

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nowadays, service industry has become greater economic importance. The elimination of waste due to poor quality and meeting customer expectations are the major challenges facing managers in the service sector. This is the reason why people should measure service quality, customer satisfaction in hotel industry as well as their measures. As time passes by, different researchers have tried to find out the way to measure of service quality and customer satisfaction in hotel industry.

Customers' needs become a very important thing to note and satisfied by the manufacturer or service provider. The product providers or services should pay attention to changing customer needs or widening customer needs. The providers of the product, in order to win the competition with competitors, also require strategies on the right business. The goal is to create a brand image depth for products and services offered by manufacturers. Customer satisfaction becomes a strategic target for the company to grow and survive in the face of fierce competition.

In the world of business, especially which is active in service, satisfaction of customer is a very important element maintain and grow for any companies. So, the problem of service quality has become an important factor in determining efficacy of a business.

Quality is one of the main factors determining product selection for customers. Customer satisfaction will be achieved if the quality of products provided in accordance with their needs. In the past decade, service quality has gained much attention for the company. Quality issues are not only becoming the weapon of competition, but have become "tickets to be paid" to enter the business world. This is because the quality of services can be used as a tool to achieve competitive advantage. (Suryadharma and Nurcahya, 2015).

Sreedhar (2016) stated that “service quality concept is something really important for company because it is vital factor in creating superior value for customers. Service quality in a lot literature has strong relation to customer’s satisfaction, loyalty, and even profitability”. The goal of providing service quality is to satisfy the customers. Measuring the service quality is a better way to find out whether a service is good or bad, or whether the customers are satisfied or not. Good service quality can lead to consumer loyalty and attract new customers. In the end, through customer satisfaction the company will gain long-term profit or stability for the company’s survival.

Management always strives to provide the best quality service to consumers. The quality of service provided by the company's management will lead to customer perception of the quality being offered. Often there is a difference between customer expectations and the quality provided by company management. To find out whether the management has provided service quality in accordance with customer expectations, it is necessary to do an evaluation involving the customers.

Hospitality is one of the service area engaged in the lodging, which also needs to evaluate the quality of services received by its customers. Hospitality is required to be able to provide products that can be felt directly, such as rooms with all the equipment, products that do not seem like hospitality, comfort, security, and the success of hotel management that can affect the image of the hotel’s name in the eyes of customers. The success of companies in the service business, such as hotels, is focused on two aspects, they are: the employees of the hotel who provide services and guests of the hotel (customers) to be served. The profit earned by the hotel is very dependent on these two things. (Yunus, 2014)

According to Panjaitan & Yuliati (2016), the evaluation of service quality in hospitality can be done by using service quality dimensions, consisting of reliability, responsiveness, assurance, empathy and tangibles (facilities or physical evidence). To evaluate the quality of services, hospitality needs to be informed about services perceived by the customers through the customers themselves. In this case, customers who use the hotel’s lodging services.

The Grand Aston City Hall Medan Hotel and Service Residence is located at Balai kota street No. 1, West Medan, Medan City, North Sumatera, which is ideally located in the heart of Medan, exactly the zero (0) kilometers of Medan City and just 60 minutes from Kuala namu International Airport by car and 5 minutes away from the Railink Station to Kuala Namu International Airport. They also provide free shuttle service to drop off or pick up from and to Railink Station Medan. The hotel offers rooms and suites with dramatic views of the city skyline and within easy walking distance across of the hotel you could experience the most convenient place for hang out, which is known as Merdeka Walk, as well as dining & shopping.

Based on the primary data obtained from the company internally, the number of Grand Aston Hotel Medan's customers has decreased during these few years, which can be seen in the table below:

Table 1.1 Number of Customers During 2012- 2017

Year	Visitors			% Change
	Foreign	Local	Total	
2012	382	1411	1793	-
2013	325	1523	1848	3.07 %
2014	366	1378	1744	-5.63%
2015	288	1298	1586	-9.06 %
2016	273	1208	1481	-6.62 %
2017	252	1213	1465	-1.08 %

Source: Prepared by the Writer (Grand Aston City Hall Medan, 2018)

