

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nowadays, the café has become a famous place in Medan, Indonesia. Usually, people go to cafes to chat with a friend, enjoy live music, enjoy coffee or tea, and take photos for the update to social media and more. They are not only famous in food and beverage but also in the atmosphere and their service is no less good than other restaurants that are famous for their service. For Instagrammer highly recommend going to the café there are so many spot photos that can be taken and for updates to social media. This is a good opportunity for any café there are so many spot photos that can be taken and for updates to social media. This is a good opportunity for any café to increase business. In addition, they always update the songs they play to make customers feel relaxed and of course, they will enjoy the song. Plus, if they always issue a new menu every month or year that is not owned by other cafes, customer will be curious and come again to the café. Every business, they always try their best ways to attract customers and when customers not interested with their café, they will make it new things to attract customers. For cafes, they make it an aesthetic atmosphere and create a new menu than customer will come again.

Medan, North Sumatera is one of the largest cities in Indonesia. The number of ethnicities and tribes in Medan causes Medan's culinary have various kinds. From Chinese cuisine to Archipelago and Middle Eastern cuisine can be found in Medan. It is not wrong to say that Medan is one of the culinary paradises in

Indonesia. As one of the largest cities in Indonesia. Medan is one of the tourist destinations that should not be forgotten when visiting Indonesia. With a variety of culinary delights, Medan has characteristics that set it apart from other cities in Indonesia.

The impact of Medan, one of the culinary paradises in Indonesia, causes culinary to be an attractive business for residents in Medan because besides producing high profits, food is also a basic necessity for everyone. If seen from the population in Indonesia, especially Medan, the potential for culinary business still very larger. This shows that the growth of the culinary business is increasing every year. Business people and entrepreneurs see the business potential in Medan, there is by opening a place to eat business like café. This can be seen from the number of restaurants and restaurants in the area of Medan developing very significantly. The increasing number of restaurants has led to increased choices for customers. Customers who choose a restaurant as a place to eat not only pay attention to the quality of the food but also the quality of service under expectations. Therefore, managers must provide the right quality of service to compete with other restaurants in grabbing customer buying interest and ultimately increase customer loyalty.

Service quality is a measure of how well the level of service provided can be under customer expectations. Quality in the service industry is the presentation of a product or service according to the size applicable at the place where the product is held and delivery is at least the same as desired and expected by customers. Quality of service has a close relationship with customer loyalty. These factors make customers closely related to business people, while business people must find out more about each customer's expectations. That's one useful way to increase the number of customers. Quality provides an encouragement to customers to form a strong bond with the company. In the long run this kind of bond allows the company

to carefully understand customer expectations and their needs. Thus, companies can increase customer loyalty through the provision of pleasant services that will certainly create high loyalty to customers of the company.

Good service can determine customer loyalty through service quality with indicators tangibles, reliability, responsiveness, assurance, and empathy. According to Parasuraman in Rizki Faiz Al-Haqam and Arif Yusuf Hamali (2016, p.204), service quality is expressed by understanding the quality term defined from “zero defect”. That means doing it right the first time. Quality also means compliance with requirements. Quality is measured by counting internal failures such as business activities before products are sold and external failures such as business activities after products are sold. The definition of service quality that contains three basic understandings that must be recognized for all understandings of service quality, is called three well-documented service characteristics, there are intangibility, heterogeneity, and inseparability.

Customer loyalty is one of the main factors in the food and beverage service industry. Loyalty is a customer’s trust in the products offered by the company, which leads to the desire to make repeat purchases. Customer loyalty is seen as one of the main indicators of company success and is an aspect of the business system that is significantly influenced by the level and degree of customer loyalty. The high level of competition in the restaurant business like café causes the vulnerability of customers to offer from each business. Every business, especially café, tries out to offer high value with different concepts that make it difficult to find customer loyalty in one or several cafes. Strong competition makes customer loyalty decrease, customers are no longer looking for cafes that can

only provide products or services, but can provide more value for customers.

