

# CHAPTER I

## INTRODUCTION

### 1.1 Background of The Study

Nowadays, business development is very rapid in Indonesia and creates intense business competition. One of the most develops business in Indonesia is the service and culinary business. The most popular service and culinary business for customers is a place to eat and hang out such as a cafe or restaurant. As everyone may know, this kind of service business is increasing year to year because the demand is very high.

There are surely many different reasons why customers choose to visit to a certain cafe. Sometimes they do not have any other choices because other cafe is full, maybe they choose the cafe because they have seen the cafe's service review or maybe because the cafe is well-known cafe so they decide to visit that cafe.

However, the most widely used reason is because the cafe's service quality is better than other's cafe according to some customers. Service quality can be said successful if the service can meet customer expectation. A good service quality could make the customers feel comfortable, feel special and feel that they are being respected as a guest.

A first impression of the cafe is important, no one wants their customers upsets when they visit the cafe, because if the customers is not satisfied with the service, the customers's will not come back again and the worst case, the customers will spread a bad review to other customers and end up the cafe's name will be marked as a bad service quality cafe. Without customers, the business will not exist.

Service quality has been proven to lead to customer loyalty. The most important and easiest way to determine whether the customer is satisfied with the cafe's service quality or not is customer repeat visit to the cafe. Of course the reasons why they come back to the cafe is because they like the cafe's service and this could be called as customer loyalty.

Customer loyalty is very important to every cafe in the world beside customer satisfaction. As everyone know, if the customers are loyal to the cafe, it is a proof that the cafe is performing the service very well. Customer loyalty can be used as a guarantee to attract many new customers from other competitor. Attract customers is difficult, but keeping the customer loyalty is even harder.

Satisfied customers will not necessarily be customers who will be loyal to the company, but loyal customer are sure to be satisfied customers with the service which is being provided by the company.

Country Beerhouse and Garden are located at Putri Hijau Driving Range No 1. This cafe is one of the most well-known cafe in Medan because the place is being consider as a comfortable place to hang out with friends and grab a beer. Nowadays, there is a lot of famous cafe to hang out in Medan.

According to Pratiwi (2019), there are lots of culinary business people who went bankrupt because of the company marketing strategy used was less precise and the quality of service was not optimal. To maintain the cafe from bankrupt, Country Beerhouse & Garden need to increase their service quality which affects customer loyalty.

**Table 1.1**  
**Number of Population at Country Beerhouse & Garden**  
**2018**

<b>Month</b>	<b>Number of Population</b>
January	5.197
February	3.190
March	4.824
April	3.008
Mei	3.091
June	4.784
July	5.046
August	5.317
September	4.142
October	5.160
November	5.931
December	6.891

Country Beerhouse & Garden is used as the object of research because there are several problems in this cafe, such as no one stand by the door for welcoming the guest, escort the guest to their seats and the time gap between when the customer have sat down and employees come to give menu is quite long. This problem indicates that the cafe not being responsive and not giving enough attention to customers while doing their job. This several problems can be categorized as lack of responsiveness and empathy.

Responsiveness and empathy are some elements from five (5) dimension of service quality. According to Parasuraman et al in Tjiptono (2017, p. 196) Responsiveness is a company's ability done by the employees to do fast and responsive service, while empathy is the company's ability to give attention to customers individually, including sensitivity to customer needs.

Because of the problem found in this cafe, the writer is interested in conducting research with the title: **“The Effect of Service Quality towards Customer Loyalty in Country Beerhouse & Garden Medan”**. Not only to solve some problems in the cafe, this research also made to study the effect of service quality towards customer loyalty and to help the cafe to improve their service quality and awareness of the customer loyalty.

## **1.2 Problem Limitation**

This study is restricted for the customer opinion on this cafe while this research is being conducted. In order to achieve the customer loyalty, the cafe needs to know the customer opinion about the cafe to help the cafe improve its service to be better and also to become more aware of the customer loyalty.

## **1.3 Problem Formulation**

The formulation of the problem in this research is:

1. Is there an effect of service quality towards customer loyalty?
2. How to help the cafe to increase its service quality and awareness of the customer loyalty?

#### **1.4 Objective of The Research**

The purpose of the study is:

1. To know the effect of the cafe's service quality towards customer loyalty on the service delivery department in Country Beer House & Garden
2. To help the cafe increase its service quality and understanding about customer loyalty.

#### **1.5 Benefit of The Research**

1. To know the importance of service quality
2. To know and aware of customer loyalty
3. To know the relation between service quality and customer loyalty

This research also gives different benefits towards different party, such as:

##### **1.5.1 Theoretical Benefit**

In this research the theoretical benefits give different impact to various parties:

1. For the researcher, to find the proof that there is a relation between service quality and customer loyalty.
2. The result might be helpful, can be used as guidance and as a reference for the next researchers.
3. This research could be useful for the readers to help understanding more about the importance of service quality which could lead to customer loyalty.

##### **1.5.2 Practical Benefit**

In this research the practical benefit could help the company to understand and improve their performance to be better.

1. This result may help the company increase their service quality better than before.
2. This result may help the company to become more aware of their customers' needs.

3. This result may help the company to understand the importance of customer loyalty.
4. This result may help the company to understand several factors that cause of poor service quality and some strategy to make the service quality become perfect.

## **1.6 Systems of Writing**

For better understanding, the materials which will be listed in this report are grouped into several sub chapters with systematical submission as follows:

1. Chapter 1. Introduction.

In the first chapter, it begins with an introduction, which explain briefly about the research's background of the study, followed by problem limitation explaining the restricted study of this research for customers, followed by the problem formulation giving a question which will be answered in this research, followed by objective of the research also explain benefits of the research which briefly explain the benefit of doing this research for a different party. Last is a system of writing which explain briefly about all the chapters.

2. Chapter 2. Literature Review and Hypothesis Development.

In the second chapter, explaining briefly the theoretical background, such as the definition of the service quality and customer loyalty also the indicator for both service quality and customer loyalty, followed by at least five previous researches which the year of the study is not more than five years. There is also Hypothesis development, Research model and Framework of thinking.

3. Chapter 3. Research Methodology.

in the third chapter, starts with research design which talks about the types of research which is being used in this study, followed by the population and sample, what type of the data collection method which is being used in this research, Operational Variable Definition and Variable Measurement and lastly Data Analysis Method which explain about the analysis about the data which have been collected.

#### 4. Chapter 4. Data Analysis and Discussion

In the fourth chapter, it starts with the general description of the research object which in this research will be Country Beerhouse & Garden followed by data analysis which show how the data is being analyzed. Last is Discussion which explains about the answer from problem formulation.

#### 5. Chapter 5. Conclusion

On the fifth chapter, it starts with the conclusion of the research and shows whether the hypothesis is accepted or rejected, followed by Implication which explain the impact of this research. Last is recommendation which contains suggestion to the cafe what need to be improved to make the service quality better than they used to.