CHAPTER I
INTRODUCTION

1.1 Background of the Study

Medan is the third largest city in Indonesia located in North Sumatra. Apart from being famous for its tourism sector, Medan is also famous for its culinary sector. Medan visitors, both domestic and international, visit Medan with the same purpose, which is to enjoy Medan cuisine. Among Medan citizens and visitors, Medan is often called as a culinary city where all food and beverages are not only tasty but also affordable.

As one of the regional incomes, nowadays, food and beverages industry is indeed experiencing rapid development. Not only in Medan City, but also the entire territory of Indonesia, considering that Indonesia is famous for its spices used in producing food and beverages. In addition, Indonesians are famous for their friendly manner.

Noticing this condition, many entrepreneurs are interested in starting a business in the field of food and beverages industry. As a business that is not too difficult to build and run, food and beverages industry can also create long-term benefits for entrepreneurs. Food and beverages are one of the main sources of society to survive. It also can be concluded that the food and beverages business is a business that will never go out.

Many Medan citizens establish businesses in the food and beverages sector. This is a challenge for every food and beverage entrepreneur, because the increasingly intense business competition has caused customers to have more alternatives in choosing products with price and service quality. Customers tend to look for the biggest value of a product or service.

Competing entrepreneurs must be able to understand the needs and desires of their customers in order to survive. Entrepreneurs are required to figure out many ways in order to overcome the intense competition by not only focusing on one or two factors that can influence customers to choose that company, but must be able to think of something that can create long-term benefits.

As one of the main characteristics of Medan citizens in choosing a restaurant or café, they tend to choose restaurant or café that has excellent quality in the design, food and beverages, and service quality. Design and food and beverages can always be improved as trend changes and time goes by, but for service quality, this factor must always be maintained so it will not affect the image of the restaurant or café.

Unfortunately, not all entrepreneurs notice the importance of service quality in satisfying their customers. Many restaurants or cafés in Medan are too focused on their goals that only create short-term benefit. This happened in several restaurants and cafés in Medan, where they received bad comments for their poor service quality either from their official website or word of mouth from customers to customers. The incident that is often seen directly by the researcher is the customers expose the poor service quality of the café or restaurant through social media.

Besides, based on the researcher's observation, the problem that was often complaint about when visiting Manna House Café were their services, where ordered food or beverages took a long time to be served. Some customers also complaint about food and beverages taste that did not match the customers' requests or preferences. The researcher also did an observation by going to an official website such as TripAdvisor (2016) and found a comment from a customer who complained about the café service quality. All of these conditions will definitely harm the image of the café.

Low quality will lead to dissatisfaction of the customers which will impact on the other customers. When customers are dissatisfied, they will spread bad word of mouth to at least 15 people, which will then cause the prospective customers choose the competitors (Suatmodjo, 2017; Lupiyoadi and Hamdani, 2016).

By understanding this situation, the researcher is interested in conducting a research entitled **"The Effect of Service Quality towards Customer Satisfaction at Manna House Café in Medan."** The researcher will examine service quality which consists of five dimensions namely tangibility, reliability, responsiveness, assurance, and empathy. Based on this service quality variable, the researcher will find out how satisfied a customer with the café service quality through a questionnaire that will be shared to the customers. The final results of this quantitative research will be calculated to find the effect of service quality towards customer satisfaction.

The reference of this research is the previous research which is used as the basic knowledge of the researcher, that there is a relationship between service quality and customer satisfaction.

1.2 Problem Limitation

In order to obtain satisfactory results of this research, the researcher limits the problem only to service quality towards customer satisfaction. The variables that will be discussed in this research are limited to variable X (independent variable) which is service quality to variable Y (dependent variable) which is customer satisfaction. While the research area will be limited to the relevant area, which is Manna House Café located in Jl. Cut Mutia No.2, Madras Hulu, Medan Polonia, Kota Medan, Sumatera Utara 20151.

1.3 Problem Formulation

According to Uscedu (2019) website, a research problem is a definite or clear expression (statement) about an area of concern, a condition to be improved upon, a difficulty to be eliminated, or a troubling question that exists in scholarly literature, in theory, or within existing practice that point to a need for meaningful understanding and deliberate investigation.

Research problem or what is referred as problem formulation in this research, is a statement or question that will be examined in order to find the results of this research.

By understanding the background of this research, below is the problem formulation question of this research:

"Does service quality effect customer satisfaction at Manna House Café?"

1.4 Objective of the Research

Objective of the research is the goal that is expected to be obtained in the end of a research through the process of finding, developing, and hypothesis testing. The objective of this research is:

"To find out if service quality affects customer satisfaction at Manna House Café"

1.5 Benefit of the Research

The results of this research are expected to provide benefits to the readers both in theoretical benefit and practical benefit.

1.5.1   Theoretical Benefit

The results of this research are expected to be useful for the development of education or the application of further education about service quality and customer satisfaction. In addition, it is also expected to be an additional value for scientific knowledge in the field of service quality and customer satisfaction at food and beverages business in Indonesia.

1.5.2   Practical Benefit

It is expected that the result of this research can provide practical benefit for:

1. Manna House Café; the result of this research is expected to be useful as a strategy to improve service quality in satisfying the customers.
2. Students; this research is expected to be useful as an education in understanding service quality and customer satisfaction in the field of food and beverages industry.
3. Lecturers; this research is expected to be useful in facilitating students in learning the material of service quality and customer satisfaction.
4. University; this research is expected to be useful to provide a reference in improving the quality of education in teaching and learning process conducted by lecturers.
5. Future research, this research is expected to be useful in providing a reference for further research about the effect of service quality towards customer satisfaction in food and beverages industry.

1.6 Systems of Writing

This thesis will be arranged in five chapters, below are the brief descriptions of each chapter:

Chapter I   It is an introductory part which consists of six sub sections and its explanation. The six sub-sections consist of background of the study, problem limitation, problem formulation, objective of the research, benefit of the research, and systems of the writing.

Chapter II   It is the part of literature review and hypothesis development which consist of five sub-sections and their explanations. The five sub-sections consist of theoretical background, previous research, hypothesis development, research model, and framework of thinking.

Chapter III   It is the part of research methodology which consists of five sub-sections and its explanations. The five sub-sections consist of research design, population and sample, data collection method, operational variable definition and variable measurement, and data analysis method.

Chapter IV   It is the part of data analysis and discussion. There are three sub-sections that being discussed in this chapter, consist of general view of "research object", data analysis, and discussion. There are other three sub-sections under data analysis that discuss about descriptive statistics, result of data quality testing, and result of hypothesis testing. In this chapter, data obtained during the research is being calculated and discussed.

Chapter V   It is the last chapter of the research which discusses about the conclusions of the research. This chapter is divided into three sub-sections which consist of conclusions, implications, and recommendations.