CHAPTER I

INTRODUCTION

1.1 Background of the Study

In today era, business has become one of the greatest choices to increase economy, it can be business through physical store or it can also business through internet. The challenge in business is not starting the business but instead it is how to maintain the business in order for the business to keep doing well and also known by worldwide.

In hospitality industry itself, food and beverage department is one of the major revenue producing departments as it is the department which provides the basic necessity. Food and beverage business is known as one of the profitable business and also a business which has high demand as it provides the basic necessity needed and seeked everywhere.

In determining customer satisfaction, there are five factors which have to be considered by company which are product quality, service quality, emotions, price, and cost. (Lupiyoadi, 2001) Aside, there are nine important elements that need to be fulfilled by company to keep their business running well which are value proposition, customer segments, channels, customer relationships, cost structure, key activities, key resources, key partners, and revenue streams. (The Startup Owner's Manual, Blank and Dorf, 2012)

As customers are the party who enjoy or use the service therefore they have the biggest influence in the business therefore if the company could fulfilled those elements stated above therefore it will give a good impact toward the customer satisfaction and also help to form a good customer relationship and eventually it will turn into customer loyalty.

For instance, casual dining restaurant such as Applebee's which was first opened in 1980 is able to survive for 38 years and as of now there are more than

thousand restaurants spread worldwide due to their good services toward customer and by that it improve and give good impact toward customer satisfaction.

It goes the same with Restoran Ria which Restoran Ria was first operated in 1996. Restoran Ria has been operating for 23 years and it is able to compete with other restaurants. As the amount of restaurants in Medan nowadays are a lot and most of the restaurants serve the same type of cuisines. Restoran Ria can be considered as a long-running restaurant which is consistent in serving the same type of cuisines since they first operating.

Restoran Ria provides both Chinese and Indonesian cuisines however they are more famous for their Chinese cuisines. Aside from functioning as a dine-in restaurant, it is also being use for wedding banquet, birthday party, family gathering, business purposes or other occasions.

Restoran Ria is located in Jl. Letjen MT. Haryono No. 11-15, Medan. The building of Restoran Ria used to be a famous cinema during the Dutch Colonial which was known as Rex Bioscoop however in the 90s, it stopped functioning as a cinema and instead it started functioning as a restaurant which is now known as Restoran Ria.

The reasons why Restoran Ria is used as the object of research are because there are several problems regarding service quality in the restaurant. The problems include the lack of information and knowledge from the waitress therefore the waitress involve less in order taking and most of the time they have to rely on the captain or the manager. By the lacking of information and knowledge therefore customers have to wait for the captain or the manager to take the order and by that it makes the customers have to wait for awhile. The number of waitress in the restaurant are very low therefore customers have to wait for a long time for the waitress to serve the foods or beverages. From the problems above it can be concluded that the training of waiters in Restoran Ria isn't done well.

Aside from those problems stated above, the other problems in Restoran Ria also include the lack of innovation of new menus which they tend to only focus on their signature dishes. Other than lack of innovation of new menus, discount or special offers are only given to the selected customers who personally know the owner or captainwhile for the new customers or the customers who have visited for several times only, the restaurant doesn't offer discount or special offers. The most concern problem in Restoran Ria is the parking space where their parking space can only fit less than 50 cars therefore if there is an event or party happening, customers have to park their car outside and have to walk from outside to Restoran Ria which might not be safe especially during night time.

From background of the study above and also the problems found in the restaurant, the writer is interested in doing a research with the title of **"The Analysis of Service Quality Towards Customer Satisfaction in Restoran Ria Medan".**

1.2 Problem Limitation

This study is limited to the customers who have visited Restoran Ria Medan. The purpose is to figure out the analysis of service quality towards customer satisfaction. The factors in service quality include product quality, service quality, emotions, price, and cost.

1.3 Problem Formulation

There are several problem formulations simplified from the background of study stated above :

1. Does service quality correlate towards customer satisfaction at Restoran RiaMedan?

1.4 Objective of the Research

According to the problem formulations stated above, the objectives of theresearch are :

1. To figure out whether service quality correlates towards customer satisfaction at Restoran Ria Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

It is hoped that the result of this study can be used as a reference for other researchers in the future. This reference can give information and additional knowledgeabout the analysis of service quality towrds customer satisfaction and how do the factors in service quality influence customer satisfaction. Also to figure out how service quality correlates towards customer satisfaction.

1.5.2 Practical Benefit

Restaurant can understand more about the analysis of service quality towards customer satisfaction and also restaurant can improve the factors in service quality in order to improve the level of customer satisfaction.

1.6 Systems of Writing

The systematic outline of writing this research will be listed as follows :

Chapter I   Introduction

This chapter includes Background of Study, Problem Limitation, Problem Formulation, Objective of the Research, and Benefit of Research

Chapter II   Literature Review and Hypothesis Development

This chapter includes the theoretical background of Customer Satisfaction, Basic principles of Customer Satisfaction, Elements of Customer Satisfaction, Measuring of Customer Satisfaction, and Factors that influence Customer Satisfaction, Previous Research, Hypothesis Development, Research Model, and Framework of Thinking.

Chapter III   Research Methodology

In this chapter the writer will explain about the Research Design used in the research, Population and Sample, Data Collection Method, Operational Variable Definition and Variable Measurement, and Data Analysis Method.

Chapter IV   Data Analysis and Discussion

This chapter describe about 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 describe about Conclusion, Implication, and Recommendation.