

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this globalization era, product or services are important in economic growth. Thus, the development of lifestyle, desire, and appetite create competition between companies to provide the best service quality. Service quality and customer satisfaction are the key for the companies to compete and grow. Companies have to analyze the needs of the society to achieve experience of the services that they expected because the customers' needs and desires come in vary.

The competitiveness of companies, it is required to make improvements especially in the quality of service. By developing a consistently high quality of service, it will help companies to achieve customer satisfaction. The aim of a business is to create customers feel happy because it is very essential to maintain customer satisfaction to boost company income.

Service is the intangible part of a transaction relationship that creates value between a service provider and its customers, client or guest. It means that service is done by service provider to customers, client or guest. Services can be provided directly to customer or for customer, by a person or via technology.

Service industries comes in vary. Government services are courts, employment services, hospitals, military facilities, police and fire departments, portal service, and schools. Private not-for-profit organizations services are museums, charities, churches, universities, foundations, and hospitals. Moreover, a big range of company organizations offering services such as airlines, banks, hotels, restaurants, insurance firms, consulting firms, medical and legal procedures,

entertainment and telecommunications firms, real estate firms, distributors and others (Kotler and Armstrong, 2018).

Service quality can be described as how far the difference between the reality of the customer and the expectation of the service they receive. The target is to provide quality service based on customer expectation. If service that given can meet their needs and expectation, customer will be satisfied then it will create customer satisfaction. Service quality becomes important because it will have a direct impact on the company's image.

According to Supranto in Apriyani and Sunarti (2017), service quality as perceived by customers is from a comparison of what a service business offers, they are expectations and perceptions of service providers' performance.

In order to achieve customer satisfaction, companies must implement a service quality approach in the form of aspects or dimension including Tangible, Reliability, Responsiveness, Assurances, and Empathy. By implementing five dimension of service quality, company will know the result of customer satisfaction from customer who experienced the service (Parasuraman in Kurniawati and Budiadi, 2014).

Customer satisfaction is a situation where expectations, desires, and needs of customers are met. Customer satisfaction is defined after the product or service has been experienced by the customers, customers will compare their feeling before and after experience the product or service towards their expectation. Repeated purchase, mouth to mouth information and loyalty customer are the result of quality of service that will create customer satisfaction.

Service quality and customer satisfaction are linked, the greater the quality of service, the greater the satisfaction of the customers. Thus, an increasingly important system for survival is competitive advantage through high-quality service.

According to Ika Hariyati in Hermawan and Saputri (2014), *“Kualitas layanan sangat erat kaitannya dengan kepuasan pelanggan, karena kualitas layanan merupakan ukuran seberapa bagus tingkat layanan yang diberikan mampu sesuai dengan ekspektasi pelanggan”*.

It can be explained that service quality is related to customer satisfaction because service quality is a measure of how well the level of service provided is able to be in accordance with customer expectations, means that better quality services will improve customer's satisfaction after experiencing the product or services.

If the expectation of the customer matches the service provided by the business, the customer will be satisfied. If the service given does not fulfill the expectations of the customer then the customer is unhappy. If the service exceeds the expectations of the customer, the customer will be highly satisfied.

A highly satisfied customer stay loyal longer, buys more and talks favorably about the company. Dissatisfied customers will not come to get the same service again. Thus, customer satisfaction can increase customer loyalty.

Culinary is one part of a business that keeps growing and widespread in market. Culinary services are companies with very excellent prospects. It leads the culinary service business to become a company that draws a lot of individuals. Competition in the culinary services company is therefore very fast.

Culinary is part of our daily lives where everyone has to consume food. Many restaurants provide various dishes and concept to compete each other so that the customers can get good service quality and the product, and then the customers' feedback will determine the service quality of the restaurants. Therefore restaurants are required to be more attentive towards the customer's feeling and attitudes before and after being provided food and service.

In the culinary business competition, restaurants cannot only depend on the quality of a product, restaurants must also prioritize service quality as a determinant of the company's achievement and quality, where the company's ability to provide quality service to customer and a strategy to survive and succeed in competition (Lupioyadi and Hamdani in Hermawan and Saputri, 2014).

Developing service strategy is a must for company to compete with the competitors, not only relying on prices and products. Without a good quality of service, it will hard for the business to survive. The problem faced by customer is how to choose a restaurant that matches with their expectations.

