

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In today's globalization era, a company needs to consider its customer more than ever. The foundation of a business' success is the customer. The development of the business world nowadays has been filled by increasingly fierce competition. This is due to the increasingly wide-open globalization for every business. The challenge of a business has transitioned from product orientation and innovation to customer focus in this era. This has become a challenge and an obstacle as customers nowadays tend to measure and compare which business shows better performance that can deliver value and satisfaction for themselves.

According to Shaham (2016), specified that greater service quality increases consumer satisfaction, loyalty, enhances client retention, boosts profitability, and helps sustainable competitive improvement.

Quality goods and services really give a great influence on business performance. Quality plays a big role as it is aligned with higher profitability and business growth. The organizational profitability and service quality have an indirect relationship as moderated by many types of variables such as customer satisfaction, perceived value, customer retention, operations cost, revenues and market share.

Customer satisfaction is the key component for the success of the business and at the same time it plays a vital role to expand the market value. Companies should consider the wants and needs of customers to be able to reach their expectations and achieve satisfaction. People buy products or services and expect their expectations to be met according to the amount they have because they are looking for a desired result which is both functional and experiential so if the end result provided is not in

accordance with the wishes of customers and they are not satisfied, it results in less loyalty and patronage to the company.

Businesses that are selling service aim to provide the best service possible to satisfy customers as satisfaction is a crucial element that determines the sustainability and growth on company development. On that note, this considers service quality to play an important factor in determining the efficacy of the business.

Quality is a crucial factor to customer satisfaction and to retain their loyalty to encourage repetitive order and patronage in the future. Quality products and service contribute to long term patronage which brings constant revenue and profitability. Having quality products and services enable a company to be able to charge and maintain higher prices. The reason is because quality is one of the main factors in determining product selection for customers. If the product quality being presented is according to the customer's needs, customer satisfaction will be achieved.

Each customer brings in an ideal expectation about the service they would like to receive when they enter a service establishment. Most of the time the service expectation is quite common; they desire quality service. Service quality works as a measurement on how good a service was carried out compared to the expectations the customer has. Any establishments that succeed in meeting or exceeding customer expectations are considered to have high service quality.

Nowadays, being customer-centric should be prioritized and kept in mind when running a business as it is one of the main principles of continuous improvement. In order to be successful in long term, a business should always be constantly evaluating and analyzing customer satisfaction. In conclusion, customer satisfaction has become the baseline of service standards and the measurement of performance excellences for many businesses.

Customer satisfaction is as a measurement and summarization of to which a customer is satisfied with a product and service of the experience.

While a business can have numerous excellent reviews but there will be a couple reviews stating that the services were not satisfactory as the ordering process is slow and some of the employees are unfriendly and discriminative and also lacking the product knowledge of their own products. This is why companies must study and review their customer satisfaction and know what features and attributes of their services and products customers appreciate the most. With the gathered information, the company can establish a degree or measurement of their customer satisfaction.

Nelayan Restaurant was established in 1995 and there are so many branches in Medan and the largest branch in Medan is located at Jl. Putri Merak Jingga No. 8C-D. Nelayan Restaurant Merak Jingga, Medan still lacking in meeting the customer's satisfaction. Some customer left with unsatisfied feeling because of the bad services that makes them always have to repeat their order and to remain them about their orders and also about the lateness of the foods that sometimes took one hour for the food to be serves.

Quality issues are now not only the only weapon of competition but they have become "tickets to be paid" to enter the business world. Moreover, service quality plays a crucial role in making clients happy and persuading them to come back. Based on the reason above, the writer is interested in analyzing how the service quality at Nelayan Restaurant. Therefore, the research is carried out to clear "**The Influence of Service Quality towards Customers Satisfaction at Nelayan Restaurant Merak Jingga Medan**".

## 1.2 Problem Limitation

The scope of the study is restricted to allow the study to be more concentrated and easier to collect and process information. The writer established a problem limitation that addresses the matters relating to the service system to enhance customer comfort and discuss the parts that are

related to service in the business to improve the quality of the service and the things to watch out for the customer to feel comfortable. There are two variables that are being studied in this research, they are:

1. Independent variable (variable X) is service quality, with indicators; Tangibles, Reliability, Responsiveness, Assurance and Empathy.
2. While the dependent variable (variable Y) is customer satisfaction, with indicators; Overall customer satisfaction, Expectation, Interest in repurchase, Willingness to Recommend, and Customer dissatisfaction.

### **1.3 Problem Formulation**

Based on the description on the background of the study, the research question in this study is “Does service quality has influence towards customer satisfaction at Nelayan Restaurant Merak Jingga, Medan?”

### **1.4 Research Objective**

The research objective is to discover whether service quality has influence towards customer satisfaction at Nelayan Restaurant Merak Jingga, Medan.

### **1.5 Benefit of Research**

The benefits from conducting this research are as follows:

#### **1.5.1 Theoretical Benefit**

The result of the research would expand the knowledge in academic area especially on service quality and customers satisfaction.

#### **1.5.2 Practical Benefit**

1. For the writer, this research can provide additional knowledge and experience especially on service quality and customer satisfaction.

2. For the company, this research can provide knowledge to company on knowing how service quality can influence customer satisfaction.
3. For the researcher, this research can be used as reference to future researches that are related with this research topic.

## 1.6 Systems of Writing

The following will be the explanation of the system of writing for this research:

Chapter I : Introduction

This chapter examines the background of study which explain the reason why the writer chose “The Influence of Service Quality Towards Customer Satisfaction at Nelayan Restaurant Merak Jingga, Medan”. This chapter also includes the background of the study, problem limitation, problem formulation, objective of the research, benefit of the research which consist of theoretical benefit and practical benefit and systems of writing.

Chapter II : Literature Review and Hypothesis Development

This chapter consist of theoretical background regarding the definition of service quality, types of service quality, benefit of service quality, maintaining service quality, the dimension of service quality, definition of customer satisfaction, benefits of customer satisfaction, the factors that influence customer satisfaction, the dimension of customer satisfaction, the relationship between service quality and customer satisfaction, previous research, hypothesis development, research model and framework of thinking.

Chapter III : Research Methodology

This chapter discusses about the research design, population and sample, data collection method, operational variable definition and variable measurement, data analysis method, descriptive analysis, mean, median, mode, validity test, reliability test, normality test, correlation analysis test, determination coefficient, linear regression equation and hypothesis analysis.

Chapter IV : Data Analysis and Discussion

This chapter describes general view of research object, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing and discussion.

Chapter V : Conclusion

This chapter will be the brief conclusion of the result of the research, the implication and also the recommendations and suggestions for the future.

