customer loyalty and satisfaction. The practitioners and academics in the field of hospitality management are particularly interested in this.

Growing rivalry affected the recent market growth. This causes companies to compete against each other and to gain competitive advantages. Today, service entrepreneurs try to improve the quality of the service. Companies are trying to build close customer relations to be loyal. The company's ultimate aim is to have loyal customers because they can ensure the continuation of the company on a long-term basis. Loyalty can have great advantages for the product, as it affects the purchasing behavior of customers and free recommendation. Without their influencing factors customer loyalty is not easily established (Tanisah & Maftuhah, 2015).

Therefore, it will be discussed about how the service quality affects customer loyalty. Ola Kisat restaurant, which is one of the most popular restaurants in Medan. Ola Kisat restaurant first originally open at Jamin Ginting streets and as

the business grow. Ola Kisat now got three more branches at Medan and one of the branch is at Cemara Asri. Which were the author will conduct research at. This shows how this restaurant survives with a lot of competition in this city and still can grow more bigger. It makes this place as the right object for this research to be conducted. At the Ola Kisat restaurant, the service quality is highly prioritized. But so far no research has been conducted on the quality of service and customer loyalty. But only through complaints from guest, if any. And nowadays many people underestimated a small chain restaurant, but a small restaurant like Ola Kisat proves that they can still attract a lot of loyal customer until now. Here are some guest complaint data from 2019

**Table I.1**  
**Complaint Data From Olakisat Restaurant at Cemara Asri 2019**

Month	Number of Complaints	Reason for Complaints
January	1	1. The service is considered slow by the customer 2. Unresponsive employees 3. Employees speak disrespectfully to customers
February	2	
March	-	
April	1	
May	2	
June	-	
July	-	
August	-	
September	1	
October	1	
November	-	
December	1	

Source: Olakisat Restaurant (2019)

From the complaints table received by Olakisat Restaurant, it can be seen that the services provided during the period of 2019 still have complaints from customers. This is why the author is interested in knowing whether service quality affects customer loyalty in this restaurant. Besides the owner of the restaurant happens to support this research to be an input for this restaurant. Through this

research is suppose to provide more information on strengths and weaknesses of the service quality in this restaurant to satisfy what customer need and want so that it can be used as a strategy to improve the service quality and be able to compete with other restaurants.

Understanding the importance of service quality and customer loyalty in any business, the author is interested in conducting a research with the title **“The Importance of Service Quality towards Customer Loyalty at Ola Kisat Restaurant Medan”**.

## **1.2 Problem Limitation**

To maintain customer loyalty in any business, service quality is one of the key roles. Therefore, every restaurant needs to provide an excellent service and know their customers' needs to earn their loyalty. A key requirement for this business is to show that service quality is much needed for a business to grow. A limitation of this study was, how the importance of service quality can affect both the customer and the reputation of the restaurant. These results highlight the need for more comprehensive studies on how important service quality can be and how to improve it. This research will focus on customers from Ola Kisat Restaurant Cemara, especially their responses on the service quality.

## **1.3 Problem Formulation**

Based on the background of study above, the problem formulations in this research are as follow:

1. How is the service quality at Ola Kisat Restaurant Medan?
2. How is the customer loyalty at Ola Kisat Restaurant Medan?
3. How about the effect of service quality towards customer loyalty at Ola Kisat Restaurant Medan ?

#### **1.4 Research Objective**

Based on the problem formulations above, the research objectives in this research are as follow:

1. To describe the service quality at Ola Kisat Restaurant Medan.
2. To describe the customer loyalty at Ola Kisat Restaurant Medan.
3. To describe the relationship between service quality towards customer loyalty at Ola Kisat Restaurant Medan.

#### **1.5 Benefit of the Research**

##### **1.5.1 Theoretical Benefit**

1. This study can help in the academic. Expected academic benefits would be the result of this research can be used as a reference for the next studies regarding the importance of service quality towards customer loyalty at Ola Kisat Cemara Asri.
2. To know more information about service quality and customer loyalty.

##### **1.5.2 Practical Benefit**

The practical benefits expected from this research are as follow:

a. For the writer

This research can provide an overview and knowledge about management, especially about the influence of service quality towards customer loyalty in a restaurant.

b. For the company

This research is expected to be used as a suggestion to give more attention about the factors of service in order to increase customer loyalty.

c. For the future researchers

The results of this research are expected to be used as a source of references for those who concern about conducting related research in the future