Grand Maximum Seafood Restaurant is located at Putri Merak Jingga street number 2D Medan, the location of the restaurant is very strategic. Grand Maximum Seafood Restaurant serves Chinese food and seafood. Beside restaurant, Grand Maximum also offers variety of room facilities for celebrating birthday, meeting or group gathering and also wedding event.

Grand Maximum Seafood Restaurant is required to be able to understand what consumers expect from the quality of services provided in order to create satisfaction for their consumers. Related to this, the restaurant will make an effort to improve the quality of service through the use of employees who have high dedication and competence considering that human resources are one of the most important factors in the culinary business.

There are problem regarding service quality at Grand Maximum Seafood Restaurant Medan. Based on the interview with the manager, there are several problems about service quality. Based on finding, the employee is not responsive when customers ask for assistance and also the waiter is lack of initiative regarding the tableware that needed to be change.

This research aims to analyze whether the service quality affect the customer satisfaction at Grand Maximum Seafood Restaurant. It can be measured based on the dimension of service quality, namely tangible, reliability, responsiveness, assurance, and empathy.

Service emphasizes on aspects of customer satisfaction so that it can create loyalty to companies that have provided quality services that satisfy them and maintain the value that has been given by consumers. Customer will evaluate the given product or service by comparing with their expectation. In achieving a high level of customer satisfaction, it will benefit the service provider itself.

Based on the background study, the writer is interested in conducting the research with the title as follows: **“The Effect of Service Quality towards Customer Satisfaction at Grand Maximum Seafood Restaurant Medan”**.

1.2 Problem Limitation

Due to the limitation of time, ability and knowledge, the writer limits the problem to analyze the effect of service quality towards customer satisfaction. Service quality as an independent variable, the indicators is five dimensions of service quality consist of Tangibles, Reliability, Responsiveness, Assurance and Empathy (Parasuraman et al., in Kurniawati and Budiadi, 2014). Customer satisfaction as dependent variable, the indicator is suitability of expectation, interest in revisiting and willingness to recommend (Hawkins and Looney in Saputra et al, 2018).

1.3 Problem Formulation

Based on background of study that has been described above, then the main problem in this research is “Does service quality affects customer satisfaction at Grand Maximum Seafood Restaurant Medan?”.

1.4 Objective of the Research

The objectives of this research is to find out if service quality's dimension that consist of Tangibles, Reliability, Responsiveness, Assurance and Empathy affect customer satisfaction at Grand Maximum Seafood Restaurant Medan.

1.5 Benefit of the Research

The benefits of this research can be seen as follows:

1.5.1 Theoretical Benefit

Theoretical benefits of the research are as follows:

1. This research is expected to give benefit in developing theory about service quality and customer satisfaction
2. This research can give benefit as study materials for student in university
3. This research can give benefit to future researchers that need references about service quality towards customer satisfaction.

1.5.2 Practical Benefit

Practical benefits of this research are as follows:

1. This research can provide knowledge about the effect of service quality towards customer satisfaction
2. This research can be used as a reference for company to improve service quality and achieve customer satisfaction
3. This research can be used as reference for future researcher that conduct research with same topic.

1.6 Systems of Writing

The systems outline of writing in this *skripsi* will be as follows:

CHAPTER I: INTRODUCTION

In this chapter, the writer describes about background of the study, problem limitation,

problem formulation, objective of the research, benefit of research and systems of writing.

CHAPTER II: LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

In this chapter, the writer declares some theoretical background that is related to the topic of the research such as definition of service, quality, service quality, service quality strategy, dimension of service quality, customer, customer satisfaction, dimension of customer satisfaction and restaurant. Besides that, the writer also declares the prior research, hypothesis development, research model and framework of thinking.

CHAPTER III: RESEARCH METHODOLOGY

In this chapter, the writer describes the research design, population and sample, data collection method, operational variable definition and variable measurement and data analysis method.

CHAPTER IV: DATA ANALYSIS AND DISCUSSION

This chapter consists of general view of the restaurant, data analysis consist descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion.

CHAPTER V: CONCLUSION

This chapter explains the conclusion of the problem discussed, implication and recommendation in improving service quality towards customer satisfaction.