

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In recent years, hospitality industry especially the sector of food and beverage is growing rapidly. Every year hundreds of restaurants and cafe continue to establish but not a few also went bankrupt. In the world of hospitality, there is no doubt that customer satisfaction becomes the most important thing which can be the key to getting ahead of the extremely tight competition of the hospitality industry.

Satisfied customers will generally return and become loyal customers to a company while dissatisfied customers will find it difficult to return to the company. Therefore, customer satisfaction is a very crucial component that makes a company last for a long time.

Customer satisfaction can be formed by various factors; it could be a tangible or intangible. Most restaurants in general only focus on the intangible such as the taste of food and drinks but pay little attention to the quality of service provided by the restaurant's employees. Without the intangible such as service quality, it cannot reach the maximum level of customer satisfaction. Customers certainly want to spend some money for satisfaction both in terms of tangible and intangible provided. Especially in the hospitality industry which includes food and beverage sectors, customers will demand higher service quality. Unfortunately, most of the companies do not understand the importance of quality of service.

Most companies still assume that the good products they sold are enough. However, without the quality of service, a company will not achieve the best results. Quite a lot of people run a restaurant and think that it is only important to employ a great chef to produce good food and beverage without paying attention and controlling the services. This causes many restaurants to

go out of business. Service quality is a vital component that makes customer satisfied. Therefore, the writer will discuss about how the service quality has influenced customer satisfaction.

Food and beverage business are expanding in Indonesia, including the city of Medan. This creates a high level of competition in the food and beverage sector. Ondo Grill Batak restaurant Medan, which is one of the most popular restaurants in Medan, has been established since thirteen years ago, precisely in 2005. One of the challenges of Ondo Grill Batak restaurant as a long-standing restaurant is to maintain and improve the quality of their services along with the many innovative newcomer restaurants. Without consistency and improvement in service quality, it can certainly threaten the survival of this restaurant and cause customers to turn to competitors. At Ondo Grill Batak restaurant Medan, there has not been any research conducted on quality of service and customer satisfaction. Therefore, there is no idea about the service quality and the level of customer satisfaction. This restaurant also does not know which aspects of service quality need to be improved to increase customer satisfaction. That is why the author is interested to know about how the service quality influences customer satisfaction at this restaurant. Besides, the owner from the restaurant also supports this research and hopes to be an input for this restaurant. This research is expected to provide information on strengths and weaknesses of the service quality to fulfill what customers need and want so that it can be used as a strategy to improve the service quality and be able to compete with existing markets.

Realizing the importance of customer satisfaction in any business, especially in hospitality industries and their relationship with service quality, the authors are interested in conducting research with the title **“The Influence of Service Quality towards Customer Satisfaction at Ondo Grill Batak restaurant Medan.”**

1.2 Problem Limitation

In order for the research discussion not to be wide, this research will focus on the service quality using the dimension of quality services that was triggered by Parasuraman, Zeithaml, and Berry namely reliability, responsiveness, assurance, empathy and tangibility (Tjiptono and Chandra, 2017) and customer satisfaction by using indicators triggered by Hawkins and Looney in Nuridin (2018), namely conformity of expectation, interest in visiting again and the willingness to recommend.

1.3 Problem Formulation

With the formulation of the problem, it will give the right direction both in collecting and analyzing the data in the research. Based on the background of the study and the problem limitation above, the problem formulation that will be discussed in this study namely “Does service quality influence customer satisfaction at Ondo Grill Batak restaurant Medan?”

1.4 Objective of the Research

Clear objectives are needed to produce a good research. In this study, the author aims to examine the influence of service quality towards customer satisfaction at Ondo Grill Batak restaurant Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

- a. This study is expected to broaden knowledge about management in terms of service quality and customer satisfaction.
- b. Could be used as a review or reference by other researchers for future researches related to service quality and customer satisfaction.

1.5.2 Practical Benefit

- a. To identify the service quality of Ondo Grill Batak restaurant Medan.

- b. To give suggestions to improve the service quality and customer satisfaction at Ondo Grill Batak restaurant Medan.

1.6 Systems of Writing

The following is a description of each chapter:

Chapter I Introduction

The first chapter contains an introduction that explains the background of the study. It also mentions the problem limitation, problem formulation, objective of the research, benefit of the research which consists of theoretical and practical benefit and end with the system of writing.

Chapter II Literature Review and Hypothesis of Development

In the second chapter, it presents the theoretical background which supports this research, consists of the explanation of service, quality, service quality, customer, satisfaction and customer satisfaction. It also explains the dimension of service quality and the indicators of customer satisfaction. Besides, this chapter presents the previous research, hypothesis development, research model and framework of thinking.

Chapter III Research Methodology

In the third chapter, it explains more about the methods undertaken to examine and answer the hypothesis that has been made. Starting from the research design in the form of quantitative, then proceed with population, sample, data collection method, operational variable definition, variable measurement and data analysis method.

Chapter IV Data Analysis and Discussion

In the fourth chapter, it consists of general view of research object, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing and discussion.

Chapter V Conclusion

The last chapter conveys conclusions, implications and recommendations.