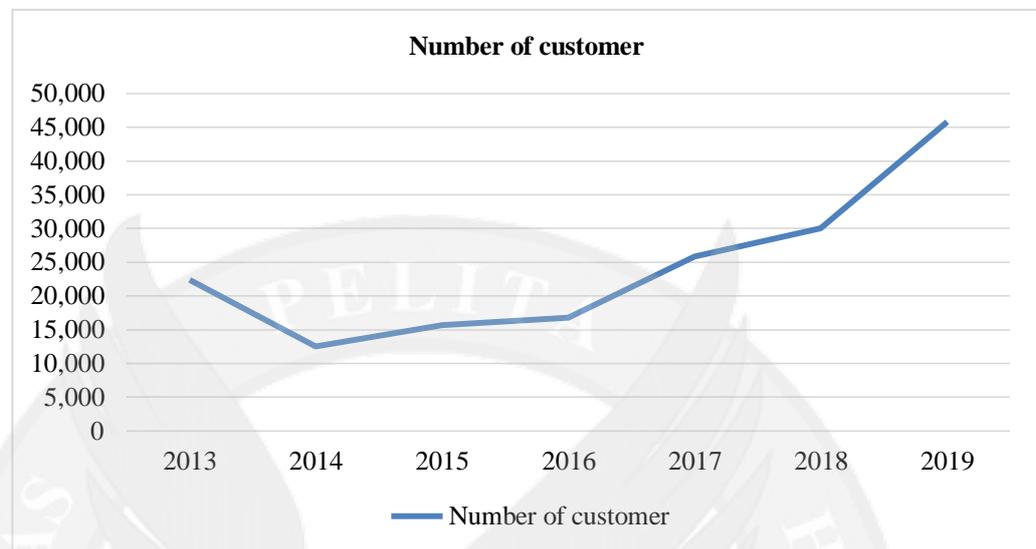
The Thirty Six is located in Jalan Multatuli No.36, Kec. Medan Maimun, Medan City, North Sumatera 20151 is one of the cafes in Medan that faces competition in the business world. As the object of this research, The Thirty Six is engages in Food and Beverage industry. The Thirty Six location occupies the most strategic position in the Multatuli area with a large parking location and spacious café space. This café divided 2 types, non-smoking AC and open space located behind the house for smokers. Behind the house has a large place that can also be used as an event. The Thirty Six Café serves more as Western-style cuisine. The best-selling menus are Spaghetti Aglio Olio and Egg Benedict. The following data is the number of customers from 2013-2019.

**Table 1.1 The Number of Customers of The Thirty Six Medan**

<b>Year</b>	<b>Number of Customer</b>	<b>Changes</b>
2013	22.345	-
2014	12.520	-78,47%
2015	15.675	20,13%
2016	16.739	6,36%
2017	25.829	35,19%
2018	30.031	13,99%
2019	45.789	34,41%

Source: The Thirty Six Medan (2019)

The number of customers in year 2013-2019 can be seen as follows:



**Figure 1.1 Number of Customer in Year 2013-2019**  
Source : The Thirty Six Medan (2020)

Based on the table above, it is known that there was a very significant decrease in the number of customers of The Thirty Six Medan in 2014, which was allegedly due to decreased customer loyalty, which is known from customers only visiting once a month, even never coming again the next month. Customers who come, rarely bring friends or relatives to introduce the café. This is due to the gap between customer expectations and the quality of the café. In 2015, the company tried to change the form of services provided so far. Slowly but surely, there is an increase in the number of customers, although it has not been able to exceed the number of visitors in 2013. The cause of decreased customer loyalty is thought to be influenced by the service quality variable.

To find out the quality of service to customer loyalty to the company, the company measures the quality of service using 5 (five) dimensions including physical evidence, reliability, responsiveness, assurance, and empathy. The results of preliminary research, the authors found service quality problems at The Thirty Six Medan,

there are the waiter seemed no greeting when customers came and sometimes orders ordered took a long time to arrive at the guest table.

Based on description above, the writer wants to conduct the research with title “**The Influence of Service Quality towards Customer Loyalty at The Thirty Six Medan.**”

## **1.2 Problem Limitation**

Due to the limitation of time, the writer limit on the waiter seemed no greeting to customers with the indicator Tangible, Reliability, Responsibility, Assurance and Empathy in service quality and customer loyalty in indicator Make Regular Repurchases, Make Purchases Between Product Lines and Services, Recommend to Others, and Demonstrate Immunity from The Appeal of Similar Products from Competitors.

## **1.3 Problem Formulation**

Based on the background study above, the writer can take problem formulation as follows:

1. How is the service quality at The Thirty Six Medan?
2. How is the customer loyalty at The Thirty Six Medan?
3. Does the service quality have an influence on customer loyalty at The Thirty Six Medan?

## **1.4 Objectives of the Research**

The objectives of this research are described as shown below:

1. To know level of service quality at The Thirty Six Medan.
2. To know level of customer loyalty at The Thirty Six Medan.
3. To know whether there is the influence of service quality on customer loyalty at The Thirty Six Medan.

## **1.5 Benefit of the Research**

This research is expected to provide two types of benefits, which are theoretical benefits and practical benefits. Theoretical benefits will support further studies of similar nature and to develop management theories, while practical benefits will allow the conclusion gained from this research to be implemented by practitioners.

### **1.5.1 Theoretical Benefits**

The theoretical benefits of this research are as follows, gain knowledge and information about service quality will be useful to build insight into the world of Hospitality Industry.

### **1.5.2 Practical Benefits**

The practical benefits of this research are as follows:

1. For writer, this research can gain the writer's knowledge about service quality and know how to build customer loyalty in business.
2. For company, to obtain from this research can improving their service quality is good or not, the service has effect on customer loyalty and the service can increase the sales of the business. Thus, from this research, they can improve the mistake in service quality for the future to increase customer loyalty.
3. For the other research, this research can be used reference to next research that related to this research topic and obtain more understanding about the influence of service quality through customer loyalty.
4. For Hospitality Management Major UPH, add reference to the reader and reference comparison in the same study regarding the effect of service quality on customer loyalty.