

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Businesses always settle in such an immense strive to attempt and win over new customers in the market. Hence, some details may be forgotten such as taking care of the existing customers

The service sector is becoming increasingly important in the economy. Service industry continues to grow that made the competition even tighter . As the competition is boosting up, the relationship between customer satisfaction and loyalty shall be deepens, particularly in service industry (Leninkumar, 2017). According to Landman (2020), hospitality business is the part of service industry that comprises five main sectors that include lodging service, food and beverages (F&B) service, events, tourisms and transportation. The core of hospitality industry is to provide both products and services to individuals which accommodate in best service to deliver customer satisfaction which then they could be loyal. Nowadays, F&B service has been increasingly expand throughout Medan area. Numerous of start-up F&B Business such as restaurants, bars and coffeeshops have recently entered the market. Consequently, they should thrive in the market and compete with the former F&B businesses. Due to that scenario, it is forced the start-up businesses to consider more towards customers' satisfaction.

There is no such a thing called a business when there is no customers. Every business earns money from customers. In a perfect world, when customers are contended, they tend to keep revisit and refer to their friends about the experiences. Thus, customer relationship has to be settled. On that account, Customer satisfaction is essential for the long-term on going positive customer relationship. To always satisfying customers is such a challenging matter as customers' needs have always been changing constantly. It is claimed that 81% of satisfied customers with a positive experience are tend to return, while 95% of unsatisfied customers are more likely to "take action" in sharing concerns with the others. Thus, customer satisfaction has to be aware due to thrive in the competitive market (Chambers, 2020). Moreover, it is claimed to be lower cost to keep customer contended than attempting to acquire new customers.

The ongoing satisfaction level generates to loyalty. Speaking of which, loyalty is a worthy goal to be achieved. The White House Office of Consumer Affairs evaluated that "loyal customers are worth 10 times than their initial purchase value.

Many researchers evidently confirmed that the relationship between customer satisfaction and customer loyalty is strongly related. When a customer is satisfied, they are more likely to be loyal with or without the mediation of other variables. With this in mind, listening & focusing on the existing customers and enhancing customer loyalty should be a main priority.

As Zhong & Moon (2020) stated, "Satisfied customers tend to repurchase products and become loyal customers, and they are positively engaged in

recommendations to other customers and less sensitive to price. Moreover, once customers are satisfied with a product or brand, they are more likely to recommend the brand to others, and are more likely to repeatedly purchase that product instead of switching to other alternative brands.”

Based on the results that I have observed and along with some interview with several guests in Amergency Bar Medan. Both customer satisfaction and customer loyalty levels can be described as follows:

1. There was a customer who complained that the service provided by Amergency Bar Medan is not optimal enough, especially for the guests who come alone. There are no employee or special staff who accompany the lonesome guest to chat or to drink with. This is very different from the services provided by similar bars abroad. Therefore, Mr Vinson claim to be less satisfied with their service as he came by alone.
2. A group of youngster claim that the event held at Amergency Bar Medan is less attractive and quite boring due to the absence of new concept, while only performing live music all night long or just sit and drink. Thus, they asserted to be less satisfied with the atmosphere and they are not returning back to Amergency.
3. Mr. Wandy claimed that he wished Amergency has a Loyalty Program so that he could be happily return to Amergency as the program may give him some benefit for the upcoming visit such as some free items or discounts.

Based on the phenomena described above, the researcher wants to specifically analyse the influence of customer satisfaction towards customer loyalty

and thus write it in this research entitled “**The Influence of Customer Satisfaction Towards Customer Loyalty at Amergency Bar Medan**”. If this relationship is genuine, managers can clearly comprehend the sources of both customer satisfaction and customer loyalty to correctly provide the improved service to the customers.

1.2 Problem Limitation

This research has some potential of limitations. First, I used the convenience sampling to find out volunteers in answering the provided questionnaire. Thus, it was only limited to the guests that have visited Amergency under one month of timeframe. Second, especially during this pandemic of covid-19 it limited myself as the author to discover and experience more about the operational situation in Amergency. Lastly, it was only limited to disclose the influence of customer satisfaction (independent variable) towards the customer loyalty (dependent variable) at Amergency Bar. As according to Afilia (2016), the indicators of customer satisfaction are (1) Suitability of expectation; (2) The interest of repurchase; (3) The willingness to recommend. Moreover, according to Wahyono & Nurianah (2020), the indicators of customer satisfaction include (1) Repeat Purchase; (2) Retention; (3) Referrals.

1.3 Problem Formulation

Based on the description on the background of study above, the problem formulations in this study are as follows:

1. How is customer satisfaction at Amergency Bar Medan?
2. How is customer loyalty at Amergency Bar Medan?
3. Does customer satisfaction have influence toward customer loyalty at Amergency Bar Medan?

1.4 Objective of the Research

The research objective are as follow:

1. To discover the level of customer satisfaction at Amergency Bar Medan.
2. To discover the level of customer loyalty at Amergency Bar Medan.
3. To discover whether customer satisfaction has an influence towards customer loyalty at Amergency Bar Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

Theoretically, the results of this study are expected to be useful to strengthen the theory in hospitality and marketing, especially about the influence of customer satisfaction towards customer loyalty.

1.5.2 Practical Benefit

The practical benefits expected from this research are as follow:

1. For the reader

This research can provide an overview and knowledge about a service sector business in accomplishing customers satisfaction to raise It is hoped that this research result can be used as a source of reference for the future researchers.

2. For future researchers

It is hoped that this research result can be used as a source of reference for the future findings especially in the research of the relationship of customer satisfaction and customer loyalty or the influence of customer satisfaction and customer loyalty in a business