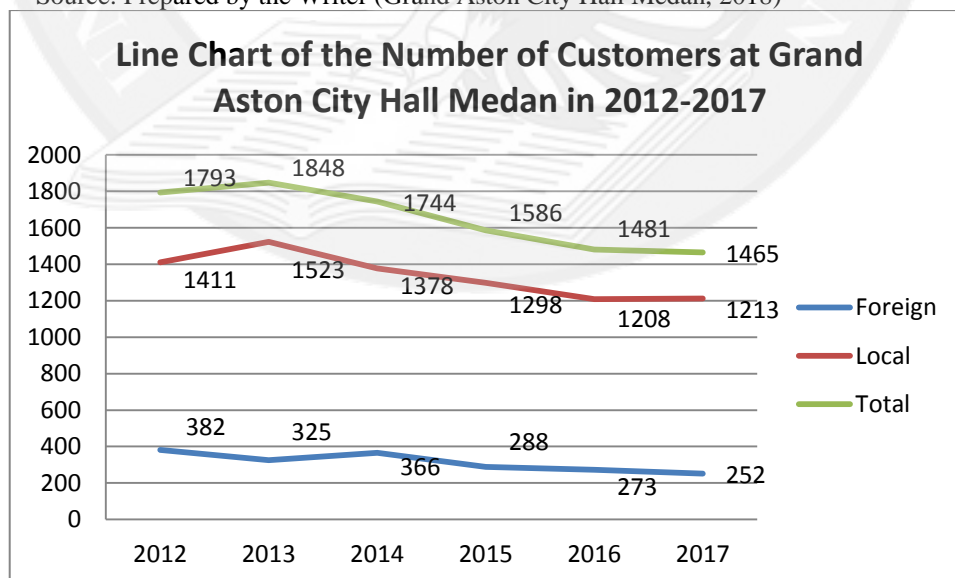


Figure 1.1 Number of Customers During 2012-2017

Source: Prepared by the Writer (Grand Aston City Hall Medan, 2018)

Based on the table and figure, the number of visitors tend to decrease, especially during 2013-2014 and 2014-2015. The highest number of visitors in 2013 was 1848, and the lowest number of visitors in 2017 was 1465. The decline in the number of visitors that occurred during 2012-2017 is due to the deteriorating quality of services provided by Grand Aston City Hall Medan, although usually the hotel management always provides some promotions and attractive packages approaching the end of the year.

In this study, the researcher wants to analyze the quality of services at the Grand Aston Hotel Medan to find out what is actually expected by the customers and what has been perceived by the customers regarding the quality of services through this thesis entitled **“The Influence of Service Quality Towards the Level of Customer Satisfaction at Grand Aston Hotel Medan”**.

1.1 PROBLEM LIMITATION

In order to have the research conducted with more focus and ease in collecting and processing data, the scope of research is limited as follows. There are so many hotels in Medan city. This study only examines one of the 5-star hotel in Medan, which is Grand Aston Hotel Medan. The service quality dimensions used in this research are limited to 5 aspects, which are: reliability, responsiveness, assurance, empathy, and tangibles. The research object is the customers who stay at Grand Aston Hotel Medan during the course of this study.

1.2 PROBLEM FORMULATION

Based on the description on the background of the study above, the research questions in this study are as follows:

1. How is the service quality at Grand Aston Hotel Medan?
2. How is the customer satisfaction at Grand Aston Hotel Medan?
3. Does service quality influence customer satisfaction at Grand Aston Hotel Medan?

1.3 RESEARCH OBJECTIVE

The research objective are as follows:

1. To evaluate the service quality at Grand Aston Hotel Medan.
2. To assess the customer satisfaction at Grand Aston Hotel Medan.
3. To discover whether service quality influence customer satisfaction at Grand Aston Hotel Medan.

1.4 BENEFIT OF THE RESEARCH

1.4.1 Theoretical Benefit

Theoretically, the results of this study are expected to be useful to strengthen the theory about management marketing, especially about the influence of service quality towards the level of customer satisfaction at a hotel.

1.4.2 Practical Benefit

The practical benefits expected from this research are as follows:

1. For the writer
This research can provide an overview and knowledge about management marketing, especially about the influence of service quality towards the level of customer satisfaction at a hotel.
2. For the company
This research is expected to be used as a suggestion to give more attention about reliability, responsiveness, assurance, empathy and tangibles aspect in order to fulfill the customer's satisfaction.
3. For the other researchers
The results of this research are expected to be used as a source of references for relevant future researches.

1.5 SYSTEMS OF WRITING

The following are the details of how this *skripsi* is going to be written:

CHAPTER I : INTRODUCTION

This chapter contains background of the study, problem limitation, problem formulation, research objectives, benefit of the research, and the systems of writing.

CHAPTER II : LITERATURE REVIEW

This chapter contains theoretical background, previous research, hypothesis development, research model, and framework of thinking.

CHAPTER III : RESEARCH METHODOLOGY

This chapter will describe the research design used, the object of research, the method of data collection performed and the method of data analysis.

CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter describes the overview of the research objects discussed in this study and describes the data analysis and the detailed discussion.

CHAPTER V : CONCLUSION

This chapter contains the conclusions of what has been described in the previous chapters, and also contains suggestions for improvement for research development related to this research topic.