

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

As a business school student majoring in management with entrepreneur concentration, the writer is really interested in café and restaurant industry. The writer hopes that, after finish his study at UPH Medan, the writer can immediately have his own business and become an Entrepreneur. That is the reason why the writer takes a new company that has been operating for less than a year, namely Caffein Time, as the research object. In this research, the writer hopes to learn more and know how the owner of this company built and has been controlling the operation of this new company.

Service is a very important thing in the business world especially for a startup business, such as Caffein Time, because service is a form of appreciation to customers. The quality of services has also become one of the considerations for someone who decide to buy a product or use the services of a company. Given the importance of continuity of service for a business, it is necessary to always maintain our services to customers. According to Parasuraman, et al. (in Purnama, 2006, p.19) service quality is a comparison between the service perceived (perception) by consumers with quality service that consumers expect. Based on the opinion, it can be known that the quality of service determines the achievement of desire or customer expectations.

Quality of service is an important factor to be considered company to get customer satisfaction. Customer satisfaction by Kotler et. al (in Tjiptono, 2008, p.169) is the level of one's feelings after comparing the performance (or outcome) he perceives as compared to his expectations. According to Park (in Hasan, 2009, p.57) customer satisfaction is a consumer feeling as response to the product of goods

or services that have been consumed. In general, satisfaction can be interpreted as a comparison between services or results that consumers receive with consumer expectations, services or results received at least must be the same as the expectations of consumers, or even exceed it. According to Tjiptono (2017, p.143) quality of service should start from customer needs and end with customer satisfaction and positive perception of service quality. According to Tjiptono (2017, p.139-140) quality if properly managed, contributes positively to the realization of customer satisfaction and loyalty.

The food-and-beverage industry includes all companies involved in processing raw food material, packing, and distributing them. This includes fresh, prepared foods as well as packaged foods, and alcoholic and nonalcoholic beverages. Any product meant for human consumption, aside from pharmaceuticals, passes through this industry. The food and beverage industry are divided into two major segments. Those two segments are production and distribution of edible goods. Production includes the processing meat and cheeses and the creating of soft drinks, alcoholic beverage, packaged foods, and other modified foods. The production segment of this industry excludes foods that were directly produced via farming and other forms of agriculture, as those are encompassed by our definition of the agriculture industry. Distribution involves transporting the finished food product into the hands of consumers. Distribution includes companies that ship food to retail outlets, restaurant, or directly to consumers.

Food and Beverage business are now so booming in Indonesia especially in Medan, we can see that there are so many new cafés in Medan and we can easily find any café now in every corner in Medan and always come with new innovations. Caffein Time is one of the newcomers in this industry with a concept of a cozy place to hang out or working with their specialty, which is coffee. One of the challenges in this business is their service quality because there are so many new

cafés as the competitors; that is why service is playing an important role because, by having such a good quality of service, Caffein Time can gain the customer satisfaction and even loyalty. That's why the writer title should be **“The Effect of Service Quality toward Customer Satisfaction at Caffein Time Medan.”**

1.2 PROBLEM LIMITATION

Due to the limitation of knowledge, the writer limits the subject of this final *skripsi* paper with the purpose to make the writer easier to proceed in research. For variable x, which is service quality, the writer will focus on the dimensions of the service quality including reliability, responsiveness, assurance, empathy, and tangibles. For the variable y, which is customer satisfaction, the writer will focus on the customer satisfaction level. The discussion of these two variables will also be limited to Caffein Time in Medan only.

1.3 PROBLEM FORMULATION

Based on the background of study, the problem formulation in this research paper are as follows:

1. What the customers think about the service quality of Caffein Time?
2. How is satisfaction of the customer in Caffein Time?
3. Does service quality have effect on customer satisfaction at Caffein Time?

1.4 OBJECTIVE OF RESEARCH

The objective of study in this research are the following:

1. To find out the standard of the service quality of the Caffein Time.
2. To find out the customer satisfaction in Caffein Time.

3. To find out if there is any effect of service quality on customer satisfaction at Caffein Time.

1.5 BENEFIT OF THE RESEARCH

In this research, the writer hopes this paper can be useful for the readers or other parties and provide benefits that can be seen from two sides, as follows:

1.5.1 THEORETICAL BENEFIT

By this paper, it will give benefit to readers / future researchers that need references in the future about service quality toward customer satisfaction. This paper will also provide knowledge and information to the reader.

1.5.2 PRACTICAL BENEFIT

On this paper, Caffein Time or other companies that have the same problem in service quality could be recommended on how to improve their service quality.

1.6 SYSTEMS OF WRITING

The final paper will consist of five chapters with systems of writing as follows:

CHAPTER 1 : INTRODUCTION

This chapter is explaining about the reason of this final paper: background of study, problem limitation, problem formulation, objective of the research, benefits of the study: theoretical benefit and practical benefit, system of writing.

CHAPTER 2 : LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter contains of the grand theories and the supporting theories that relate to the topic especially about service quality that effect to the customer satisfaction at CaffeinTime, previous research, hypothesis development of the topic, research model to be used, and framework of thinking.

CHAPTER 3 : RESEARCH METHODOLOGY

This chapter contains of description of research design applied, population and sample, data collection method to be used, operational variable definition and variable measurement, and data analysis method to be applied.

CHAPTER 4 : DATA ANALYSIS AND DISCUSSION

This chapter is explaining about general view of “research object”, data analyzing of the result that has been conducted in the research, and discussion of the data analyzing from the research.

CHAPTER 5 : CONCLUSION

This chapter contains the conclusion of the research paper, implication of the research paper, and giving recommendation to the company.

